

The Assembly met at 2 p.m.

Prayers

ROUTINE PROCEEDINGS

INTRODUCTION OF GUESTS

Hon. Mrs. Smith: — Thank you, Mr. Speaker. On behalf of the Premier today I would like to introduce to you and through you, Mr. Speaker, 10 young men and women from Lampman, Saskatchewan, grade 11 students and they are seated in the west gallery. They have with them today their teacher, Crystal Hermanson and I believe chaperon in the form of Linda Schell. The Premier, Mr. Speaker, will be meeting with these people after question period, and I would ask all members, along with me, to wish these people a productive visit to the Assembly today, a safe journey home. Please welcome them.

Hon. Members: Hear, hear!

Hon. Mr. Martin: — Thank you, Mr. Speaker. It's my pleasure to introduce to you, and through you to other members of the House, some grade 7 and grade 8 students from St. Andrew School, Mr. Speaker, in the Douglas Park area. There are 18 from grade 7 and 11 from grade 8, Mr. Speaker, in your gallery. They are with teacher, Bob Revet and also teacher, Ron Folk. I'll have an opportunity, Mr. Speaker, to meet with these students some time around a quarter to three or 3 o'clock for pictures and drinks and a little discussion after. Please welcome these students from St. Andrew School in Regina, Mr. Speaker.

Hon. Members: Hear, hear!

Hon. Mr. Hepworth: — Mr. Speaker, I'd like to introduce to you, and through you to all members of the legislature, some 23 grade 4 students from Souris School in Weyburn, who are seated in the west gallery. They're accompanied today by their teacher, Shirl Morrell-Johnson; some parents and chaperons, Linda McMurdo, Belinda Morrisette, Helen Satre, Mary Thomas and their bus driver, Linda Schultz.

I'll be meeting and visiting with the students, Mr. Speaker, later on in the afternoon. I hope they've enjoyed their tour of the legislature and that they will find question period interesting. And I would ask all members of the legislature to join with me in welcoming these students to our legislature and Legislative Building, Mr. Speaker.

Hon. Members: Hear, hear!

Hon. Mr. Hepworth: — And while I'm on my feet, Mr. Speaker, if I could, I'd like to introduce as well a couple of other special guests who are seated in your gallery, sir. They are James McCambley who is president of the Canadian Federation of Labour, and Ted Reifferscheid who is president of the Saskatchewan Council of the Canadian Federation of Labour. And they're here today, Mr. Speaker, to be with us during second reading of the amending legislation to The Labour-sponsored Venture Capital Corporations Act. I would ask them to stand and be recognized, and for all members of the legislature to

welcome them at this time, Mr. Speaker.

Hon. Members: Hear, hear!

Hon. Mr. Maxwell: — Thank you, Mr. Speaker. It's my pleasure to introduce to you today, and through you to all members of the Assembly, a group of 22 grade 8 students from Turtleford School in the town of Turtleford. They are accompanied by their teacher, Mr. Bill Kresowaty, and principal Henry Czarnota, who are no strangers, sir, to this Assembly. They come here every year faithfully and bring a group of students to observe our democratic process in action.

They are also accompanied by Mrs. Carol Spencer and Mrs. Sheila McKee.

It is a long distance for those people to travel. As you would know, sir, it's a six-hour drive each way to visit Regina, to visit the pleasures of Regina, and to see this Assembly in action. And we welcome them warmly and hope they have a very sound, safe journey home. Thank you.

Hon. Members: Hear, hear!

ORAL QUESTIONS

Community Development Bonds

Mr. Mitchell: — My question, Mr. Speaker, is to the minister responsible for Economic Diversification and Trade, and it concerns the announcement Friday of a community bond program. Since this program is purported to be a way of putting the levers of economic development back in the hands of the local community, could you explain, Minister, why it is that all projects under \$2 million in value must be approved by an eight-member board established by your cabinet, and any projects over \$2 million must be approved by your cabinet?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, these bonds are guaranteed in principal by the Government of Saskatchewan, and there's an obligation for the government to protect the treasury so that money cannot be invested and guaranteed by Saskatchewan taxpayers without a thorough review. Therefore we have to have a balance between allowing the local communities to do as they please and having the government guarantee protected.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — Mr. Speaker, another question to the same minister. You speak of protecting the people. And the people of this province remember all too well your government's protection in such projects as GigaText and Joytec and Supercart, and cases like that. Since it is your government or its appointees which will have the final say in how this money is to be invested, what guarantees do you offer to the people of this province that you won't get into another project like that? And what

compensation will be offered investors if your government directs their money into more boondoggles of that sort?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, the member of the opposition who is usually quite serious, is just trying to make cheap political mileage from a program that is designed for the people to decide for themselves what is good in their community and on which they will risk the taxpayers' money. There's a review committee to make certain that these projects are commercially viable. That's all there is to it.

There is no guarantee that anything is viable. There's no guarantee that when you seed the crop this spring that it's going to come up. There's no guarantee it isn't going to be hailed out. Nothing is guaranteed. Only death and taxes are certain, Mr. Speaker. I didn't say that first of all, but those are certainties.

What you have here is an opportunity. And I would ask the members of the opposition not to try to make cheap political mileage from an opportunity given to the people of Saskatchewan that those members, when they were in power, never thought of doing. They had to do it themselves from the top down with the government coming down on the people. We're going to let it come from the bottom up, and the government is going to be there to help the people.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — A new question to the same minister, Mr. Speaker. It's not a question of political mileage at all, Minister, it's a question of your horrible record on these economic development matters. That's what's at stake here.

What you're saying in this proposal is that the local governments and the business operators in Saskatchewan are not to be trusted to make sound business decisions. What you're saying is that the only ones who can be left to make that decision is your government, and that's a government which has turned a \$140 million budgetary surplus into a \$4.3 billion deficit. I know you don't like to hear it but it's a fact. And the long-term debt of this province run from 3 billion to \$13.3 billion, and has seen our credit rating fall four times in five years. Just where in the world do you think you get off telling Saskatchewan people that you have more business sense than they do?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, not only do the members opposite have no economic vision for the future, no policy to diversify Saskatchewan, they can't even do their role of critics properly. They can't even criticize properly. They are now saying that we are wrong — listen to this — they are saying we are wrong in supervising where the taxpayers' guarantees are going to go.

That is the job of the opposition to protect the taxpayers' interest. And here they are saying, we are protecting the

taxpayers' interest and that is bad. We have to have a balance. People at the local level will decide what they think is viable in their community and then through business plans and through a committee of review it will be determined whether it's commercially viable or not.

You cannot simply, as the opposition would want us to do, write a blank cheque on the guarantee of the people of Saskatchewan.

Some Hon. Members: Hear, hear!

Mr. Lautermilch: — Thank you, Mr. Speaker. Mr. Speaker, I have a question to the same minister and I would want to say, Mr. Minister, before I begin my question, that you are not unaware of writing blank cheques to certain ministers. Guy Montpetit is clearly aware of your record with respect to that. And that, sir, is why we have some questions in this regard.

Mr. Minister, so much of these bonds and how these bonds work will determine on what is said in the regulations that come out of this Bill, and those haven't been seen yet. If the Saskatchewan people are to become involved in this area, they should know the rules as soon as possible. Will you give this Assembly your commitment that those regulations will be tabled today?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, the members opposite haven't even debated the Bill yet and they want to see the regulations. I will give them an opportunity to debate the Bill. I will give them an opportunity to pass the Bill. I will give them an opportunity to try and understand the Bill. And if they show that they understand the Bill, then I will give them the regulations for them to study.

Some Hon. Members: Hear, hear!

Mr. Lautermilch: — I have another question to the same minister. Mr. Minister, this is not unlike your approach to every other piece of legislation. You draft the legislation so that the regulations can be interpreted to mean whatever you want for the good of your political party. That's the problem and that's why we want to see regulations.

Mr. Minister, one of the reasons we want to see these regulations is because the Act says that the regulations will tell us about the amount of bonds your government intends to guarantee. According to a press report, that'll be in the neighbourhood of around \$20 million.

Can you tell this House, why is it that you have only \$20 million to guarantee investment in every city, in every rural community, in every rural municipality, but you've got \$305 million for Cargill? How can you defend this as being a commitment to community-based development?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, what you have here is a policy where this government is prepared to guarantee that the people of Saskatchewan have economic development. We will start with \$20 million and we will

increase it if the demand is there in the local communities.

And I give the people of Saskatchewan this commitment, that we are guaranteeing in a fertilizer plant \$300 million. If the people of Saskatchewan come up with \$300 million of commercially viable projects, we will guarantee \$300 million in community bonds. We have to see the project. We will give the people of Saskatchewan, whether they are large corporations or whether they are small people, we will give them all equal opportunity.

Some Hon. Members: Hear, hear!

Mr. Lautermilch: — I have another question to the same minister. Mr. Minister, nobody trusts your commitments any longer, and that's the problem that you have.

Some Hon. Members: Hear, hear!

Mr. Lautermilch: — Mr. Minister, there is a real concern that because of the limits on guarantees and because it's you and your cabinet and it's your appointees who will be making decisions as to approval of funds that are guaranteed and ones that will not be guaranteed, there's a real concern that all of these projects may not be treated equally and that your political needs may be the deciding factor in who gets them and who don't.

Can you guarantee us . . . can you give us an assurance today, Mr. Minister, that the people of rural Saskatchewan . . . and will you give us a commitment that this won't be the case, that you won't be just using these for political purposes?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, what the opposition are saying is that this is a good idea, but we didn't think of it, so therefore we're against this. They didn't say there's anything specifically wrong with the program. It's just they didn't think of it.

Now that's not a surprise. What have they thought of in the last 15 years? That's not a surprise to anyone.

This is a good idea. The people of Saskatchewan recognize that it is a good idea. We will give the members of the opposition the regulations as soon as we're ready to give them to everybody in Saskatchewan. And if all that, considering that it's a good idea, the people like it, they will have their regulations for their consideration. Will they give me an assurance that they will give it speedy passage so that the people of Saskatchewan can get on with their own business?

Some Hon. Members: Hear, hear!

Mr. Calvert: — Thank you, Mr. Speaker. I do have a question for the same minister on the same topic. Mr. Speaker, and Mr. Minister, I have in front of me a copy of the Act which indicates that your government may be prepared to cover the . . . to back the principal in the bonds but also may guarantee the rate of interest on the bonds, Mr. Minister. Will you explain to the House today under what circumstances you'll be prepared to

guarantee the rate of interest and who will be determining those circumstances?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, with respect to environmental bonds, we will give consideration to guaranteeing the rate of interest depending on the commercial viability of the project.

Some Hon. Members: Hear, hear!

Mr. Calvert: — Mr. Speaker, supplementary to the same minister. Mr. Minister, who will be making that decision, sir?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Well let me tell you who won't be making the decision, Mr. Speaker. It won't be people who don't believe in a free market economy. It won't be people who believe in a planned economy. It won't be people whose ideas have ruined all of eastern Europe and half of Asia.

It will be people who understand the market. It will be people who understand business. And it will be people who can say the word "profit" without wincing.

Some Hon. Members: Hear, hear!

Mr. Calvert: — Mr. Minister, would you please tell the House in a simple way who will be making the decisions on which projects will have the return, the interest guaranteed?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, if the members opposite would care to read the Bill, it says that there will be an appointee to the committee from the Department of Economic Diversification and Trade. There will be an appointee from the Department of Finance. Logical. One department is trying to get development going; the other one is looking after the taxpayers' guarantee.

There will be two private citizens, as guaranteed in the Bill, who will be chosen by cabinet, as all other committees are appointed. I said who would not be picked, so that leaves a lot of people in Saskatchewan open for selection. And there will be others. Some of them might be from government and some of them might be from the private sector. None of them will be people who don't believe in a market economy.

Some Hon. Members: Hear, hear!

Mr. Calvert: — Mr. Speaker, new question to the same minister. Mr. Minister, this Act and your intention with community bonds removes the community bonds from the regulations of The Securities Act. Mr. Minister, The Securities Act is intended to protect investors in our province. Specifically by removing them from The Securities Act it's open then for you to advertise politically for these bonds, Mr. Minister. Mr. Minister, will you explain why The Securities Act does not apply to

the community bonds?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, the Securities Commission is there to protect the public when there's a public offering from the private sector. What we have here is not protection, but a guarantee from the Government of Saskatchewan. You cannot have anything guaranteed through the Securities Commission, but here there is a guarantee of your principal being returned. Therefore because there is a guarantee, it will be reviewed by a government-appointed committee who is putting up the guarantee. With respect to making profits or returns on your investment, that decision will be made based on public information available to all people in the community.

Some Hon. Members: Hear, hear!

Executive Salaries at SaskPower and SaskEnergy

Mr. Lyons: — Thank you very much, Mr. Speaker. Mr. Speaker, in the absence of the minister responsible for Saskatchewan Power Corporation, I'll direct my questions to the Premier. Mr. Premier, last week in the Crown Corporations Committee the minister in charge of SaskPower tabled documents regarding executive salaries for the top executives at SaskPower and at SaskEnergy for the year 1988. It shows, Mr. Premier, that 23 of those top executives made an aggregate salary of \$2.3 million. That works out to \$100,000 each. I want to ask you, Mr. Premier, are your top executives at SPC (Saskatchewan Power Corporation) and SaskEnergy paid \$100,000 each, or are your buddies, such people as George Hill and Oscar Hanson, paid considerably more? What's the rate for those two men? Are they paid the same kind of remuneration that your buddy Chuck Childers was paid, Mr. Premier?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Well, Mr. Speaker, the member opposite knows that the minister responsible is absent today so I will take notice on his behalf.

Mr. Lyons: — Thank you. Mr. Speaker, a new question then to the minister. Mr. Minister, as you've taken notice, would you also look into the following question. In 1989, one year later, after the \$2.3 million pay-out, the number of top executives rose by six, from 23 to 29, as part of your supposed cost saving measures at SaskEnergy and Sask Power Corporation.

Could you tell us, Mr. Minister, whether or not the annual aggregate salary of top executives of those two corporations rose by the equivalent amount, that is, of \$600,000 a year, to \$2.9 million. Will you find that answer to that question too, Mr. Minister?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Well, Mr. Speaker, everyone knows that those corporations are now profitable. That's one big difference in those corporations in the last three years. And with respect to the details, I will take notice of

the details, but I won't accept the figures thrown out by the opposition.

Some Hon. Members: Hear, hear!

Mr. Lyons: — A new question to the same minister, Mr. Speaker. Mr. Minister, you may say that the corporations are profitable; unfortunately the debt load of those corporations have been taken from the corporations and put onto the backs of Saskatchewan taxpayers. That's a pretty strange definition of profitability in our eyes and in the eyes of the people of this province.

Now given, Mr. Minister, your great pride in this supposed profitability, I wonder, sir, is that pride . . . does that pride extend to the president of Saskatchewan Power Corporation in the form of his remuneration? When you've taken notice of the previous two questions, will you also take notice of this question and come to the Assembly with the answer to it, which is, what is the salary of the president of Saskatchewan Power Corporation? Is he being paid the same 500 to 600 to \$700,000 that your government is paying Chuck Childers? Will you bring that back to the Assembly, Mr. Minister, please?

Some Hon. Members: Hear, hear!

Hon. Mr. Schmidt: — Mr. Speaker, the member is mistaken. There is no additional debt in the Consolidated Fund as a result of SaskEnergy and SaskPower borrowing for a capital construction to provide us power for today and for the future. Now that is a debt that those corporations carry themselves and pay out of their earnings.

The member opposite is mistaken, as is quite common with respect to other matters. He'll get his information in Crown Corporations where he should ask the question quite properly in the first place.

Some Hon. Members: Hear, hear!

Foreign Investment in Saskoil Shares

Mr. Solomon: — My question is to the Premier and it concerns his mania to sell off this province. Mr. Premier, in estimates last Wednesday your Minister of Energy and Mines confirmed that your government is studying at the cabinet level a proposal by Saskoil to open up ownership restrictions on voting shares in the company so that they can be purchased by offshore investors. Will you tell this House, Mr. Premier, what stage those discussions are at and whether you personally as Premier of this province, favour the selling of voting shares in Saskoil to offshore or non-Canadian investors?

Some Hon. Members: Hear, hear!

Hon. Mr. Swenson: — Mr. Speaker, as I indicated to the member last week in estimates — that the resources of this province are developed in many ways and we've welcomed investment from around the world to come and develop those particular resources, and look forward in the future to people coming here and working with us and providing the taxes and royalties which we turn back

into the citizens of this province to do the things that build hospitals and schools and that type of thing.

And then what the member specifically asked me was if that proposal was made — what the process was about. And I indicated to him that such a proposal had come in and it was being reviewed. And the process for review was that it would go through the normal channels and go to cabinet and be a joint decision of government at such time as it was decided. And that's all there was to it, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Mr. Speaker, a new question to the Premier. Mr. Premier, your minister said in estimates that your cabinet is reviewing lifting the restrictions on foreign ownership of Saskoil shares. That's a restriction placed by the government through an Act of this legislature.

Mr. Premier, my question to you is this — will you . . . Mr. Premier, my question to you is this — what is your opinion with respect to the selling of Saskoil shares to non-Canadians? And where exactly in this cabinet shuffle of yours, with respect to this issue, is this issue? Are you in favour of it? And are you going to be reviewing this very important question before the end of July?

Some Hon. Members: Hear, hear!

Hon. Mr. Swenson: — Well, Mr. Speaker, as I indicated to the member last week, that the province's share of Saskoil is greater, greater today than it was at the time that Saskoil was privatized. Saskoil today is probably four times the size that it was when it was a Crown corporation. It has expanded its horizons, diversified its company operations, and indeed has shareholders from all across Canada and Saskatchewan. And I think because of the dramatic growth, the opportunities are there in our province and other places in that particular industry that Saskoil certainly is a good investment for people in this province and other people.

And as I indicated to the member, that that particular request has come forward and it'll be dealt with in the normal due process of government.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Mr. Speaker, I have another question for the Premier, and I would ask him to listen to the question and to consider responding to it. Mr. Premier, your minister during the course of estimates also said that cabinet would be willing to look at proposals to increase the existing 4 per cent ceiling on ownership of Saskoil shares to allow individuals or companies to own more than 4 per cent of the company.

Mr. Premier, is that at consideration as well at the cabinet table, or can you tell us where it's at? And can you tell us if you as Premier would be in favour of this proposal or opposed to it with respect to opening up the ceiling on ownership of shares?

Some Hon. Members: Hear, hear!

Hon. Mr. Swenson: — Once again, Mr. Speaker, I go back to what I told the member in estimates is that Saskoil has shown a great deal of dramatic growth since it became a private company. And you only take the natural gas area, for instance, Mr. Speaker, where Saskoil is now the largest producer of natural gas in our province — a resource, I might remind all members, Mr. Speaker, which wasn't developed prior to this particular administration coming in. The very fact that this government has given Saskoil the tools, the investment tools, to use to go out and be the largest producer of natural gas in Saskatchewan, I think is very significant.

As I've told the member, if there are requests that come in from Saskoil to government in the role that it is going to play in our economy, the role that Saskatchewan shareholders, the Canadian shareholders, that other shareholders may wish to play in Saskoil, and that request will come forward. It will be reviewed by cabinet and the normal course of government will give an answer back to Saskoil.

Some Hon. Members: Hear, hear!

Mr. Solomon: — Well, Mr. Speaker, a new question to the Premier. Your minister just talked about Saskoil being the largest producer of natural gas. I'm not certain how that would sit with the member from Melfort because many people in this province believe that he's the largest producer of natural gas.

My question, Mr. Premier, what is being done by your cabinet right now flies in the face of every promise you made on privatization. You are looking at allowing foreign ownership and you are looking at no limits on the amount of ownership. That in spite of your pledge to Saskatchewan people.

Mr. Premier, if you did it for Saskoil, why should people believe that you won't also change the ownership rules you set for the potash corporation or the rules you have proposed for SaskEnergy if and when you get the opportunity to privatize them?

Some Hon. Members: Hear, hear!

Hon. Mr. Swenson: — Mr. Speaker, it's very evident from the line of questioning from the member opposite that the NDP have not changed their ability to think and move along into the '90s. Saskoil as a Crown corporation was a \$300 million company with modest returns and a modest future. Today Saskoil is four times that. The Government of Saskatchewan has a larger investment than it had when it was Crown corporation. It is a multinational, diversified company that is providing jobs and benefits to the province of Saskatchewan with a brand-new headquarters in downtown Regina.

Mr. Speaker, if the members opposite can't broaden their horizons enough to see the benefits of that type of an operation, then I suggest they aren't fit to govern this province.

Some Hon. Members: Hear, hear!

The Speaker: — Why is the member from Turtleford, the

Minister of Culture, Multiculturalism and Recreation on his feet?

Hon. Mr. Maxwell: — Mr. Speaker, with leave of the Assembly, I should like to make a short, personal statement.

Leave granted.

ANNOUNCEMENTS

Resignation from Cabinet

Hon. Mr. Maxwell: — Thank you, Mr. Speaker. Mr. Speaker, I have been offered and have accepted the position of executive vice-president with the Canadian Wildlife Federation, having competed with over 200 applicants for this appointment.

I shall be resigning from cabinet immediately following question period. I leave with the greatest of respect and affection for the Premier whom I thank for having given me the opportunity to serve the public of Saskatchewan. I wish to thank the people of the Turtleford constituency for having twice elected me to this Assembly.

I want to thank the various members of my staff who have served me and this government with great loyalty and dedication over the years. There have been a number of them. They know who they are; I shall not name them. They have already been contacted by me personally.

And lastly, Mr. Speaker, I want to thank my wife and my family for their support, their encouragement, and their faith in my judgement over the years. And I thank them for their love. Thank you, Mr. Speaker.

Hon. Members: Hear, hear!

Hon. Mr. Devine: — Mr. Speaker, with the indulgence of the House, I would just like to say a couple of things about the minister. And I'm sure members opposite might want to respond as well.

Leave granted.

Hon. Mr. Devine: — Mr. Speaker, I want to say to Colin Maxwell and to his family that the province of Saskatchewan has benefitted immeasurably as a result of the fact that they decided to make Saskatchewan their home. Colin and his wife are immigrants, and they have brought a spirit of enthusiasm and affection and love and desire to the communities that they've lived in in this province that has been unmatched and unparalleled.

It's with sincere regret that I accept Colin Maxwell's resignation. He has been a valued member of our political party and democracy here in the province since 1982, and an important member of cabinet since 1983. It's certainly no surprise to me that the Canadian Wildlife Federation wants Colin Maxwell's service. Our accomplishments in the wildlife area and conservation over the years are in large part, Mr. Speaker, contributed and attributed to Colin's commitment to that vital area.

As a minister, Mr. Speaker, if you'd allow me, he has

overseen the development and the implementation of programs and policies almost too numerous to mention in total. Let me just give you just a few highlights. The designation of 1.75 million acres of Crown land under The Critical Wildlife Habitat Protection Act, probably the most significant wildlife habitat conservation program in the history of Saskatchewan — contributed, designed, implemented to a very large part, significantly implemented by the minister.

The doubling of funding of wildlife component for the Fish and Wildlife Development Fund, now in its strongest economic position in 20-year history, Mr. Speaker. The toughening of penalties for poaching and trafficking violations under The Wildlife Act and the development of conservation officer authorities. They're bringing to 20 the number of important wetlands enhanced under the heritage marsh program. The creation of the integrated forestry wildlife habitat program that Weyerhaeuser Canada and others will develop a forest harvesting strategy that integrates wildlife habitat needs with timber management.

And the raising of public awareness through such innovative programs as the wildlife art contest, project wild for the education of our young people, the video production, water-fowl for tomorrow, which won the Ernest Thompson Seton award for the international association of fish and wildlife agencies.

Most significant, Colin Maxwell's political career has been his role in having Saskatchewan participate in the North American waterfowl management plan. And, Mr. Speaker, not many ministers can look back and see that kind of change. Over a 15-year period this plan will involve \$500 million to be invested in Saskatchewan in the course of restoring North American duck populations.

Well, Mr. Speaker, I said I'd mention a few. Because of Colin Maxwell's involvement, Saskatchewan was the first jurisdiction to commit funding to implement the water-fowl management plan. And I am sure, Mr. Speaker, the same sort of enthusiasm that he brought to cabinet, he will take to his new responsibilities. It is obvious that his departure will be missed. His enthusiasm and his excitement, his love for the province, and his love for all the things that we can do here will be missed.

And may I now just offer my heartfelt thanks to my colleague to express my sympathy that he and Cherry and his family will leave the province of Saskatchewan for Ottawa, and offer in farewell as best as I can some words from the Scottish bard, Robert Burns. Colin:

Hale be your heart, hale be your fiddle;
Lang may your elbuck jink and diddle;
To cheer you through the weary widdle
O' worldly cares,
Till bairns' bairns kindly cuddle
Your auld grey hairs.

Thank you Colin Maxwell.

Hon. Members: Hear, hear!

INTRODUCTION OF BILLS

Bill No. 29 — An Act to amend The Crown Minerals Act

Hon. Mr. Swenson: — Mr. Speaker, I wish to move first reading of a Bill to amend The Crown Minerals Act.

Motion agreed to and the Bill ordered to be read a second time at the next sitting.

Mr. Hagel: — Mr. Speaker, before orders of the day, I would ask leave of the House to make a few brief remarks about Friday's tragedy at the Shand power site.

Leave granted.

STATEMENTS**Shand Power Station Tragedy**

Mr. Hagel: — Mr. Speaker, it was two years ago that this Assembly became the first in the country to recognize the need for a day of remembrance for workers killed or injured at the work place, and Friday's tragic accident at the Shand power plant site brings that action close to home.

When a tragedy of this nature strikes, everyone in the province feels it; whenever men and women are struck down in their prime of life, it touches the heart of each and every one of us. Although we all know and recognize that accidents are a fact of life, we are never able to completely come to terms with the fact that individuals who were simply doing their jobs, can suddenly be taken from us. And what we feel for these individuals is magnified by what we feel for the families they have left behind, people who have lost someone so close to their hearts and so important in their lives.

I express as well, Mr. Speaker, empathy and support for the families and the men who are currently hospitalized as a result of their injuries in this tragic accident. We wish these men a safe and speedy recovery.

Mr. Speaker, the victims of this accident and their families are deserving of every consideration the people of this province can offer them. And in concluding, Mr. Speaker, I invite all members to join me in extending condolences to the victims of this tragic accident and to their families. Thank you, Mr. Speaker.

Hon. Mr. Schmidt: — Thank you, Mr. Speaker. I would like to spend a few minutes adding to the condolences raised by the member of the opposition with respect to this matter.

As the Minister of Labour and the minister responsible for occupational health and safety, I want to also offer condolences to the victims, those that have died, their family members, and those that are injured and are now recovering in hospital.

Nothing can be done to bring back human life on this earth, Mr. Speaker, and so there is nothing that any of us in this Assembly can do to undo what was done in one brief instant on Friday morning. But we can look to the future and try to prevent these types of accidents from

ever happening again.

I can say that the officials from my department were present at the site as soon as possible. They did seal off the site. The RCMP, management officials, and occupational health and safety have been investigating the cause of the accident, not so much as to find blame but to prevent future accidents because some accidents are acts of God. God causes nature to act in its own guaranteed and certain regulated ways and as a result of the things God has given us, sometimes nature causes accidents.

We don't know the cause of this accident, Mr. Speaker. Our investigators are there and will try to determine the cause, and prevent accidents like this from ever happening again. If there is any kind of blame, then I am sure justice will take its course. We would not judge at this time the situation there.

I can say yet, Mr. Speaker, that all of the emergency facilities in Estevan are to be congratulated and thanked for their promptness in arriving at the site. I understand that emergency help was available within 5 minutes and that the entire city of Estevan was mobilized with respect to the emergency situation available there.

It is fortunate, Mr. Speaker, that more people were not killed considering the magnitude of the accident and the speed at which something of this size would fall and hit the ground. It is fortunate that there are not more deaths and injuries and for that we thank God, Mr. Speaker. And our sympathy and thoughts go out to the victims of this particular accident. Thank you very much, Mr. Speaker.

(1445)

ORDERS OF THE DAY**GOVERNMENT ORDERS****SECOND READINGS****Bill No. 27 — An Act to amend The Labour-sponsored Venture Capital Corporations Act**

Hon. Mr. Hepworth: — Mr. Speaker, I'm pleased to rise today and move second reading of a Bill to amend The Labour-sponsored Venture Capital Corporations Act. This Bill expands the government's commitment to the involvement of labour and business development. It introduces a tax credit for Saskatchewan residents, investing in the Canadian Federation of Labour's venture capital fund, Working Ventures Canadian Fund Inc.

In 1986 our government introduced the labour-sponsored venture capital program to stimulate the province's economy and encourage workers to invest in their employer's business or in other Saskatchewan businesses. Its introduction was another example of the recognition by this government that we must promote diversification of the economy through building on our natural advantages, including the commitment and imagination of Saskatchewan people.

The labour-sponsored venture capital program promotes job opportunities. Further, it allows employees to participate in the direction and management of their

companies. Involvement by employees strengthens the individual's interest in the success of the business since they will have a share in the profits earned. It also permits the corporation to expand and diversify since employee investment increases the cash flow of the business and will reduce reliance on debt.

Currently there are two types of labour-sponsored venture capital corporations. Single purpose labour-sponsored venture capital corporations encourage employees to invest in their business so that they can become actively involved in the direction and success of that business. Broadly based labour-sponsored venture capital corporations can also be established to issue equity shares to any Saskatchewan resident employed in the province. The equity raised can be used to invest in a number of different eligible businesses.

Saskatchewan employees investing in a labour-sponsored venture capital corporation qualify for both a provincial and a federal tax credit. The provincial tax credit is equal to 20 per cent of an employee's investment and can be applied to reduce Saskatchewan income tax payable. It is matched by a comparable federal tax credit of 20 per cent. To date, employees of Printco Graphics, DirectWest Publishers, and Media House Productions have taken advantage of the program and are now actively involved in the direction these businesses are taking.

This Bill extends the labour-sponsored venture capital program to include broadly based, federally incorporated labour sponsored venture capital corporations such as Working Ventures Canadian Fund Inc.

Our province was the first province to participate in the Canadian Federation of Labour's venture capital fund working ventures, by providing a 20 per cent tax credit to Saskatchewan participants. In the words of the president of the Canadian Federation of Labour, James McCambly, who I introduced earlier to the legislature today, Mr. Speaker, "the Canadian Federation of Labour established working ventures to encourage average working Canadians to participate in Canada's future economic growth and job creation and to gain the benefits that accompany solid professional investment."

Working ventures will use the proceeds of their share offering to invest in Saskatchewan small and medium-sized businesses. It gives Saskatchewan families the opportunity to participate in the economic growth of their towns, villages, and cities, right in their home province. To date, 700 residents have invested \$1.17 million in working ventures — a tremendous success already, Mr. Speaker.

This Bill introduces amendments required to provide a tax credit to Saskatchewan residents investing in working ventures. It therefore gives me great pleasure to move, Mr. Speaker, Bill 27, An Act to amend The Labour-sponsored Venture Capital Corporations Act, 1990, and that it be now read a second time, Mr. Speaker.

Mr. Shillington: — Mr. Speaker, I think the minister has probably properly described the principle of the Bill. The detail of this Bill is complex and we will want to review

the Bill in the light of the minister's comments, and I'm therefore going to beg leave to adjourn the debate.

Debate adjourned.

Bill No. 28 — An Act respecting Investments by Saskatchewan Residents in Support of Community Diversification and Environmental Protection

Hon. Mr. Schmidt: — Thank you, Mr. Speaker. It gives me pleasure to rise today and speak on second reading, matter of fact to move second reading of a Bill that in short form is called The Community Bonds Act.

I think it's incumbent upon me as the minister responsible, Mr. Speaker, to give a brief explanation of the reason for the necessity of such an Act. This is more, Mr. Speaker, than an Act or a program, but it is an economic policy, part of a greater economic policy that this government is implementing in this province. It's a continuation of many of the things that this government has already done.

And as I go through my speech, Mr. Speaker, you will see that what we have is not a new idea alone but a new idea that fits into the idea that the free market is what drives the world's economy, and that our citizens at the community level should be part of this free market that is a world-wide market in goods and services and products world-wide which we rely on to purchase and which we have to buy with money that we earn in foreign exchange.

And the foreign exchange I'm talking about, Mr. Speaker, is not the British pound or the French franc. Yes, it is part of that. It is also Canadian dollars that flow into this province from Manitoba or Alberta or Ontario, because every dollar that flows across the border into Saskatchewan is, as far as the province of Saskatchewan is concerned, foreign exchange. And we have to earn foreign exchange to pay for our foreign purchases.

Now we're not suggesting, especially while we are in this constitutional debate with respect to the Meech Lake accord, that Saskatchewan is sovereign and that anything from another province is foreign to us, but a dollar earned in Manitoba is as good as a dollar earned in Montana, Mr. Speaker. And that's what we have to realize in this province, that we have to earn outside dollars rather than just exchange the inside dollars which are fewer and fewer these days, Mr. Speaker.

But what we have now is an Act before you, Mr. Speaker, called The Community Bonds Act which we have set out as follows. Community bonds — bonds that build. Now what we have to do in this province, Mr. Speaker, is build an economy, build the basics of an economy that can then pay for the goods and retail services, all of those things that we like to enjoy in our material lives, Mr. Speaker.

Why? Why do we need this kind of a Bill? Well, Mr. Speaker, I believe that the people of Saskatchewan now understand that not only is welfare reform necessary, not only is ecological reform necessary with respect to our environment, but we also in Saskatchewan need economic reform, Mr. Speaker. And this Bill brings

forward a concept of economic reform.

Let us look at Saskatchewan. This province was built on a free market economy based primarily in agriculture. And while our population was sparse, the government of Canada brought in immigrants from all over the world to settle this part of Canada. But they didn't just come here to live. They had to have a purpose, and the purpose was there.

We had some of the best farm land in the world. And the people who came in, I'm sure, Mr. Speaker, some of your ancestors, some of mine, and virtually everyone's ancestor in this Assembly came in and some connection to fine, cheap land, free land, \$10 an acre if you lived there . . . or \$10 for a quarter if you lived there, Mr. Speaker, for three years. That economy that our ancestors built was built on agriculture, and to some extent it was built on agriculture alone. But it was built on a free market economy that worked reasonably well until we got to the great Depression of the 1930s, whereas my father tells me the greatest problem was not lack of crop but lack of price. And my father tells me that even when they had a crop, it was attacked by rust. And my grandfather told me about paying 7 cents a bushel to thrash grain that was worth 5 cents a bushel.

So what happened in that era about 60 years ago, Mr. Speaker, was a trade distortion. Protectionism drove down the world-wide prices and we were reliant on one thing — agriculture. From that time on people in this province, people who started new political parties, people who started new organizations, people who were devoted to co-operatives to build their home community, these people all worked towards the diversification of Saskatchewan.

However over the years, Mr. Speaker, we then came to a political disagreement on how you would best diversify and build the economy of Saskatchewan. Some time after 1946 . . . or some time after 1944 — shortly thereafter, probably closer to 1946 — this province started rolling along on an idea that we would have a planned economy as proposed by Marx in Europe and as was being implemented at that time in only one place, the Soviet Union.

This was before World War II, Mr. Speaker, and at that time Saskatchewan experimented with a planned economy where the government would plan how best to develop and the government would own and operate the means of production. And we went through that experiment, Mr. Speaker, until 1964. Then in 1964 we elected a free market government and went into a phase of building larger projects through the free market economy. And there we had great development in the potash mines, we built a pulp mill in this province, and there was considerable development for that period of time.

Through all of this course, Mr. Speaker, we had originally a free market economy and we experimented with a planned economy. And as a result of that we have not seen significant results, Mr. Speaker. Now you cannot say . . . we will not get into ideology and say that, oh, a pure capitalist economy would do wonders for Saskatchewan.

Because we can look south from here all the way to Texas and we can see states like Oklahoma and Nebraska, North Dakota, South Dakota, Kansas — states that are dependent on agriculture and commodities. Those states have not diversified their economy the way the western states and the eastern states have in the United States.

So you have a situation where in central North America the free market economy has worked reasonably well, but it has not worked as well as it has on the coasts of North America.

Then let us look at the other alternative, and we had an experiment, Mr. Speaker, with a planned economy. This is where the government owns everything and the government plans how best to build things. Mr. Speaker, that has not worked very well in Saskatchewan because we still do not have a diversified economy up until the election of the government of Premier Grant Devine.

But not only has that theory not worked well here, Mr. Speaker, that the government should own the potash mines and the uranium mines and most of the farm land and the pulp mill and the malt plant and the slaughtering plant of Saskatchewan. That theory did not work well here, Mr. Speaker. In the 1980s it was shown to the world that that theory of a planned economy without a market has not worked very well at all in eastern Europe, where my wife still has relatives.

And where you get to a situation that if we think we have it bad here, one of my wife's relatives came here just before Christmas and stayed for a year. She came from Poland — Lublin, the area where her ancestors and my ancestors, not far, in that general area, within a hundred kilometres, our ancestors lived a hundred years ago. And when she came, she came with running shoes, in November. And her uncle said, why don't you have boots? She said, there are no boots to be bought in Poland. It was a bad year for boots.

(1500)

Well that is an example in our own family, Mr. Speaker, of how a planned economy has failed the world, and there is now a consensus that a market economy . . . (inaudible interjection) . . . And the members opposite scoff and laugh about the boots and the lack of boots. I can tell you this: that that relative of ours went back to Poland with two new pair of boots, Mr. Speaker. And she did not, in the following winter, have to go around in running shoes because she bought them in a free-market North America and took those boots back. And the members scoff and laugh again. No, they were not army boots; they have plenty of army boots in Poland, I tell the members opposite. These were fashionable boots like the women of Canada wear today.

So I hope the members opposite would sooner or later learn that the world is changing, Mr. Speaker, and that we are in a situation where those people who participate in a world-wide market economy, those people who are prepared to compete, those people as a whole will prosper. And those people who isolate themselves will be in the most extreme example like Albania.

We cannot isolate ourselves from the world, and therefore, Mr. Speaker, we have to look at what policy, what economic policies can bring Saskatchewan into the future into the world-wide economy.

The government thought long and hard. And the Premier understands the world very well, Mr. Speaker, and the Premier said, we have to find a means to get our people away from simply production of raw products and have them think about ideas for production of finished goods. And this may be the processing of our food, or it may be a manufacture of furniture as is done in your constituency, Mr. Speaker, where a young man with an idea and very little money has already mobilized the community in Dysart, Saskatchewan, to build furniture that is unique and is in demand. And now this young man and the company in Dysart needs more capital to expand that plant to sell to the North American market.

That is the kind of situation we saw, Mr. Speaker, and the Premier said, there has to be a way. And the Premier of Saskatchewan looked at the future and said, part of the future has to be communities building, owning and operating their own factories.

Now we have had various models. We've had co-operatives. We've had planned economies. We've had an open market economy, but what has worked to bring Saskatchewan into the modern world? Well to some extent, Mr. Speaker, the province of Saskatchewan, through joint ventures with corporations throughout this province, has been able to increase economic development, and manufacturing is up in the last six to eight years, approximately 600 per cent.

Now that may not be noticeable to the people because, Mr. Speaker, manufacturing was at this level in 1982 when this government was elected. And if it went up sixfold to that level — and I know we're on television so I won't have to say how many centimetres that is because it's probably only about 12, Mr. Speaker. But manufacture has gone from there, that little bit, to there — about 12 centimetres for *Hansard's* benefit — sixfold.

But agriculture is way up over our head in comparison. It was the lifeline of this province, Mr. Speaker, and agriculture sank down 38 per cent. Now when your manufacturing goes up from there to there it's quite a lot, but you can't notice it, Mr. Speaker. When your agriculture comes down from as high as you can reach to just about here at eye level, and we look agriculture in the eye, and we see that while we have to improve our agriculture — make it as competitive as possible — we cannot simply sell our agricultural products or our mining products or our oil. We cannot simply sell those products to the world for whatever they will pay for us.

Mr. Speaker, this is not something that the Premier or I just thought of. This is something that was taught to me as a young child, that we have to diversify Saskatchewan. But finally, Mr. Speaker, finally we have a government who has before you an Act that will do something about it.

Now we diversified over the years, Mr. Speaker. We diversified by taking a pulp mill that was losing \$91,400 per day — that was my own calculation, Mr. Speaker; I

believe it to be accurate — and we extended it; we sold it to a company that knew how to manage it, a company that wasn't planned by the government. It's a company that knows how to make paper and sell paper.

And we had that company not only buy the pulp mill, but they also built a paper mill. And after they built a paper mill to make paper, then there were markets. And after the people of North America saw how good the paper was, then there was markets for computer paper, so they put in a multimillion-dollar machine to cut this paper into computer paper.

And I have a constituent from my constituency, Mr. Speaker, who is a truck driver, and he has recently got on driving a truck from Prince Albert to Pittsburg, and on his way down he is hauling computer paper from Saskatchewan. And he told me personally, Mr. Speaker, that when he arrives at the warehouse in Pittsburg, Pennsylvania, they open the truck and say, oh good, Saskatchewan paper from Weyerhaeuser; it's the best we ever get in this warehouse.

Now we couldn't do that before, Mr. Speaker, because no matter how much the government planned and planned, the government did not have the expertise to function in a market economy. We are politicians, Mr. Speaker, not marketers and producers of paper.

And the examples go on and on. The government used joint ventures. In this case we sold the mill to people who knew how to run it.

We used joint ventures with respect to the NewGrade upgrader just here on the outskirts of Regina. The government has a 49 per cent position, or 50 per cent, but not control. The control is in the hands of a co-operative that built that plant many years ago, a co-operative that has never been able to expand outside of Saskatchewan, so they were down to one little old refinery.

As a result of the joint venture where the people of Saskatchewan now own 49 or 50 per cent of that upgrader, that refinery has been rebuilt; its future is secure. The Government of Saskatchewan took equity in that plant.

The Government of Saskatchewan is also taking equity in the Saskatchewan fertilizer company half-way between here and Moose Jaw — closer to Moose Jaw — at Belle Plaine. This is a joint venture where the government owns 49 per cent but does not control that particular plant. It is a joint venture where the government is guaranteeing some of the debt so that it can be financed at a reasonable rate on the international market. And when money is made at that plant the government will share in 49 per cent of the profit, Mr. Speaker. There again, we are sharing with a company that has marketing ability world-wide. Mr. Speaker, what we are looking at is a government acting as a catalyst to get business going.

Now I've referred to some of the larger projects, Mr. Speaker. The government has shared in smaller projects. For example, in the constituency of Melville there is a Saskatchewan company that started at Humboldt, that has its head office in Regina, and it's called National Pig

Development Canada. Now they took an idea from a company in Great Britain called National Pig that develops genetically superior hogs. And they bought the Canadian franchise for that particular genetic pool and then they saw potential for exporting these super-hogs, as you might call them. They are very lean, and in today's market that's what people want. Now even as a little boy everybody who knows me knows I didn't eat fat, so I'm very much interested in super-lean pigs because I've never eaten fat in my life. In any event, Mr. Speaker, now I am not alone; millions of other people do not like to eat fat.

This company needed to get some equity in order to build their nucleus unit for 520,000. The Government of Saskatchewan through the agricultural development corporation took 47 per cent interest in this company. We do not own it, we do not ever want to own it, and our 47 per cent is for sale — just as it is in a Saskatchewan fertilizer company, just as it is in the upgrader that's being built at Lloydminster where the province of Saskatchewan, the province of Alberta, the Dominion of Canada, and Husky Oil are joint venture partners.

Our interest is to get things going and then sell our share and put that money into new diversifications in Saskatchewan. Now this has been done at larger levels and at smaller levels. With respect to National Pig Development, that's an example of government equity at a smaller level and a smaller project on a collection of pig farms that cost about \$2 million. So our equity would be about a million dollars.

And as the government looked at these plans, more and more smaller organizations from smaller communities came to us saying, we would like to also have an investment whereby we would have the security of a government guarantee and we will do the small projects for ourselves in our own community. And so the government looked at this and said, all right; the Premier said there is a need for a Community Bonds Act and community bonds.

And these bonds work in the following manner, Mr. Speaker: there is approximately — we don't know exactly because we are not a government that has access nor would we want to have access to everybody's personal financial information — but there are approximately \$10 billion in savings that are held by Saskatchewan people. And most of that money is put to work in other provinces and even in other countries.

And you know that our banks have foreign debts. Well that is Canadian money that they lent on those foreign debts. And what we have, Mr. Speaker, is no control. And I grew up this way. I was always told we have no control over our local investment or where our money goes because the big banks out of Toronto decide where our money should go.

Well the Premier and this government has a vision that people should be able to direct their savings towards building in their own community. To that they should have some guarantee.

Now if you put your money in a bank, you have a

guarantee that up to \$60,000 you will get your money back. With respect to this particular initiative, Mr. Speaker, the province is prepared to guarantee up to \$50,000 per family or legal entity so that our citizens can safely invest in their own community knowing that they will not lose their principal sum, but risking their profit. They're not guaranteed to make any interest; they're not guaranteed to make a profit.

And the members opposite have already said today, well why don't you guarantee them a return? Well, Mr. Speaker, this is the old kind of thinking where the government does it for the people. We are prepared to share the risk with the people.

What you have had traditionally in Saskatchewan is people like myself and my family and thousands of other people in Saskatchewan were not prepared to put their money at the risk of others, at the risk of strangers, at the risk of people operating out of Toronto. So we'd like to invest in something we understand, something that we can have some say in. So they put it into the wheat pool and they put it into the co-ops and they got some good things going. But there is no vehicle for them to put additional money into their own community to build jobs for their children or their grandchildren.

What you have then is a . . . the members opposite, when they were government, they said: the government will do it for you the people; we will risk your money and we will manage it for you. So your tax money was put at risk by the government and the government said: we the government know best how to manage your money.

This is a new concept, Mr. Speaker. What we have here is shared risk. The province of Saskatchewan will take the risk for the principal investment and the people of Saskatchewan, at the community level, will take the risk for making of a profit, and there will be no limit on how much profit they could make. And if everyone could double their money we would be very pleased, Mr. Speaker. Of course, that will not be the reality. But we would be pleased. We do not want to hold anyone back from prosperity.

The people of Saskatchewan will put their money into these bond corporations and one bond, one vote, will have control over how their money is invested and they will have control over how they're going to manage the business to make a profit for themselves and for their community as a whole, Mr. Speaker.

Well the question then arises: what is the role of government? If it not to own and operate, if it is not to control, if it's not to plan the economy, and if it is not for the government to stand back and say: oh, well it's a free market economy, we wash our hands of this, good luck people — neither of those have worked very well in Saskatchewan in their purest form.

Let me put it so that everyone can understand, Mr. Speaker. Pure capitalism has not served Saskatchewan as well as we would like, and pure socialism has not served Saskatchewan as well as we would like. I believe, Mr. Speaker, what we need is to really find the role for government. We know what the role of the people is. The

role of the people is to go about their business. If they're given the opportunity to make profit, they will make profit and they will create jobs.

The role of the government, Mr. Speaker, I believe is to be as a catalyst to help the people get things going and to get out of it, and help other people get things going and get out of that. And not everything will be successful, Mr. Speaker. There is always a risk. Now the principal will be safe for the people, but they will have to make their own money based on the capital they've put in, guaranteed by the government.

(1515)

The government's role is to act as a catalyst. Through this Act, The Community Bonds Act, the government will guarantee the principal. The government is a catalyst.

I wouldn't encourage people to put their last dollar into a community bonds corporation. What I'm saying is that if you have \$10,000 in the bank or \$50,000 in the bank, take 10 or 15 per cent of that and invest it in your own community rather than have the banks build bigger and bigger towers in Toronto and Vancouver and have your children move to Vancouver because that's where the banks are putting your money. Take a little bit of your money and put a little bit of it at risk with respect to how much you're going to earn. Do not think immediately, will I make 13 per cent in the next year? But say, can I make a small amount? Can I make a big amount if it goes well? But can I have control over it? Can I have participation in my own community? Because that 13 per cent you might get on a term deposit today is going to look awful small if you've got to carry the whole tax burden in your little community next year and the year after.

I mean people have to look ahead. They have to look ahead at to what are they doing for their community and will an investment today pay dividends three years from now. Will it save their community? Will it keep their taxes down? Will it build their tax base? People have to have some vision.

The people of this province, Mr. Speaker, have to have some vision. There is a plague of negativism in this province, Mr. Speaker, a plague of negativism spread by the members opposite. I know the members opposite want to get into this debate to continue the spread of the negative plague of the negative Democrats over there. They want to spread this plague right across Saskatchewan and have everybody like this: oh no, what are we going to do?

Well that is the kind of thing that has done nothing for this province. Should I do it again for the members opposite? Because I learned that speech while I was a member of the NDP. You know I would go to a convention and I've never seen anything . . .

An Hon. Member: — You've never been to one.

Hon. Mr. Schmidt: — The member opposite says I've never been to an NDP convention. I have been at an NDP convention and I have seen the negativism there, Mr. Speaker.

Mr. Speaker, when I graduated in 1972 I was worthless. Now the members opposite, they could joke and say oh yes, we know he's worthless. I was worthless. I had a net worth of less than zero. My wife and I had a net worth of less than zero. And I went to the NDP convention. And I can tell you by the time I quit the NDP I probably had a net worth of about \$50,000. But that was probably the limit that the NDP could tolerate on anybody being at their conventions because it was all negative.

If someone was a doctor, they wanted to pull that person down and say tax that person. And some left the province. If somebody was a lawyer, if they were a successful lawyer they wouldn't fit into the NDP party. If they were an unsuccessful lawyer they were welcome. But if they were a successful lawyer, they weren't welcome there. This is the negative plague that has spread across this province by the attitude of the NDP that — oh, somebody is making money at our expense; gee, that's terrible, what are we going to do? That's the attitude that you see over and over again from the NDP and the people that they have infected with the negative plague.

And I can tell you that anyone that wants to build this province, whether it is through community bonds, anyone that wants to build this province with respect to any kind of personal investment and commitment in this province is not welcome in their kind of province because they are against everything. They are against everybody. They are for only somebody giving them something.

Now who, Mr. Speaker, is going to give negative people in this province something? For 60 years our children and my relatives and your relatives and everybody's relatives have had to go to Alberta and British Columbia to find jobs. And the members opposite say: why are they going there now? Because Alberta and British Columbia provided opportunity for their people and have not tinkered with social planning. They have not encouraged negativism so that the positive people have been going to where there is a positive attitude.

Mr. Speaker, it's amazing that you and I and 3,800 and maybe 350,000 other Conservative voters in this province have stayed in this province to resist . . .

The Speaker: — Order, order. I would like to ask the hon. member not to involve the Chair in your remarks, particularly in a political nature.

Hon. Mr. Schmidt: — Well, Mr. Speaker, you can speak for yourself, but I say it is amazing that 380,000 or more other people who think positive in this province and maybe another 250,000 children who aren't allowed to vote, who think positive, who have faith in the future, that these people are here trying their best when the members of the opposition, who claim that they had 45 per cent of the popular vote, say that negativism will save Saskatchewan.

And you heard today in question period, Mr. Speaker, the negative attitude of the members opposite, that they looked at this Bill already. First of all, they didn't understand it, and secondly, Mr. Speaker, when they

looked at this Bill, what did they understand? They had some trivial complaints that the government was being too tough with protecting the taxpayers' guarantee. That's all they could find wrong with this Bill in question period today, Mr. Speaker. Their first opportunity to jump on this Bill was the government is being too tough on protecting the taxpayers of Saskatchewan.

Now talk about negativism, Mr. Speaker. Could they give some supportive criticism, some suggestions for improvement to this Bill? No, nothing — nothing. Only that we weren't giving the money away fast enough; that's what they could think of. And then they say there's a deficit. The members opposite, Mr. Speaker, have inflicted for generations a negative plague on this province. This negativism will get us nowhere.

Now under this Bill we have the opportunity to have bonds that build. Now let me briefly explain, Mr. Speaker, how these bonds would work.

What you would have, Mr. Speaker, is a community bond corporation. And this community bond corporation is organized at the local level. An existing rural development corporation could apply to become a community bond corporation, or it could spin off a subsidiary community bond corporation. And it could continue with community development applying to the government with the opportunity to say, here we have a local project and we want permission to raise money for the project and invest it in that particular project.

Now not only can a Rural Development Corporation apply for a community bonds Act, but also new corporations, newly formed corporations with at least six directors, one of which must be a youth aged between 16 and 25, because the future of our young people is at stake here; we want them to be participating. Even if they may not be experienced, we want their positive attitude, Mr. Speaker. We want the positive attitude of our youth to be part of the building of their own community.

One of the directors must be an appointee of the reeve and council or the municipal council or city council of the municipality where the head office of the community bond corporation is located, Mr. Speaker.

And that means that a locally elected official will sit on this board as a director, making sure that the interest of the community are taken into account. Also, you cannot incorporate a community bond corporation unless, Mr. Speaker, you have the permission of the local municipality with respect to the incorporation of the community bond corporation. The only exception is a rural development corporation which already exists and has the support of the rural municipalities, Mr. Speaker.

So once you have this corporation, Mr. Speaker, it is very easy for it to incorporate under this Act, with my department and we will also co-operate with the corporations branch, where the corporations branch will have these corporations on their register. The names will be checked to be appropriate with the corporations branch at consumer and commercial affairs. And these corporations will then be in a position to file a business plan, raise money in the community, and invest it in a

local project, Mr. Speaker. What we will have then is a vehicle at the local level for doing local development and raising local capital.

Now the community bond corporation need not own all of the project that will be built in the community. It could be a joint venture of entrepreneurs, of foreign investment money through the immigration funds. It could be an investment of local organizations like the local service clubs. It can be, and the Bill provides for, investment by municipalities up to \$50,000 just as if they were individual citizens. Local co-operatives are entitled to invest. Local credit unions could invest equity of up to \$50,000. They can form a community partnership to build a project, and the only criteria is that it be commercially viable, Mr. Speaker, that it make good business sense. That is the criteria.

The members opposite shout from their seats with their usual negative attitude. And they point out a few investments that have not gone well in this province, Mr. Speaker. And yes, I acknowledge that this government or any investor can make a mistake. There have been investments that have not gone well. But when you compare the errors in investments that this province may have backed compared to the successes, it's like comparing our reliance on agriculture, Mr. Speaker, with our reliance on manufacturing.

And do the members opposite want me to list the sins of investment that they squandered, or will they be quiet and wait to speak with respect to this Bill and come up with some sort of positive criticism. But no, the members opposite insist on being negative, Mr. Speaker. And a negative attitude will not help this province. If that is their policy, negativism, then this province will not develop into the future, and I'm afraid more positive people will be leaving if we are ever governed by a negative attitude.

Well, Mr. Speaker, let me give you a few more of the proposed program details with respect to community bond corporations. The community bond corporation will be a new legal entity, Mr. Speaker. It will not be a private company. It will not be a public company. It will not be a co-operative. It will not be a non-profit corporation. But it will be a community bonds corporation, Mr. Speaker, a corporation that has within its powers many of the powers of a private corporation, some of the powers of a co-operative, some of the powers of a public corporation.

But in essence, Mr. Speaker, a community bonds corporation is a corporation that is an investment corporation. It has the power to raise money in the community and reinvest that money within the community. Now community is a broad definition, Mr. Speaker, so that any resident of Saskatchewan can invest in a community bond corporation. But we would expect that the community will be an area where people have a sense of community.

In addition, Mr. Speaker, the term of this bond would ordinarily be five years. And there are certain circumstances in which the holder of the bond will be able to deal with that bond as their private property before the five years have expired. After two years, Mr. Speaker,

these bonds will be tradable to your neighbours or to your business associates or to whoever is interested in purchasing the bond.

But the bond will always be worth — regardless of what people wish to pay for it — it will always be worth 100 cents on the dollar, principal value. If people think it is worth more they can pay more. If people want to get cash in their hands they could discount their bond and sell it for whatever they think it's worth. It's no different, Mr. Speaker, than owning your car. If you wish to sell your car, it's your own business. But as long as you know what your car is worth. It's not like when I go to buy someone else's car and I don't know what is in that car and how it's ticking — as long as you know.

And therefore this Bill will provide for disclosure of how the community bond corporation is doing, how the project company is doing, so that when people go to exchange or sell their bonds, they will know what they are worth. But for two years, because of the need to have this bond corporation get up and rolling and establish a track record, we feel for two years people should have to leave their investment in their local community bond corporation. Thereafter they could exchange it.

As somebody asked me the other day, what happens if I die? Well, if you die, I suppose what happens to your soul is between you and God, but what happens to your money is between you and your lawyer and your estate. And no estate will be held up, Mr. Speaker, because the money is in community bonds for five years. If someone should die, the province of Saskatchewan will pay out the cash on the community bond and then resell that bond to members of the community or deal with the community bond corporation to get reimbursement for that bond. Hopefully it can be resold back into the community. But no estate will be held up because it's a five-year bond. And that's something I'm sure that the people of Saskatchewan would be pleased to hear, Mr. Speaker.

(1530)

I've already dealt briefly with the return on the bond. The return on the bond, Mr. Speaker, is what people in their own community can generate in income from this bond. You heard me say earlier today in question period that there was no guarantee; there is risk. There is no guarantee when you seed your crop this spring that you will have a profit. As a matter of fact there's a small chance with respect to a crop, Mr. Speaker.

But there is a guarantee that you will have your principal back. You're guaranteed here not to lose your money, but you're not guaranteed to make any money. The reason for that, Mr. Speaker, is because the local people have to have some incentive to go out and run this corporation well and try to make a return on their money. If the government guarantees a rate that would be equal to treasury bills, for example, then again it is the government doing it, and the people have no local commitment because they know they will get their money — it's guaranteed — and they don't have to do anything to earn their money.

It's like sending somebody out to work a farm, and if it's

not their farm and if they're guaranteed a wage, they don't have to be diligent in the day they plant it and harvesting when it's not too wet, and all the other things that they've done . . . (inaudible interjection) . . . I heard the member opposite say something about . . . Did somebody call members of this side a jerk?

Good, I thought I heard somebody from the opposition make comments of that nature, Mr. Speaker. It is saddening, Mr. Speaker, that there are some of us in this province that are trying to make something out of this province, when people are negative and shout insults across the floor of the legislature. It is saddening that there are so few people left in this province who really want to do something.

But, Mr. Speaker, we believe that the majority of Saskatchewan people are prepared to do something for themselves, given the opportunity. And this community bonds Act will give the people an opportunity to do something for themselves.

Mr. Speaker, before I was interrupted I was pointing out the details of this program so that the people of Saskatchewan can understand the opportunity that is available for them. The bondholders, Mr. Speaker . . . Let me give you an example of how this would work. Let's say there is a project . . .

An Hon. Member: — Einstein said that you couldn't make time stand still; this man's proved it wrong.

Hon. Mr. Schmidt: — I hesitate to listen to the opposition, Mr. Speaker. I'm sorry, Mr. Speaker, for the interruption. I didn't hear anything useful there, Mr. Speaker, so I'll continue with the particular speech at hand here.

These bonds, Mr. Speaker, will give people the opportunity to vote, not in the stock exchange of Toronto, but to vote in their local community, so that it will be one bond, one vote. And everyone will have an opportunity to vote in accordance with their commitment to community and their community development bond corporation.

And what happens then, Mr. Speaker, is that the corporation is locally controlled — one bond, one vote. The Bill before you, Mr. Speaker, has provisions to protect minority shareholders.

And let me say this: that this community bond corporation has powers to the minister that are not there with respect to private corporations. The minister, be it myself or whoever succeeds me, Mr. Speaker, has the power to take the directors to court to make them comply with the Act. The minister has the power to make them file annual returns and statements as necessary, determined by the government, to show the bondholders, the minority shareholders, if any, what's going on. This Act is necessary because it goes beyond an ordinary corporation. It goes into the realm that the government will try to ensure that there is absolute fairness among the community bond holders, and how they operate their community bond corporation.

Now we cannot guarantee fairness, Mr. Speaker. But we have faith in the citizens of Saskatchewan. If they can run

their curling rink fairly and if they can run their local co-op fairly, we believe that they can run their community bond corporation. But the minister in this proposed Bill, Mr. Speaker, has the power to enforce the Act for the benefit of the community, not for the benefit of individual shareholders. And that is something that is quite different in this Act that you won't see anywhere else in legislation in Saskatchewan.

I've already explained treatability of the shares. Let's look at the situation after five years, the term of the bond is up. You have three options, Mr. Speaker. You could take out your principal and whatever income you've earned, and the company will then have to replace that capital.

Or you could take shares directly in the project company. If you feel it's a good company you could take shares directly and then the government no longer guarantees your principal once you take shares directly in the company, Mr. Speaker.

Or thirdly, you could agree, if that's the will of the community bond corporation, to roll these bonds over for another five years. We have given three options, Mr. Speaker, after the five years. Before the five years, after two years you can sell them for whatever the market value of these bonds is, but the face value will always be guaranteed by the province.

Eligible purchasers, Mr. Speaker, let us consider that all residents and Saskatchewan head office corporations and organizations will be eligible to purchase these shares. So as I've indicated earlier, a credit union could purchase community bonds, but a national bank could not purchase community bonds and would not have their bonds guaranteed by the province because they don't have their head office here.

Any company that has its head office in Saskatchewan is just as eligible as any other company or citizen. So that gives an opportunity for a community coalition of possibly local municipalities, local individuals, local co-operatives, local credit unions, and local service clubs, if they wish, to invest in their own community.

For example, I'm a member of the Lions Club. A club of that nature could purchase up to \$50,000 worth of shares in a community project. That community club would be guaranteed to get their principal back. They may not be concerned about the dividends on that money, but it's not like an ordinary fund raising project where you build a building out at the sports grounds and you don't get any cash return. Here that club, after five years, would get that principal back and could reinvest it in the community or then put the money into the rink or whatever is vital to that particular community.

Well, Mr. Speaker, I have tried to give an overall overview of what this Bill does and what it can do for Saskatchewan. Let me indicate also that there are limits on how much the Government of Saskatchewan will guarantee. And we are setting a limit here, Mr. Speaker, of no more than 10 per cent of a corporation could be owned by an individual or his family.

So a family group can have up to \$50,000 guaranteed, but

no more, because we want to truly make this a community bond corporation. And if you allow a few people with a lot of money to set up these corporations without including the entire community to make the project go, then you lose the community nature of the project. So we have had to try to develop a balance.

You've heard also, Mr. Speaker, today in question period members of the opposition concerned that there is in existence a review committee to review these bonds. Now here's how this would work, Mr. Speaker, so that everyone understands clearly what the proposal is.

The community would develop a project and come to the review committee for permission to raise the money and invest it in that project. As soon as that money is raised it is guaranteed by the province of Saskatchewan; it must be deposited in a local bank or credit union and kept there until it's invested in the project, so that the government is protected on its guarantee from people investing in things that are not commercially viable. But the average person might say, this is something silly, then the review committee will look at it to see if it's commercially viable. And if it's commercially viable, meets the criteria of processing, manufacturing, of destination-tourism, water projects that are commercially viable or environmental projects, then the committee of review will give permission to proceed with the investment.

Now surely the members opposite cannot be so irresponsible as to say that because there is a government guarantee the government should have no input into what is guaranteed. So we have to here, Mr. Speaker, have a balance between expediency, to have the market-place work, and bureaucracy to determine when the public is at too much risk and the committee should say no.

Well let me conclude in this manner, Mr. Speaker, that the Bill before us provides for community bond corporations at the community level. And the members opposite shout because they don't want the communities to do well, Mr. Speaker. They are politically driven against the idea of people building their own towns, villages, and their own cities. But what we want to have, Mr. Speaker, here is a Bill that gives citizens an opportunity to invest in their own future, and the government will be there, not leading them, Mr. Speaker, but holding their hand. Because I believe it's the role of government to be a catalyst. The members opposite laugh and mock but they haven't yet understood that the world has changed so much since 1989 when we had revolution in Eastern Europe. The world has changed so much that the members opposite don't understand that their old economic policies and theories are no longer relevant to the world.

Now we have tried to develop here a new theory. As part of it, the government will guarantee community bonds. In the future, as we have in the past with other corporations, Mr. Speaker, the government will consider taking equity investment in projects that are viable, commercially viable. So it is possible that in the future the government will be there as a minority shareholder with the people, not owning everything on behalf of the people, but as a shareholder with the people.

Never will this government intentionally ever own more than 49 per cent of anything in Saskatchewan, Mr. Speaker, unless it is a utility that must be run as a monopoly. But with respect to the community and the small projects around Saskatchewan we will never ever own your local community. That is not an intention of this government. We want to give people an opportunity. So the government will be there, Mr. Speaker, as a catalyst to help people adjust and compete in a free market economy.

And I would ask that all members of this Assembly pass this Bill. Therefore I move second reading of this particular Bill, Mr. Speaker.

Some Hon. Members: Hear, hear!

Mr. Mitchell: — Thank you, Mr. Speaker. This Bill which is rather long and rather dense was placed before the legislature on Friday on first reading and we are not yet in a position to respond fully to it. I want to make a few remarks today of an introductory nature and then I will be begging leave of the House to adjourn the matter until we have an opportunity to research some of these matters further. I might say that in between all of the rhetoric that the minister put before the House today, there were some interesting details that helped to flesh out parts of this Bill.

It was our bad luck today, those sitting in the House, to be treated to another of the minister's long, rambling diatribes about the economic, social, and political history of the province of Saskatchewan. I'd be interested in knowing from the minister at some point, Mr. Speaker, is on what sources he bases some of the little gems that he lays before us as he tells us about how Saskatchewan developed under various governments over the years. Certainly it doesn't bear any resemblance to any of the sources that I have studied on my way to a bachelor's degree in economics, for example, or a fair bit of study of the subject. I'd be interested to know what sources the minister uses when he tosses off some of these gross simplifications such as we heard today.

(1545)

They seemed to be designed to prove a particular political point. The minister reminds us quite often — at least once a week — that at one point he was apparently a member of the New Democratic Party. Unfortunately, or perhaps fortunately, there isn't anybody on this side of the House that can remember that. There are people here who are old enough to remember but no one can remember the minister having actually been a member of our party. And we certainly don't remember hearing any of the views that he now espouses or which he now says that he espoused at the time that he apparently attended some of our council meetings or our conventions. So it's rather odd that there isn't anybody over here prepared to validate that particular part of the minister's own personal history.

I want to say this idea of corporations set up for the purpose of community development is not a new idea, Mr. Speaker, and I think it's important that the minister realize that. This is in fact a very old idea. The idea of a

community development corporation is laced through the literature of regional economic development going back into the 1950s and the 1960s. And certainly it was an idea with currency, with currency in the 1960s and the 1970s.

For example, Mr. Speaker, at the time that the federal government's regional economic expansion department was in its heyday, the community development corporation idea was an option that was often discussed, and there were conferences on the subject. And the idea was discussed throughout northern Canada and throughout the Northwest Territories, the Yukon, and the northern parts of the provinces of Alberta, Saskatchewan, Manitoba, and Ontario. And there were many such corporations set up. There were some set up in the province of Saskatchewan as a matter of fact, Mr. Speaker.

The idea is an old one. And if I may say so, Mr. Speaker, I can speak to that because at the time that I chaired the Key Lake board of inquiry we did quite a detailed study of the economic and social conditions in northern Saskatchewan. And one of the instrumentalities towards development that we talked about in that report was the idea of a community development corporation, a corporation, the objectives of which would be similar to some of the objectives that the minister has mentioned in his speech to the House today.

And we gave some thought to the question of how governments could support — we say governments plural because we were thinking of both the provincial and the federal government — how they could support the work of that community development corporation and how that corporation would be set up by the people in the community, run by the people in the community, making decisions at the level of the community, Mr. Speaker. And that was an essential part of our thinking on the board of inquiry, and indeed an essential part of the thinking of a lot of the people who were writing and talking about community development in the 1960s and particularly in the 1970s, Mr. Speaker. So it was a much discussed idea.

Never, that I'm aware of, did we talk about having some super-board sitting in Regina, ruling on whether an idea at the local level had sufficient viability to permit the people's money, the community's money to be invested in that. Always it seemed to me that the people talking about these concepts and considering them had enough confidence in the competence and ability of the people at the local level to be making those decisions themselves.

And I raised that matter today in question period with the minister for that exact reason. This Bill is an expression of non-confidence in the people at the local level. It's as though it takes somebody appointed by Regina or sitting in Regina to pass on these plans and decide whether they're really good enough or not.

Now that's a marked departure, Mr. Speaker, from the way in which community development corporations have been viewed over the years. Now I understood the minister's answer and we're going to give that fair consideration. But at this point it seems quite clear that this Bill, being such a marked departure from the way that

community development has been viewed in the past is, in effect, an expression of non-confidence in the ability of local people to run and manage their own affairs.

So it's not a new idea, Mr. Speaker, it's an old idea. The only new part of the idea that I can see is that it's really going to be run by Regina in the sense that Regina is going to have the power to say yes or no to any particular investment.

The other point I'd like to make, Mr. Speaker, is that the program is really too little, too late — too little, too late. The government has sat by and watched our rural communities spiral downwards, the economies of those communities spiral downwards. They've watched businesses close; they've watched businesses fail; they've watched a population loss from these rural communities, and they've done nothing.

And coming now with this program, which doesn't put any money into these communities, Mr. Speaker — it doesn't put any money into them at all, but just tries to encourage the local people to put their own money into their communities — is just simply too little, too late.

As we also challenged the minister on today, this government has money for corporations, if they're big enough, Mr. Speaker — if they're big enough. If they don't need the money, then this government is prepared to advance them the money. If they don't need the money, then this government is prepared to guarantee their loans.

And so it is with Cargill and the fertilizer plant, a company that . . . if there's a private corporation in the world that needs money and needs support less than Cargill, I'd like to know what it is. Cargill, least of all, needs this kind of support, and yet this government is prepared to do it.

Now that's been the history of their economic development program to this point, and it has hurt rural Saskatchewan. It has hurt the kinds of communities that would benefit from a community development approach.

Take the case of Rosetown, for example, who had an excellent prospect of having its very own fertilizer plant in that community, employing people from that community. Their hopes were dashed by this Cargill plant at Belle Plaine.

Similarly, the people at Melfort had the real opportunity of having the same kind of a plant as Rosetown hoped to get built in their community. Not some day, as the member says, but immediately. The private investor was all set to go and the government knows that that's the fact.

There was a possibility indeed of a third plant built near the community of Melville where the minister is from. And their hopes were similarly dashed by this fascination of this government with the really high rollers, their fascination with the big names in international finance. And Cargill is certainly one of the biggest. Cargill comes along; we open up the vault; we get out our signing pen and we go ahead and support them in any way or whichever way they want.

And I say, Mr. Speaker, that that approach to economic

development hasn't worked — hasn't worked — and is not likely to work. And this effort now at practically the government's 11th hour, practically its 11th hour, is just too little, too late. It's going to take a much more comprehensive approach to economic development than these community development ideas in order to help many of the communities in rural Saskatchewan. Many of them are just in too tough shape for this sort of thing to be of much help.

Now, Mr. Speaker, we have already highlighted some of the problems, and I'll just refer briefly to them, some of the problems we see with this legislation. The main one is that there is so much missing from the legislation. If you read the Bill, you cannot grasp, you can't get a clear understanding of what the government intends. You can't get a clear understanding of the program.

Now the minister gave us a few details today that weren't considered in the Bill, but we need a lot more. In particular we want to know, before debate ends on this Bill, just what it is that the government intends to introduce by way of regulations. This Bill is like a lot of other Bills that this government has placed before the House, particularly in the last couple of years, where the details of the program, where the details of the legislation are not set out in the Bill but are reserved for regulation.

The agriculture Bill of last year is a prime example. You could look at that Bill and you couldn't tell at all what the government planned to do, and you didn't know until months later when the regulations appeared in the *Gazette*. Well that wasn't good enough in the case of that Bill and it's not good enough in the case of this Bill.

You take for example the idea of environmental bonds, Mr. Speaker. The name suggests a certain type of bond and we're told in the legislation that it has to do with cleaning up the environment. But all of the details of how those bonds will work, the kinds of organizations that can apply for them, the kinds of organizations that will or will not be eligible, the criteria that they're going to have to meet, are all to be decided in regulations some time later. And how is this House expected to be able to respond to the proposal when we don't understand what the proposal is?

The minister is going to have to tell us, Mr. Speaker, either during this second reading debate or during Committee of the Whole, just what it is that the government proposes by these provisions and what it is that will be contained in the regulations. We would like to see the regulations but it may be that the minister doesn't have them ready yet. He can at least tell us in a policy sense what in the world some of these ideas mean. So these are matters that we will be raising as this debate continues.

Now, Mr. Speaker, as I said at the beginning of my remarks, this is a complex Bill and we require some time in order to consider its provisions and the speech that the minister made to the House today, at least the speech that had to do with the Bill, Mr. Speaker. We will not bother to read the other parts of the minister's speech.

So having said that, Mr. Speaker, I beg leave to adjourn the debate.

Debate adjourned.

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, I have the list of contracts, consultants, and contract employees from April '89 till May '90, and I have a couple of questions regarding these — page L33, the contract to Management Systems Ltd. for \$255,105, and it's an ongoing contract, which you indicate provides computer analyst services as requested. Could you tell me please, whether this is the same Management Systems Ltd. that was owned and operated by a couple of gentlemen named Baker and Gayton?

Hon. Mr. Swenson: — Mr. Chairman, the contract in question — it's for the ongoing maintenance of our computer facilities and my officials aren't sure exactly who the owners of that particular outfit are. They're going to try and find out.

(1600)

Mr. Solomon: — Well could they also determine whether this is the same MSL (Management Systems Ltd.) which was purchased by WESTBRIDGE Computer Corporation?

Hon. Mr. Swenson: — Yes, Mr. Chairman, they inform me that it is.

Mr. Solomon: — Does that mean, Mr. Minister, then that the money that is being paid out — somewhere around \$255,000 a year — is being paid to WESTBRIDGE or to MSL?

Hon. Mr. Swenson: — I believe, Mr. Chairman, the original contractual arrangement was with MSL and that hasn't changed, to the knowledge of my officials.

Mr. Solomon: — So the money is still being paid to the company called Management Systems Ltd. Can you tell us whether it's being cashed by MSL or it's being cashed by WESTBRIDGE?

Hon. Mr. Swenson: — Mr. Chairman, my officials are going to check this for the hon. member to see if the payments are going straight to WESTBRIDGE now. It was originally with MSL, and now that WESTBRIDGE have taken them, there's probably a consignment change and it would go to WESTBRIDGE. But they're going to check it for you.

Mr. Solomon: — On this list I noticed, Mr. Minister, as well that a \$5,000 payment was paid in this year under review to Nancy McLean's Corporate Strategy Group. Could you tell us what that contract was for?

Hon. Mr. Swenson: — That was for consulting services for program and policy development and issues, management, communications, and spokespersonship

training.

Mr. Solomon: — And does the department have any intentions to consult with her again in this fiscal year?

Hon. Mr. Swenson: — No present intentions, Mr. Chairman.

Mr. Solomon: — How much time was spent in consulting, providing consulting services for program and policy development of issues, management, communications, and spokespersonship training? How many hours were spent for that 5,000, and what exactly was involved with that?

Hon. Mr. Swenson: — Mr. Chairman, we would not know here how many hours that entailed. I try and can get the member something in writing.

Mr. Solomon: — Thank you. I'd appreciate that in writing, if you could. Then I'll proceed to the next questions. I notice a number of personal services contracts for one Peter Godfrey, who apparently is on your staff. Could you tell us the type of contract that Peter Godfrey has and the length of the contract?

Hon. Mr. Swenson: — Mr. Chairman, Mr. Godfrey is no longer with the department. I believe his contract ended sometime in April 1989, and he dealt with consulting services and media-related services, but like I say, has not been with the department for over a year.

Mr. Solomon: — Are there any other staff members that you have that are on contract?

Hon. Mr. Swenson: — Mr. Chairman, is the member asking about ministerial staff or departmental staff?

An Hon. Member: — Both.

Hon. Mr. Swenson: — Mr. Chairman, I would have, it looks like about a half a dozen here. They're all in the geological area, geological consultants. And these are all departmental, there'd be Malcolm Gent, Brian Reilly, Sherry Richardson is part time, Nancy Richmond, William Slimmon, and Terri Uhrich, part time. They're all in that geological related area.

Mr. Solomon: — And are these people all trained geologists? Is that what they were hired for? Okay the minister affirms that in the affirmative.

I have one final question in respect to this list and it's a payment of \$7,500 to Stevenson Kellogg Ernst & Whinney for a job search program for Robert Lee. Who is this Robert Lee? Was he employed by your department, and why was the department paying for this job search and why did it cost \$7,500?

Hon. Mr. Swenson: — I understand, Mr. Chairman, that that was part of a severance package that was arrived at between the individual and the department, and that, I'm told, is a fairly normal cost associated with these type of arrangements.

And for the information of the member on that other

question, invoices for the MSL contracts are now being made out in the name of WESTBRIDGE.

Mr. Solomon: — Thank you, Mr. Minister. I want to now turn to the NewGrade upgrader. During the course of reviewing the estimates, I believe it was on Thursday and Wednesday as well, I had requested information concerning the financing of the upgrader. I was wondering if you were able to obtain that information for me.

Hon. Mr. Swenson: — Mr. Chairman, I can confirm for the member that the total capital cost of the project was 770 million, confirmed that the provincial equity figure and the loan guarantee ones that I provided the other day are right. So the total of equity and debt is 770 and that the phase 1 interim financing was repaid to the province, Canada, and the Co-op Refinery, and these costs form part of the total capital costs of the project — 770.

And for the supposition that the member was talking about last week, we can find no evidence of that fact.

Mr. Solomon: — Last day, Mr. Minister, you said that there was a total of about \$830 million expended on this project in one form or another. And today you're saying that phase 1, which according to orders in council that we have, totalled \$147 million — that that has been repaid to the government? Is that what you're saying?

Hon. Mr. Swenson: — Mr. Chairman, I was talking about the initial costs, and I alluded to the costs that were associated with the problems that have happened since start-up, and of course those costs would be additional. I thought the member was asking questions vis-a-vis the figures on phase 1 which he had talked about last week as being more than the 770. And the member is correct; I did talk about an extra \$60 million at that time which has happened since start-up.

Mr. Solomon: — So we had \$770 million that was committed to the project plus the \$60 million since its operation, when it was underway, for a total of 830 million. Now you said a few moments ago that phase 1 development costs were paid back to the province. Could you tell us how much that was, and in what form, and to whom it was paid?

(1615)

Hon. Mr. Swenson: — Mr. Chairman, the phase 1 was for design and all the things that would be associated with some of the studies on site preparation and that type of thing. When NewGrade Energy Incorporated was then formed, it then used the moneys that were available under the agreed-to financing package between the province and the federal government and that type of thing then to pay back those particular fees that were incurred before NewGrade itself was an incorporated entity. Until it was legally incorporated, it couldn't pay or handle any of those costs associated with the upgrader.

Mr. Solomon: — Okay. Maybe what I should do, Mr. Minister, is just read this information out and I'd like you to get back to me whether or not this is accurate. I have the following for phase 1: November order in council

1304/84, purchase of class B shares through Heritage Fund, \$1 million; November 14, order in council 1304 provides for loan capital from Heritage Fund of 4 million; November 20, 1985, OC 1165/85 provides for loan capital from Heritage Fund of \$5 million; February 26, 1986, OC 188/86 and 187/86 provides for loan capital from Heritage Fund, \$27 million; June 11, 1986, OC 625/86 provides for loan capital from Heritage Fund, \$35 million; October 15, 1986, OC 1034/86 provides for more loan capital of 20 million; November 5, '86, OC 1057/86 provides for loan capital from Heritage Fund of 55 million. All of the above OCs apparently refer to phase 1, debt of NewGrade Energy Inc., and actual costs in that column, I believe, total \$147 million.

Now there was no reference to repayment schedules, although the cost alone is to be the cost to the province to raise the necessary funds.

Phase 2 and 3, I have the following: December 23, '86, OC 1208/86 empowers the Minister of Energy and Mines to execute federal-provincial agreement dated December 23, '86, entitled, project agreement. This agreement provides for federal-provincial contributions towards construction and operation of NewGrade. March 10, '87, OC 188/87 provides for purchase of capital stock bonds or debentures by CIC (Crown Investments Corporation of Saskatchewan), 1 million. August 27, '87, OC 744/87 provides for purchase of one class B share by CIC, \$1,000.

And then I've got a series of orders in council dated September 10, 787/87 provides for purchase of shares, \$158.75 million; September 10, OC 786/87 provides for loan guarantees, the Minister of Finance, and this relates to the provincial share of 56.7 per cent and the federal share of 53.4, a total of \$360 million; November 24, '89, order in council no. 970 provides for that \$75 million that we talked about last Wednesday.

Now when you add the two up . . . Now maybe these orders in council are cumulative in some nature, but if you could check it out, because what we have here is a provincial equity — stock, debentures, bonds, shares, and other securities — totalling 234.751 million, and loan guarantees of 360 million plus federal loan guarantees of \$274,901,700. And we see . . . I'd like those . . . check those figures out for us, because when you add the federal loan guarantees in, our number is \$1,016,652,700.

And I'd like to know whether that's the number or not. And if you could get back to me in writing, I'd appreciate that, unless you have an answer now. But there's a lot of numbers there and I would like you to do that.

With respect to the environmental aspect, what involvement has your department had with the NewGrade upgrader? We've had some problems with respect to environmental . . . small pollution problems. And also what's your involvement with the NewGrade and bi-provincial? Have you had any involvement as a department? And have the authorities of the Department of the Environment and in your department . . . have they an opinion on these projects that they're safe and that there will be fewer and fewer problems as we proceed, or

is there still some concern there will be more problems to come?

Hon. Mr. Swenson: — Mr. Chairman, in the case of both upgraders, that is the responsibility of the Minister of Environment who monitors, issues the licences, and that type of thing. And the Department of Energy and Mines is not involved in that particular process.

Mr. Solomon: — Mr. Minister, considering the moneys extended and provided to NewGrade, do you feel that . . . or do you consider that the financial circumstances funding the project are at a greater risk today than they were in 1986 or '88?

Hon. Mr. Swenson: — I think, Mr. Chairman, when one discusses the upgrading of heavy oil and because of the different pricing structures that are out there, naturally it's contingent upon the spread between light WTI (West Texas Intermediate) and heavy prices. One can never totally predict what that spread is going to be and what demand will be for the finished project. I think it was, as I explained to the member the other day, it was felt when the upgrader was started, you know, almost five years ago that spread of 5.50 to \$6 was necessary over the long haul. Today we see that spread being greater, has been for some time. The outlook right now is that it will probably be . . . it'll stay up in that \$7 range.

I guess that's what makes upgrading heavy oil sort of unique is that the price of oil on the world market from conventional means doesn't totally mean that upgraders will make money or will lose money because of that special nature. And the other thing is the ability, depending on the cracking process, the type of synfuel that comes out of them, its ability to blend in with whatever the market happens to want and what kind of a premium can be placed upon that particular synfuel.

The process here at Regina with the HYDROCRACKERS seems to lend itself to a product that is and has good demand in the market-place as a blender. So to put that kind of a valuation on it today would be very difficult.

Mr. Solomon: — I think I hear what you're saying. You're saying that you feel very confident that the upgrader at \$830 million as opposed to \$700 million is as viable now as it was two or three years ago. That's what you're saying to this Assembly and you're obviously optimistic about it. And I congratulate you for taking the same position as the previous minister because she, in her capacity as minister of Energy and Mines, said in this House about a year ago that, oh, there's no financial problems with the upgrader; things are going as they should. And she gave her assurances that this project will be a winner. And then two months later she signs an order in council providing for \$75 million more in money to assist this upgrader with no financial problems.

So we've got \$130 million more of provincial money, it seems, from your figures, and perhaps a lot more if the figures that we've put together show it to be over a billion dollars. So you're saying that in spite of that, that you feel it's a good economic project. And I'm glad that you've got that on the record because we'll be hoping that the thing goes through and does start paying back the money.

My question then relates to the \$75 million of which 60 million is drawn. What are the pay-back arrangements for that \$60 million?

Hon. Mr. Swenson: — I think, Mr. Chairman, before I would want to get into the immediate financing of the upgrader, I would want to make sure that I wasn't doing anything that would divulge commercial aspects of that particular operation and the way that they will handle the pay-back of their various loans, because obviously they have accessed capital in a lot of different places.

It's unfortunate today we have an upgrader that's carrying more debt than it had before, and it's unfortunate that it was basically, as I understand it, a human process involved. No one wanted to have the kind of fires that occurred and it's too bad that that did because very technical, highly sophisticated equipment, new to our province, is in place over there. And you want to do the best you can with it because every day that you're not in production is obviously a day that you're not making profits on the end product.

So I would give the undertaking to the member that I can explore this pay-back thing, and as long as I'm not giving out commercial information, I'll provide him with whatever I can.

Mr. Solomon: — Mr. Minister, how do you feel personally about financial circumstances of the NewGrade upgrader when you compare the financial circumstances to the Husky bi-provincial upgrader? And I ask you to think about that for a minute. I'd like you to perhaps think about it, take less time in the legislature thinking of an answer, but what's your impression? How do you feel about those two different arrangements?

We've got the Consumers' Co-op Refinery Ltd., which has been in this province for over 50 years. It's been a going concern for over 50 years. It's employed people; it's paid taxes and royalties and income taxes, and it's been a major contributor to our economy for over 50 years.

Yet when it comes to putting together a partnership with respect to a heavy oil upgrader, you give preferential treatment to the bi-provincial upgrader. And I say that, and I define it in terms of preferential treatment as straight cash equity as opposed to just guaranteeing some loans.

You may recall that the Lloydminster upgrader was promised on eight separate occasions, leading up and during various provincial and federal elections and by-elections, leading up to the final sod turning of the 1988 federal election campaign. And obviously that was a political embarrassment for you and your cousins in Ottawa and your cousins in Alberta, because you had made this promise before re-election and during the course of various by-elections in Saskatchewan and Alberta and federally. So you finally were called to task. After seven promises of an upgrader to be built, you finally came through on the eighth time.

(1630)

But what we have here is a large national firm now basically controlled by the Li-Kai-Shings of this world outside of Canada. And they have been given straight equity money from your government, from the Government of Alberta, and from the Government of Canada. They've been given straight cash. Our share provincially is \$222 million, at least what we can determine to date. It may be more. Plus there'll be future possible liabilities because of our equity position.

I'd like you to comment on the fact that you've given this \$222 million cash to this bi-provincial upgrader in equity as opposed to guarantees, and why you gave NewGrade the debt for them to carry and to put them into a little more precarious situation economically than any company would like. How do you feel about that?

Hon. Mr. Swenson: — Well, Mr. Chairman, I think in all fairness to CCRL (Consumers' Co-operative Refineries Ltd.), they negotiated an agreement involving many levels of government, which seemed right for them at the time. Husky and many levels of government have negotiated an agreement that seems right for that particular project.

I think my responsibility as Minister of Energy is to work to ensure that the heavy oil in this province is developed in a way that will provide returns to the provincial treasury.

We have built, or are building, two upgraders. That's a fact. I am sure that both of them will be successful because in the oil business in Canada we know that conventional development probably has finite limits on it. Saskatchewan is blessed with tremendous reserves of heavy oil. The secret has been to successfully exploit them to make the reservoirs pump faster than what they have in the past and to have that oil ready for upgrading. The fact that both of the ones in Canada are in this province I think is a plus, because it gives us some flexibility and ability that others certainly don't have in that area. And there's no question down the road that Canada will need the resource.

So I mean the two parties entered into negotiations of their free will and came up with agreements that are certainly different, and certainly different times. And I think my responsibility is to be involved with the oil sector and providing the feedstock, and that's certainly the intention of myself and my department.

Mr. Solomon: — Mr. Minister, how much gas, natural gas, does the NewGrade upgrader use? And how much of that gas is Saskatchewan gas?

Hon. Mr. Swenson: — If I might, Mr. Chairman, I neglected at the beginning when we started, because we got rolling pretty fast, to introduce another official. To the critic opposite, it's Mr. Dale Fletcher, director of economic analysis. Mr. Bruce Wilson, who was here last week, couldn't be with us and Mr. Fletcher is filling in for his role.

Mr. Chairman, the refinery, NewGrade, do their contractual arrangements as far as the supply and gas. Our figures show that at full productive capacity, which would be around the 50,000 barrels a day, that they

would use about 24 million cubic feet a day of natural gas. But as I say we don't, my department doesn't do any contractual arrangements. They do their own naturally but . . . negotiate their own prices and that type of thing.

Mr. Solomon: — Would you confirm today that the natural gas royalties due on natural gas used by the upgrader will be rebated or have been rebated to NewGrade?

Hon. Mr. Swenson: — Yes, Mr. Chairman, I'm told as part of the agreement which NewGrade negotiated that they would receive a rebate on the gas. I think it's probably to the benefit of both the province and NewGrade because of the increased production of synfuel. And also the further development of our gas fields has meant that the province certainly has activity in both areas. And of course NewGrade, being the first of its kind in Canada, have an ability to put their synthetic fuel on the market-place, perhaps in a better position than what they might have otherwise.

Mr. Solomon: — So you're saying and confirming that the natural gas royalties paid by NewGrade on consumption of natural gas is rebated by the province to NewGrade. Could you tell us how much has been rebated to date, please?

Hon. Mr. Swenson: — Mr. Chairman, that would be, as I understand it, would be Saskatchewan source gas only. And that because this is negotiated — these prices that they pay for gas — and that are negotiated by Co-op independently of government, that I would have to check on this commercial side stuff and get back to the member in writing with that type of stuff.

Mr. Solomon: — How much is the royalty on natural gas in Saskatchewan? Could that be explained in a fairly straightforward . . . what would you pay on a thousand cubic foot or million cubic feet of natural gas?

Hon. Mr. Swenson: — I'm trying to, Mr. Chairman, for the benefit of the member, to pick something that would be generic, because you have old gas, new gas, and of course, royalty is dependent on field gate price. So I'm going to try and pick one here. Okay, new gas say at field gate price of 1.50 would give a Saskatchewan royalty of 25 cents. That's just sort of trying to pick a typical well. The corresponding royalty in Alberta would be 24 cents.

Mr. Solomon: — And the old gas, how much would it be for old gas, Mr. Minister?

Hon. Mr. Swenson: — Mr. Chairman, just with a rough calculation here, it would be approximately 36 cents. And for free hold, of course, that would be different also.

Mr. Solomon: — Mr. Minister, does the agreement that you have with NewGrade to rebate natural gas royalties exist for the by-provincial upgrader in Lloydminster as well?

Hon. Mr. Swenson: — I don't believe so, Mr. Chairman.

Mr. Solomon: — Mr. Minister, the upgrader, when it becomes fully operational in terms of converting heavy

oil into light oil, will use about 50,000 barrels a day, and the upgrader in Lloydminster will use about 46,000 barrels a day, half of which will come from Saskatchewan, or be sourced from Saskatchewan according to the documents that have been tabled to date. What is your view and the government's view with respect to the sourcing of this product? Right now if all of the heavy oil was to be used that will be used by these upgraders is sourced from Saskatchewan, that'll put a great deal of pressure on the heavy oil that we now produce.

What's the position of the ministry with respect to the feedstock for both of these refineries? Based on the department's '88-89 annual report, if the upgrader in Regina was to use their full 50,000 barrels, that's about 81 per cent of the heavy oil feedstock currently produced, or at least in that fiscal year, produced in Saskatchewan on a daily basis. How do those figures square with the future needs of these upgraders?

(1645)

Hon. Mr. Swenson: — We expect, Mr. Chairman, that both upgraders will access their feed stock on a commercial basis. We think it's positive, naturally for Saskatchewan, given the amount that we use because some of the EOR (enhanced oil recovery) work that's been done in the past — I can think of the Aberfeldy project up by Lloydminster, some of the horizontal drilling programs that have been carried on by Sceptre and others — show that the ability to increase production certainly is there. And there is a lot of technological things going on. I know over at the fuels lab of SRC (Saskatchewan Research Council), there's been a lot of work done with companies as far as controlling the emulsions and different things that happen in the production of heavy oil. And certainly we're looking forward to the increased production in Saskatchewan fuel so the upgraders will result in.

Mr. Solomon: — Well, Husky closed down 235 wells or thereabouts, just last year, that were producing heavy oil up in the Lloydminster district. There hasn't been a lot of new exploration and new development to date other than using in some areas the horizontal drilling programs, which are expensive, but they're not used very far and wide at the moment.

Mr. Minister, what plans does the government have in place to meet the needs of this increased amount of feed stock will be required by the upgraders.?

Hon. Mr. Swenson: — Mr. Chairman, the member is right, that Husky did shut in some production, basically the after shocks of 1986 period — older wells, low-producing wells.

And I don't believe the member should discount horizontal drilling. This province . . . this'd be as of last month, we have either approved, licensed, or pending approval, 52 horizontal wells in this province. An example across that spectrum would be an increase anywhere from 47 barrels a day at the low end increased production, to over 1,200 barrels a day increase in production.

Mr. Chairman, when you stack that up against the average well in this province, which is probably in the 15 to 16 barrel per day range today, don't discount technology.

The member's right; these are expensive, but they are proving their mettle. And the adaption to the heavy oil area seems particularly right because it does work with some of the other EOR methods that are available to the companies with water, steam, and some of the other applications. And I have no doubt in my mind that the demand for heavy oil can be met by people doing some of this innovative work.

Mr. Solomon: — On the contrary, Minister, I didn't discount it; I was the one who raised the question with respect to horizontal drilling. Mr. Minister, how many barrels per day of heavy oil do we export to United States currently?

Hon. Mr. Swenson: — Our figures show, Mr. Chairman, it would be between a third, which would be 33 per cent and 40 per cent of heavy production would be exported to the United States and, of course, that fluctuates on a monthly basis depending on need.

Mr. Solomon: — How many barrels a day is that?

Hon. Mr. Swenson: — Well, Mr. Chairman, we're producing about 60,000 barrels a day of heavy production. That would come out of the Lloyd fields, Kindersley Fields. And other than what the upgrader is using right now, that would almost all be sold or exported.

The figure I gave the member earlier, I'm sorry, I'm incorrect in that. Thirty-nine per cent of our total exports . . . 35 to 40 per cent of our total exports of oil to the States is heavy product. Okay? A third of our total production is heavy oil.

Mr. Solomon: — So what you're saying then, Mr. Minister, is that we're producing 24,000 barrels a day of heavy oil that we're exporting, or are we producing 60,000 barrels a day, all of which we're exporting to the United States? This is heavy oil. What were the figures specifically?

Hon. Mr. Swenson: — We'll come at it a different way here, Mr. Chairman. We're producing about 200,000 barrels per day. Okay?

An Hon. Member: — Of oil? All oil?

Hon. Mr. Swenson: — All oil. Okay. One-third of that would be light, about 40 per cent of that is heavy, and the rest is in the medium categories.

Fifteen per cent of that total production is sold in Saskatchewan. That would be to NewGrade, and some to Petro-Canada's or now the Consumers' Refinery in Moose Jaw which makes asphalt. Of course, there's some light crude going into the NewGrade operation also here.

Fifty per cent of the total — that's both light and heavies

— is exported to the United States. And about 35 per cent goes down the pipeline to eastern Canada.

When NewGrade is totally up steam and running at full productive capacity, its use of total Saskatchewan production — and that would be light, medium, and heavy — would be in that 20, 25 per cent range of production.

Mr. Solomon: — Well you haven't confirmed the question that I asked. How much heavy oil . . . how many barrels per day of heavy oil are produced in this province, and how many barrels of heavy oil per day are exported to the United States?

Hon. Mr. Swenson: — Mr. Chairman, the member asks a . . . It's fairly complicated because the mediums and heavies are classified together. But in April '90, NewGrade was using 35,000 barrels a day, okay? The balance of the heavy and mediums was exported to United States, other than what NewGrade was using. And that total, I'm given the totals of the mediums and the heavies together would be 40,000, 35,000, 15,000, and forty-six five. So when you add those together, 35,000 of that per day is going into NewGrade, and the rest, the balance of that would be exported to United States.

(1700)

Mr. Solomon: — Well it appears that the minister is not very well versed on what we have in terms of oil and what we have in terms of heavy oil and export to United States. The point I'm trying to make, Mr. Minister, and perhaps you can think about this, but we're in a situation in Saskatchewan where we will have two upgraders once they're fully operational, if they consume the heavy oil that is predicted they will consume, about 73,000 barrels of heavy oil per day.

And my questions to you relate specifically to the export of heavy oil to United States. Because under the free trade agreement, article 904, it states very clearly that the restriction:

Either Party may maintain or introduce a restriction otherwise justified under the provisions of Articles XI:2(a) and XX(g), (i), and (j) of the GATT with respect to the export of energy good of the Party to the territory of the other Party, only if:

- a) the restriction does not reduce the proportion of the total export shipments of a specific energy good made available to the other Party relative to the total supply of that good of the Party maintaining the restriction as compared to the proportion prevailing in the most recent 36-month period for which data are available prior to the imposition of the measure, or in such other representative period on which the parties may agree.

What this says, Mr. Minister, is that Canada, and I suspect Saskatchewan's share of the heavy oil that we're exporting, either has to be made up in some fashion to the United States based on the previous three years export numbers or there has to be some negotiations

surrounding that limitation approved by the free trade committee.

Now in summary what I'm saying is that there's going to be a fair amount of feed stock that will be used: 73,000 barrels — fifty thousand from the NewGrade and half of the 46,000 out of Lloydminster: 23,000 — that will be consuming Saskatchewan feed stock. That means that that amount of feed stock will not be going to the United States in terms of exports.

We want to know, Mr. Minister, what, if any, representations have been made by the Americans with respect to this potential loss in supply for them. And not only what representations have been made but whether your department and your government has considered the impact of the free trade agreement with respect to the export of energy in particular, the heavy oil feed stock to the States.

Hon. Mr. Swenson: — Well, Mr. Chairman, I think what I'm hearing from the member opposite is the same thing that members of that party said about natural gas for years and years in this province. We have 18 billion barrels of heavy oil in place in the province of Saskatchewan. The technological capability to pull that oil out of the ground today is 10 times what it was probably 10 years ago. And horizontal drilling alone shows tenfold increases easily in many of these production wells. The ability for us to access that 18 billion barrels of oil for 73,000 a day, I think would be a terrible disservice to the oil industry because I'm sure that they can do that quite easily.

There have been no representations by the Americans to anyone in my department, and I only look forward to the day to be able to work with the oil industry to get that 18 billion barrels of oil flowing and upgraded. I think the province of Saskatchewan, Canada certainly will benefit from that process.

Item 1 agreed to.

Items 2 to 5 inclusive agreed to.

Item 6

Mr. Solomon: — A question with respect to item number 6, Mr. Chairman. I notice there's a decline in payments to the Saskatchewan Property Management Corporation of about \$300,000. Could you explain why there is a decline, or are there some leases being paid out to other organizations or companies?

Hon. Mr. Swenson: — My department is utilizing the space as before, same services. We're advised the reduction is a result from efficiencies in SPMC (Saskatchewan Property Management Corporation).

Mr. Solomon: — Well, Mr. Minister, would it relate to the fact that perhaps the Department of Energy and Mines was leasing vacant office space prior to this fiscal year?

Hon. Mr. Swenson: — None that we're aware of, Mr. Chairman.

Item 6 agreed to.

Item 7 agreed to.

Vote 23 agreed to.

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

Items 6 and 7 agreed to.

**Supplementary Estimates 1990
Consolidated Fund Budgetary Expenditure
Energy and Mines
Ordinary Expenditure — Vote 23**

Items 1 to 3 inclusive agreed to.

Item 4

Mr. Solomon: — Just one final question, Mr. Chairman, with respect to revenues on potash. I note that the estimate and the actual for 1988-89 was actually 50 per cent of what you estimate it to be in this fiscal year. Could you explain why the royalties on potash are declining from 120 million down to \$66 million?

Hon. Mr. Swenson: — I think, Mr. Chairman, that the member probably knows most of what I'm going to tell him because they're fairly widely known world events. The spring planting season in the U.S. turned out to be far different climatically than anyone had ever anticipated. The amount of wet weather there, if anyone understands the process by which fertilizers are applied in the corn belt, understands that in a freshly ploughed field you don't go out with eight or 10 tonnes of fertilizer and a spreader and sink it to the axles. And corn is the major user of potash in the United States, and that simply became a physical impossibility.

The political events in China last June are well-known to everyone. China is a very large purchaser of Saskatchewan potash. Those events are well-known. And when you take a combination of those poor demand conditions plus some increased competition from a few folks around the world, you can get a fairly dramatic turn around because we're talking a few dollars a tonne here on sales. Most of that is well-known to everyone I think.

Item 4 agreed to.

Vote 23 agreed to.

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

Items 1 to 3 inclusive agreed to.

Vote 1 agreed to.

**Saskatchewan Heritage Fund Budgetary Expenditure
Energy Security Division**

**Energy and Mines
Ordinary Expenditure — Vote 47**

Item 1 agreed to.

Vote 47 agreed to.

**Saskatchewan Heritage Fund Loans, Advances and
Investments
Energy Security Division
Energy and Mines
Vote 63**

Item 1 agreed to.

Vote 63 agreed to.

**Supplementary Estimates 1990
Saskatchewan Heritage Fund Budgetary Expenditure
Resources Division
Energy and Mines
Ordinary Expenditure — Vote 1**

Items 1 and 2 agreed to.

Vote 1 agreed to.

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

Hon. Mr. Swenson: — Mr. Chairman, I'd like to take this opportunity to thank my officials for all the good information that they provided to these estimates. I'd also like to thank my critic for some of the questions that he raised in the estimates of this particular department.

Mr. Solomon: — Thank you, Mr. Chairman. I'd like to extend my thanks as well to the minister for his answers, although they were not as quick to be provided as I'd like to have. I'd also like to thank the staff, the deputy minister and his staff, for helping the minister respond to the questions. Thank you.

Mr. Chairman: — Being after 5 o'clock, the committee will recess until 7 p.m.

The Assembly recessed until 7 p.m.