

The Assembly met at 9 a.m.

Prayers

ORDERS OF THE DAY

Hon. Mr. Lingenfelter: — Mr. Speaker, by leave we would like to go to government business, adjourned debates, Bill 88, The Power Corporation amendment Act.

Leave granted.

GOVERNMENT ORDERS

ADJOURNED DEBATES

SECOND READINGS

Bill No. 88

The Assembly resumed the adjourned debate on the proposed motion by the Hon. Mr. Lingenfelter that **Bill No. 88 — An Act to amend The Power Corporation Act** be now read a second time.

Mr. Britton: — Thank you, Mr. Speaker. Mr. Speaker, we have a few questions we'd like to ask on this Bill, but I believe those questions could be adequately handled in committee. So at this time we would allow this to go to committee.

Motion agreed to, the Bill read a second time and, by leave of the Assembly, referred to a Committee of the Whole later this day.

COMMITTEE OF THE WHOLE

Bill No. 88 — An Act to amend The Power Corporation Act

Clause 1

Mr. Britton: — Thank you, Mr. Chairman. I have a couple of questions which I'd like to direct to the minister. Mr. Minister, could you give us a general outline of the purpose of this amendment?

Hon. Mr. Lingenfelter: — I'd appreciate doing that. And I ask the member for the patience, and I appreciate his patience. I have officials coming. They're not here just yet, but most of these questions I'm sure I'll be able to answer, because this Bill is very, very straightforward.

And what the Bill does is give authority to SaskPower to bury communication cable that they need in terms of communication links between their power plants or between their offices.

The Power Corporation, as you will know, sir, already has the power and authority to bury power lines, and they have buried many, many kilometres under the rural underground development program that your government started and was in the process of doing across Saskatchewan. But the legislation does not cover the burying of underground communication cable.

And so to clarify in the Act that while you're burying the underground electrical cable, that if the Power Corporation wants to do communication cable, all this Bill does as a way of change is allow for them to bury the communication cable and give them the same rights and privileges that they have as it would relate to electrical cable to their communication cable.

Mr. Britton: — Mr. Chairman, and Mr. Minister, is SaskTel then involved in this?

Hon. Mr. Lingenfelter: — The option that we looked at, to the member from Wilkie, was allowing SaskTel to do the program. And there's some logic and a great deal of discussion went on between my officials at SaskPower and the officials at SaskTel.

Finally it came to a resolve that what would happen here, because the Power Corporation's needs are very single needs that no one else would be using their system — it's not a matter of Power selling the service to anyone else; it's just used for Power; they're often burying other cable at the same time — that it just became easier for SaskPower to do the program as opposed to contracting with SaskTel, letting SaskTel bury the cable, making payments from SaskPower to SaskTel on a regular basis, that it just seemed easier because of the need for security and all of that to bury the cable directly through the Power Corporation.

And the discussions that went on between SaskTel and SaskPower, as I mentioned, were lengthy and the result was that SaskPower should do the project — therefore the legislation.

Mr. Britton: — Thank you, Mr. Minister. Mr. Chairman, is this . . . the SaskTel, is that internal to SaskTel or is that global? The SaskTel portion of this, is that for all over Saskatchewan or just internal for SaskTel?

Hon. Mr. Lingenfelter: — I'm not understanding — maybe it's the earliness of the morning — but the problem here is that SaskTel . . . It's not a problem but . . . Let me rephrase that. The issue here is that SaskTel will not be the company burying the cable. SaskPower will bury their own communication cable.

And the discussion had been, contracting with SaskTel to bury the cable and then paying them an annual lease for it. And the conclusion came that it was less complicated and easier for SaskPower to do the projects on their own. Had we allowed SaskTel to do it — had that been the route we had gone — we would have needed no legislation because SaskTel already has the authority under their legislation to bury this kind of communication cable.

So in essence, if you want to look at it in another way, the government — if you want to look at it in a global way — already had the power to put the cable down through SaskTel. And what we're doing is giving a little bit of that power to the Sask Power Corporation to allow them to bury their own communication cable.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, I

think . . . I don't think I phrased my question properly and I think you've answered it.

What I was asking is: SaskPower are putting their own communication lines in. And it's got nothing to do with . . . Okay, that's kind of what I wanted to know. Can I ask you, Mr. Minister, what are your plans to finish the underground gasification project?

Hon. Mr. Lingenfelter: — I'm not sure that comes under this Act, but I don't know . . . I'll take my lead from the Chair. I guess you can cut me off if we get too far outside the bounds of the debate on the SaskPower Act. As the member will know, the rural gasification program is in SaskEnergy.

But just a brief outline. We have clearly indicated that the 10-year plan that was in place was not renewed at the end of the 10-year period. And in large part it was as a result of the very high cost of putting the program in place. Some of the subsidies per connection were as much as 10 and \$12,000. And in terms of where that money could be best spent in terms of developing farm program and rural program, it was decided that at this point in time we would not renew the program but review it, look at it.

If and when the budget of the province came in line and we had the books balanced, obviously we want to do whatever we can to allow gas to be distributed in rural areas. And of course there is a plan already in place to distribute gas which is subsidized by other taxpayers, but it's not at the same level as the 10-year plan that came to conclusion last fall.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, can you tell me if you're having any problems with the buried cable?

Hon. Mr. Lingenfelter: — Here again I'm not sure whether you're referring to the communication cable that we're referring to in this Bill or whether you're referring to electrical cable. That question, I'll wait until my officials come and I'll get a response for you. I'm not aware of any, but that doesn't mean that there aren't some.

I know one thing, that the rural underground program has been very helpful, especially in some of the oilfield areas, where we . . . I know on our farm and I'm sure in your area as well, many farmers who had power lines all over the place have had that reduced considerably as a result of the underground program. And it has been a good change for the farming community in terms of the ability of large farm equipment to move around in the fields, as well as the safety aspect.

Now whether there are problems, I imagine there are because for every action there's a reaction. But I just don't know quite what they are, and I'll get that for you.

(0915)

Mr. Britton: — Mr. Chairman, Mr. Minister, could you explain in section 59, it's paragraph (2) and it's talking about the cost, and it says the corporation can request any reasonable fee that it may prescribe.

Can you tell us just what percentage of the cost you intend to charge to the customer. Do you have that figured out? And what assurance does the customer have that he won't have to assume full cost when he makes that request?

Hon. Mr. Lingenfelter: — As the member will know, that the communication lines that will be buried between — let's say use an example, and I'm not sure that this is realistic or not — but between Boundary and Coronach, if you were to bury a communication line, over time, obviously, that whole line would have to be paid for by the consumer, because there's no other place that the corporation gets its revenue. So it would basically be amortized over a 20, 30, 40-year period, much as a power line or a power station. But I think the users of power are the only people who can pay for this project, unless the Power Corporation were running a deficit and got a direct transfer from the Consolidated Fund.

But the Power Corporation historically has run relatively effectively, made a small- or medium-sized net income each year, and is, at least in most cases . . . although some years the full amount was asked for by the government, but has been allowed to keep — the Minister of Finance would know — but roughly 50 per cent of the net profits as retained earnings. And that is where they get their capital for such projects as this. But it would be paid for by the consumer, but amortized over a longish period of time.

Mr. Britton: — Mr. Chairman, Mr. Minister, I don't have any more questions for the minister except the answer to the one. So I guess, with your assurance that that'll come over, I'm going to let this proceed.

Hon. Mr. Lingenfelter: — Yes, I will get that for the member. And I thank him for his questions. And I think as the committee will see, this Bill is not earth-shattering, but . . . to us, as politicians. But for the corporation, it's an important piece of legislation in that it allows them to remove some of the overhead communication lines and put them underground. That will make better service and probably a safer service in the long run.

So I just thank the member for his questions. And I'll get that piece of information that he asked for.

Mr. Britton: — Mr. Chairman, Mr. Minister, I thank you too. I guess there's no use me thanking your officials. However I'm sure they done their job in getting you . . . the Minister of Finance will take the plaudits. Thank you.

Clause 1 agreed to.

Clauses 2 to 6 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 60 — An Act to amend The Community Bonds Act

Clause 1

Hon. Mr. Lingenfelter: — Thank you, Mr. Chairman. I'd like to introduce to the member opposite and I guess all

members of the House, particularly the critic for the community bond area, Jim Zatulsky who is the director of community bonds.

And I'll try to, as quickly and as efficiently as we can, answer questions. But here again this is a program that has been in place for some time and I would expect the questions will be routine and I'll be able to handle them without holding this up very long.

Mr. Boyd: — Yes, Mr. Chairman, Mr. Minister, I think we can be agreeable to that. The questions we have are basically general in nature.

Mr. Minister, as I understand this, this is simply an opportunity for co-operatives to participate in the community bond program.

Hon. Mr. Lingenfelter: — Yes, the member is correct. The main difference, or the main change in the Bill, although there are a couple, is the issue of allowing co-operatives to be involved in the community bond program.

This had been looked at by the previous government, as I understand it, but at the time the legislation was established co-ops were not included. And I don't know whether that was an intent that co-ops would be excluded for the longish period or whether this was initial program and co-ops were being negotiated with.

But at any rate, the co-ops approached us in the early stages of our government and said that they would appreciate the opportunity to be included. And when we looked at it, we thought it would be a good idea because much of the economic development that happens in the province, especially in rural Saskatchewan, there's a very direct input from credit unions and co-ops and the Wheat Pool, and some local co-ops that are not associated with the big three as well. So this change will allow for them to be able to invest in community bonds.

The other area is the due diligence on the projects. We believe that there was an inherent weakness in the legislation and in the program that not enough emphasis and work was being done in terms of trying to determine whether or not the project in the end would be successful. And so we've established here a layer of independent due diligence that will be done in the projects that I think will make more of them successful and therefore will strengthen the program in the long run.

The other thing that the auditor's opinion was, that we should set a maximum amount overall that the program could be involved in. You'll know that in SEDCO (Saskatchewan Economic Development Corporation) there's a cap of \$300 million and we'll be dealing with that later this morning.

But in the community bonds there was no cap. There was an annual limit of 20 million, but the auditor indicated to us that there should be more than that. There should be an overall cap on the program and if you go over that, you should come back to the legislature to change it. So we're establishing here a cap of \$100 million.

Now if the annual cap that you put in place last year of 20

million is followed for the next five years, then we will have to come back here to the legislature to amend the Bill to allow for that to be changed upward.

But it's a check and a mechanism whereby a government some day in the future, if they got totally out of control and were spending hundreds of millions of dollars on this program, would actually have to come back and debate it before the legislature.

Those are the three main changes. And I think what you'll find is that we've done it in consultation with a lot of people in the province and that these are basically requests from investors and communities, and I think will help strengthen the program that your government introduced.

Mr. Boyd: — Thank you, Mr. Minister. Mr. Minister, I'm wondering whether there is the possibility or potential for a co-operative to gain an unfair advantage as a result of this legislation. There's a concern that we have, being brought to our attention, that perhaps a large co-operative — Federated Co-op, Sask Wheat Pool, or someone of that nature — would be able to use this to their advantage, the community bond program, to their advantage over a small community, for example, or whatever.

I'm wondering whether there's been any consideration of that.

Hon. Mr. Lingenfelter: — We, I guess, are more interested in the positive side of the formula, in that the co-ops that had been excluded will now be able to come in. They will add another level of security to many of the projects. Quite honestly, we haven't had that raised with us by any of the communities, that they were worried about co-ops dominating.

The other limiting factor there is here, in terms of the size of the community bonds, as you know, is that the previous regs and legislation indicated that any project over 2 million has to come to cabinet to be reviewed and approved.

Now I'll take that under advisement and maybe be more cognizant that there could be that concern, although I haven't heard it. And we'll watch closely. And if this becomes an issue . . . Obviously we too would be not interested in anyone dominating the community bond. But I just haven't seen that as a concern and it certainly isn't a concern at this time. But we'll make a note of that and follow it closely.

Obviously, as well, if you're getting concerns and you have somebody who's raising that as an issue, we'd be interested in talking to them.

(0930)

Mr. Boyd: — Thank you, Mr. Minister. Well I'll just maybe cite as an example, we'll use the Saska Pasta project in Swift Current as an example. The project is expected . . . or hopefully going to be going ahead.

Now supposing the city of Swift Current decided a community bond offering was a way to attract additional

capital into the project. We could potentially see the Saskatchewan Wheat Pool asking for a community bond for a pasta production facility as well, directly being in conflict . . . directly being in competition — not necessarily conflict — but directly in competition with a community bond corporation that is initiated by a smaller community.

And that is, you know, one of the areas of concern that has been brought to our attention. And we just wondered . . . and I seek the minister's assurance that that will be given a due consideration.

Hon. Mr. Lingenfelter: — Well at the present time the policy is that any project that is approved is, the maximum community bond portion, is 50 per cent. This is, as I understand it, not in the legislation, but this is the policy of the community bond program at the present time. This too is a change, although it's not in the legislation.

But the fact is, is that the local project has to have a 25 per cent local component to it. And what we're trying to do here is make sure, as I indicated to the member from Estevan yesterday, is that in terms of economic development and including in community bonds, that there is risk being taken by everyone, that the taxpayers aren't being exposed to a hundred per cent risk on these projects, and that there has to be a fair bit of risk capital by the proponents of a project.

And whether that's Saska Pasta or whether it would be the Wheat Pool coming to us, that it is very, very important in terms of economic development and in terms of developing the market system on that side of the formula, that those who are the proponents of projects, to make them work properly, there has to be that element of risk and exposure by the people who are putting forward the idea and the concept.

Mr. Boyd: — Thank you, Mr. Minister. Just one other small, little question, I guess, and that was with respect to the directors. I notice that they have . . . I'm not sure . . . I think it's a new provision that one director be of age between 16 and 25 years. I'm wondering, what was the reason for that.

Hon. Mr. Lingenfelter: — As I understand it, the provision 16 to 25 was established by the previous government for bond corporations in their incorporation. That is, that when a new bond corporation was incorporated, you had to have someone between the age of 16 and 25. What this does is extend that out that as long as the corporation exists, not only for the incorporation stage but for the longer period of time, you would keep someone between the age of 16 and 25.

I don't know what the original thought was when that was set up but in looking at it and reviewing that, we thought it was a good idea in the sense of in many of our rural communities where the economic development programs and the community bond programs will take place, that getting young entrepreneurs into the system early — and I think this is something that the credit union movement and the Wheat Pool are trying to do to a large extent, is not only have their members at sort of a medium

age of 55 or 60, but try to include young entrepreneurs at board levels and to get their input — and I guess, vitality and excitement onto these boards seem to be important.

I think that would have been the argument made by the original people who formulated this program. And it seemed to be something we wanted to follow. So we've extended it, not only from the incorporation stage, but throughout the bond corporation's life.

Mr. Boyd: — Mr. Minister, I'm wondering if you or your officials are aware of any of the current community bond corporations that have had any problem with that, meeting that requirement.

Hon. Mr. Lingenfelter: — I think all of the corporations have been able to meet that requirement. It is a little bit more difficult . . . I think it's fair to say that in trying to ensure that we have young people on the boards of the bond corporation, it makes it a little bit more difficult but hasn't created a big problem.

So I guess at the end of the day when we weighed it out as to whether to leave that clause in or eliminate it altogether, it was thought that the advantages that are gained by continuing to keep young people, training them . . . using this also as a training ground for future bond corporation so that they have years of experience and can be helpful in the community in that area.

The bit of difficulty that it created for the bond corporation was actually outweighed by the positive end result.

Mr. Boyd: — Well I would certainly agree with that, Mr. Minister. We think it's important that younger members of a community are afforded the opportunity to participate in something like this, and in fact encouraged. And we would see no problem with it.

Of course, we're all aware in rural Saskatchewan it may be difficult to find people of between 16 and 25 years old that have a interest in a project. And that's perhaps the reason for not extending it to the entire length of the bond offering.

I'm just wondering, Mr. Minister, if you could tell us whether this legislation will also extend the opportunity for credit unions to participate in community bonds.

Hon. Mr. Lingenfelter: — The differentiation is that they could be involved in buying bonds from a bond co. in a community; that is, they would be treated the same as anyone else to buy bonds in a local bond corporation.

However, they would not be allowed to use a community bond to set up a credit union. So if you see the differentiation: they couldn't use it to go into a community where there is no credit union and do a community bond program and set up a credit union. But they could go into a community and buy into, oh, an alfalfa plant if they wanted to buy some shares. But the same restrictions would apply to them as applied to everyone else.

So they would be allowed to be a stakeholder in their

community through the community bond program, the same as anyone else. But they could not use it to extend their credit union system into other parts of the province.

Mr. Boyd: — Would they be allowed to initiate a community bond, though, is what I was wondering?

Hon. Mr. Lingenfelter: — Here again there's differentiation and it's important to sort of think this through. But let's use a credit union board in Kindersley that needed a new office building and they say well an interesting way of doing this would be to set up a bond corporation and build a building and then we would lease it from them. That would be deemed to be not an eligible project. It would be ineligible; they couldn't do that.

But let's say the credit union system in Kindersley wanted to get a tractor plant built in Kindersley. No one else was doing it, but the credit union board believed that this was a good economic development project, and they could go out and initiate a bond co. that would build a tractor plant. But all of the restricting factors that would apply to you or I or anyone else setting up the bond corporation would imply, and they would have to follow all of the regulations.

So it would have to be something that would be very much at arm's length. It couldn't come back to be part of the credit union system.

Mr. Boyd: — Mr. Minister, where is that set out in the Act? Or is it set out in regulations?

Hon. Mr. Lingenfelter: — This would be set in the regulations, and I'll make sure that you get a copy of those, and we'll give you a briefing note on that. It would be in the regulations as it would apply to business in general. And not only credit unions would have this kind of restriction, but let's use oil companies, or North Canadian Oils, I suppose would be a good example. If they wanted to do a project to drill some oil wells in your area, they would be ineligible for doing it within their own company.

So this is not exclusive to credit unions but it applies to all companies and corporations in the province and there wouldn't be a differentiation, I don't believe, in the regulations, although I'll get those for you and give you a briefing note on it.

Mr. Boyd: — Thank you, Mr. Minister. I think that's basically all of the questions and concerns that we had about it. We very much would appreciate the information on the regulations as they concern the credit unions.

We essentially have no problems with this at all. We think that the community bond program was an excellent program and we're pleased to see that the administration is carrying on with it.

As far as the question of the total bond amount being guaranteed by the government of \$100 million, I don't see why there would be any concerns with that. Tightening up the regulations as they concern the viability of the businesses and all of that type of thing, I

don't see there's any reasons for concern there either, Mr. Minister. Obviously with a program that is relatively new, like the community bond program, there's always going to be, oh, I would say, a certain amount of start-up problems or concerns. And if this adequately — and I think it does — deals with those concerns, we certainly wouldn't have any problem with it at all.

Hon. Mr. Lingenfelter: — Well I want to thank the member because, as you know, a new program will have lots of growing pains, and this one certainly isn't without growing pains.

And I want to say as well that I think it's important that when these programs come in place, that we understand that there will be large success stories and there'll also be some failures. And that's one of the reasons we didn't dwell very long on the one failure that we know of in the community bond program, although there was lots of things that could have been said about the failure of the Melville project.

But I think it's fair to say that the department and the government are very, very interested in making this program a success. And personally I don't much care who initiated it or thought of it. Many of these things come from local people, come to government, and then are implemented — whether it's health care or SGI (Saskatchewan Government Insurance) or SaskPower or Crown Investments Corporation. In many ways the end result is what's important, and I think this is a good example of something that can be very successful.

So I appreciate the member's support of the amendments that we're making here. We are trying to strengthen the program. And we will send him a complete set of the regulations with briefing notes on that particular area.

I'd just like to say thanks to my officials . . . oh, sorry. Okay.

Mr. Goohsen: — Thank you, Mr. Chairman. Mr. Minister, I have a couple of questions that concern our community. The town of Gull Lake apparently has received permission to get into a community bond project, and it has been . . . They themselves have been okayed, I guess.

The project that they were to sponsor though, apparently has run into some problems in terms of definition. And I'm wondering if you could clear up for them and for me what the definitions of projects would entail. And I guess if your official is perhaps acquainted with this particular project, he might advise you as to some detail as to why this particular project was not allowed at this time. Because there seems to be some conflict in the community as to whether or not their project should have been denied, because there seems to be some ideas there that . . . It's a technicality, I guess. So I wonder if you could elaborate on that a bit.

(0945)

Hon. Mr. Lingenfelter: — The program that you're talking about is the 35 Mile Community Bond Corp., and is dealing with a service industry. And under the definitions of the program that are in place . . . and here it

goes back to the member from Kindersley's comments about having to renew and review these regulations and legislation. Especially in the first five years, I expect that Mr. Zatulsky will have us reviewing these and probably have changes to regulations and legislation each year for the next couple of years, if in fact we're doing our job properly.

But this is a definition that under the present legislation and regulations doesn't allow for this corporation. I really don't want to go into a lot of detail here because . . . it's not confidential, but I just don't know how much you or I want to debate the pros and cons of that definition here in the public. But there is no real definition of environmental projects in the program. There wasn't when you people were running it and there isn't now.

We're looking at the potential of making some minor changes that would allow for environmental projects that then would include the Gull Lake or the 35 Mile project. But I guess the commitment I'll make to the member from Maple Creek is that we will look and work closely with you in trying to do what we can to make this program fit within the regulations and legislation.

Mr. Goohsen: — Thank you, Mr. Minister. I appreciate that and I'm sure the folks in the community will appreciate that as well. I guess your comments lead me to another question though. Is there a process now of appeal that they should be following in order to keep their project sort of on the burner, alive, and not have it go dead?

Hon. Mr. Lingenfelter: — There is in fact a review committee that would . . . that they would have potential of appealing to. I don't think the Gull Lake project is at that stage yet, and obviously we want to explore all the opportunities so it doesn't have to go that route, and that's a last resort. But there is an appeal mechanism to the review committee.

But in most of these cases I would be surprised if any of the bond corporations that were set up didn't have some problems. And the vast majority of them are sorted out before they get to that point, although there are some that are turned down.

It's fair to say that not every project that comes forward gets approval. And it's fair to say that this is not unlike other applications for money. We have taxpayers' money being exposed here — 100 per cent of the money that the bond corporation has in terms of the money put in by individuals is guaranteed by other taxpayers.

So it's a balancing act and we want to make sure that we do two things, that we get the economic development spin-off for Gull Lake, but at the same time — to friends and neighbours who are willing and good enough to put their money in at no interest and the taxpayers who guarantee that bond — that they are protected.

So I think there is good potential we can work this out but there's a . . . failing that if it's not done directly, there's the review panel. And I guess inevitably some of them don't go, but this is one we think can be sorted out.

Mr. Goohsen: — Thank you, Mr. Minister. I will be very happy to deliver that message to the folks back in my constituency. I guess what it says is that they shouldn't rush out and start looking for another project right away because that was sort of one of the implications that was made to me — that if we could determine that this project were never going to be allowed, then they would start to look for another project. And their feeling as they expressed it to me was that it was simply a matter, not so much of the ability of this project to work, but it was more a matter of interpretation of what category it should fall under within the terms of being acceptable or not.

Now if that is true, and if in fact all of the potential for this project to succeed is good, then I think we have to work on that interpretation. And I appreciate your comments and I'm sure that some of the folks from back in my constituency will be approaching your office to try to sort this matter out. But if you have any further comments, fine, if not I'm probably finished with that.

Hon. Mr. Lingenfelter: — Well as the member knows, south-west Saskatchewan, I've got not a bad knowledge of that area and also have a few relatives that live in Gull Lake, so I've got to make sure that one doesn't cause you and I a great deal of difficulty.

I don't know if the members have other questions. If not I'd like to thank my officials and thank the members opposite for their questions.

Mr. Boyd: — Thank you, Mr. Chairman. Mr. Minister, I think that concludes the questions that we had on this one and we thank your official for coming in and helping this morning.

The Chair: — Because of the number of clauses relative to pages, is there agreement that we proceed through this on a page-by-page basis until clause 18?

Clause 1 agreed to.

Pages 2 and 3 agreed to.

Clauses 18 to 21 inclusive agreed to.

The committee agreed to report the Bill.

Bill No. 66 — An Act to amend The Industrial Development Act

The Chair: — Would the minister please introduce his officials.

Hon. Mr. Lingenfelter: — Yes, I'm pleased to introduce to the committee the vice-president of finance and admin from SEDCO, Mr. Gary Benson.

Clause 1

Mr. Boyd: — Thank you, Mr. Chairman. Mr. Minister, as I see it, the Bill basically is pretty much of a housekeeping nature and I wonder if the minister would be so good as to take the time to give us his impressions of the intent of the Bill and the implications.

Hon. Mr. Lingenfelter: — The member, if he looks at section 26 of the Act and section 37 . . . actually section 37 I guess is a more relevant section. But it deals with the ability of SEDCO to borrow from the CIC (Crown Investments Corporation of Saskatchewan) . . . Department of Finance, through the Consolidated Fund, that it raises the limit from 300 million to 400 million. And this is as a result, as I mentioned under the community bond program, of having in the legislation some mechanism so that on a regular basis as these corporations continue to lend money and expand, that it's not done without fairly stringent legislative control.

When we came to office, I think it's fair to say we were bumping up against the \$300 million limit and it was at that point that we either came to the legislature to extend that beyond the 300 million, or quit lending until we got enough loans repaid.

But as you know, SEDCO in recent years has fallen on some tough times and there's not a lot of revenue being generated that then could be loaned out. So the main reason of the Bill, as we talked about yesterday, and I say this to the member from Kindersley, is to raise that lending limit, so to speak, from 300 million to 400 million.

There's a few other changes in here — section 11 that deals with the boards and holding office and those kinds of things that standardize the system of board members, and standardizes it with some of the other Crowns. There's no big change there, but that's one other area of change.

Clause 1 agreed to.

Clauses 2 to 10 inclusive agreed to.

The committee agreed to report the Bill.

Hon. Mr. Lingenfelter: — Mr. Chairman, I would like to thank my official, Mr. Benson, who as the members opposite will know, doing a great job over at SEDCO, and thank the member opposite for his questions.

Mr. Boyd: — Thank you, Mr. Chairman, Mr. Minister. And thank you to the officials for coming in this morning.

The Chair: — Why is the member for Saskatoon Wildwood on her feet?

Ms. Lorje: — By leave, Mr. Deputy Chair, to introduce guests.

Leave granted.

INTRODUCTION OF GUESTS

Ms. Lorje: — Mr. Deputy Chair, I would like to introduce to you and through you to the Assembly a Saskatoon artist of some considerable prominence who is over in the west gallery. He is a member of the Humanum Art Gallery of Saskatoon. His name is Hugo Alvarado. And he has come to Regina to observe the proceedings here. And I would ask members to welcome him to Regina and to the legislature.

Hon. Members: Hear, hear!

The Chair: — Why is the member from Saskatoon Eastview-Haultain on his feet?

Mr. Pringle: — Mr. Chair, I would ask leave of the Assembly to introduce a guest.

Leave granted.

Mr. Pringle: — Or to acknowledge the guest. I'd like to also welcome our guest. Mr. Alvarado is a constituent of mine and a personal friend too. So I would just like to say welcome, and join my colleague from Saskatoon Wildwood. And we'll see you a little later. I would ask all members to again join with me, please.

Hon. Members: Hear, hear!

(1000)

COMMITTEE OF THE WHOLE

Bill No. 78 — An Act to amend The Labour-sponsored Venture Capital Corporations Act

Clause 1

The Chair: — Would the minister please introduce his official.

Hon. Mr. Lingenfelter: — Mr. Chairman, my pleasure to introduce Denise Gustavson, the manager of program administration. As you mentioned, the Bill we're dealing with, the labour-sponsored venture capital, here again the changes are minor by comparison with some of the Bills, but I'll be pleased to answer any questions.

Mr. Boyd: — Thank you, Mr. Chairman. Mr. Minister, it appears that the nature of this Bill is simply to offer the opportunity for labour groups to take part in the venture capital corporations Act. I'm wondering if the minister would be so good as to take the time to give his impressions of the Bill and implications.

Hon. Mr. Lingenfelter: — Could the member just rephrase the question? I was just talking to my official.

An Hon. Member: — What's the Bill about?

Hon. Mr. Lingenfelter: — Okay. There's two main points to the Bill. There is a . . . I guess the main point, let's put it this way, is an increase in contribution by individuals from 3,500 to 5,000. And this is done for the obvious reasons, to allow individuals to put more money into the venture capital, with all the accruing benefits that will come from that.

The other change is looking at a registration fee, and that will come in the regulations, as I understand it. Here again, that hasn't been quite defined. And I raise that only to indicate to the member in advance that it's something that's being considered, although it's not part of the legislation. And here again, as these regulations are formulated I will get for him the detail of that.

But the change in the legislation that is before us basically

only changes the upper limit from 3,500 to 5,000. And that is done after a fair bit of consultation with the various groups who are involved and have been involved.

Mr. Boyd: — Yes. Mr. Minister, you mentioned the possibility of a registration fee, and I just wanted to briefly touch on that as well. What kind of . . . or, pardon me, what is the purpose of the registration fee as you see it?

Hon. Mr. Lingenfelter: — The registration fee is to try to offset some of the actual costs of the program. I think it's fair to say that the benefit will be, as a result of going from 3,500 to 5,000, will be relatively considerable for individuals. And the registration fee would not be unlike many other plans where there are fees to cover the administration costs.

Now the legislation allows for a registration fee. We haven't decided where that will come down at, but it will be something that will be justifiable in covering some administration costs. I don't think it'll cover the full cost, but some of the costs of the administration of their plan.

Mr. Boyd: — Mr. Minister, I'm wondering if you could perhaps give us an example of the type of fee structure that you see and how it would apply.

Hon. Mr. Lingenfelter: — This is a fee that will be, I guess, minor by comparison. I don't know, I suppose it could start at \$100, somewhere around \$100, and it would be used in order to offset the cost of the program.

The other way of doing it obviously is to take the money somehow from other taxpayers to pay for the administration or to take it from other places. But it's a cost of the program, and we're just trying to determine what would be a reasonable amount in other plans and other programs so that we would try to achieve some fairness in the program; whether taxpayers who don't get the benefit are being called on to pay for the registration fee for these individuals.

Mr. Boyd: — Well we would certainly agree with that concept, Mr. Minister. We have no problem whatsoever with it. I was just wanting perhaps some kind of an indication of what kind of fee structure you foresaw, and examples of where . . .

So it's simply an opportunity to recover the cost that's associated with putting the program in place.

Hon. Mr. Lingenfelter: — Yes. I think the amount we're looking at . . . like if it were to be between 100 and \$200, it wouldn't come close to covering the administration costs, but it would be something to show some faith and recover some of the cost of administering the program.

But we're working on that. In the legislation we'll have the power to charge a registration fee, and what is left to regulations is setting the amount. But we're looking, I think it's fair to say, in an area somewhere between 100 and \$200.

Mr. Boyd: — And what percentage of the total overall cost would that . . . of administration would that represent?

Hon. Mr. Lingenfelter: — The thought is that it would be a small percentage of the . . . and because we haven't arrived at an exact number, it's difficult to say, but \$100 would not be a big percentage of the cost of the administration. And what we're trying to do is to initiate a fee that would try to recover some of the cost of administration. But it's not likely that the initial fee that we charge will come anywhere close to recovering the cost of administration.

Clause 1 agreed to.

Clauses 2 to 12 inclusive agreed to.

The committee agreed to report the Bill.

Mr. Boyd: — Mr. Chairman, and Mr. Minister, I would like to extend our thanks to the officials for coming in this morning to deal with this Bill.

Hon. Mr. Lingenfelter: — Thank you very much. I too would like to thank my official and the member of the opposition from Kindersley. And I'll also send to him, when we get this in place on the regulations and the registration fee, we'll make a commitment to get that to him.

(1015)

Bill No. 21 — An Act to continue SaskEnergy Incorporated, to make certain consequential amendments to certain Acts resulting from that continuance and to validate certain transactions involving SaskEnergy Incorporated

The Chair: — I would ask the minister to please introduce his officials.

Hon. Mr. Lingenfelter: — Yes, I would like to introduce to the committee and to you, Mr. Chairman, the members of our staff who are with us here today. Bill Baker, president of the corporation, who is seated to my right, and directly behind him are general counsel Robert Haynes — Robert is also secretary, part of his title — and Greg Mrazek, the corporate controller of SaskEnergy.

Clause 1

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, I first of all would like to welcome your officials here to help us with a few questions. I appreciate the document on these proposed House amendments that probably will help me understand what you're doing here.

It looks to me, the way Bill 21 stands, that SaskEnergy will become a separate Crown without any chance of gaining equity. Is that so?

Hon. Mr. Lingenfelter: — The purpose of this Bill, as you'll remember the debate — and the member from Estevan may want to get into this at some point — is a culmination of the very big provincial debate that went on at that time as to whether or not SaskEnergy should be privatized or not. And the commitment that we made during the election campaign, and I guess the sessions

going up to the election, that we would if we were elected, bring in legislation that would ensure SaskEnergy would be part of a Crown corporation.

And at that time it was unclear as to whether it would be part of SaskPower or whether it would be a free-standing Crown corporation, but the commitment was very clear that we would establish legislation that would give it the authority of a Crown corporation.

And the member from Wilkie is right. This is now the legislation, the format that confirms that commitment that we, in fact, made to the people of the province.

Mr. Britton: — Mr. Chairman, Mr. Minister, what would seem to me a perfect opportunity to give the public a chance to invest, seems like by doing this you now allow that to go by the wayside.

Bonds, community bonds, are successful. Your last bond issue was successful. It would appear to me that the people are ready to invest in their own Crowns and their own business. Why wouldn't you have taken this opportunity . . . I notice your debt is 1.3 million. Why wouldn't you exchange equity for debt?

Hon. Mr. Lingenfelter: — The members opposite will know that when it comes to Crown corporations and utilities in the province, I think it's fair to say that whether it's SaskPower or now SaskEnergy or SaskTel — SGI in a different category but especially the AAIA (Automobile Accident Insurance Act) portion of Sask Government Insurance — that the public seemed to want, and I think it's fair to say that all the indications are, that they want these Crown corporations utilities to remain as Crown corporations.

I don't take away the member's argument, because I agree with him that the public should be able to invest in natural gas companies in Saskatchewan that do business here and that are involved in the gas business in Saskatchewan. And it's fair to say that they have that opportunity. I mean they can invest in North Canadian Oil or Bow Valley or some of the big pipeline companies that do business in Saskatchewan, that there's no end of investing in projects and companies that do business in the natural gas or oil sector in the province. And these are major oil companies where they're . . . or gas companies or pipeline companies that people can invest in and be part stakeholders in the oil and gas industry.

Or if they're very adventuresome people, they can go out and set up their own oil and gas company and come to the Department of Energy and Mines and apply for and bid on gas and oil leases and drill their own gas and oil wells.

There's no end to the opportunities that people have to invest directly in the resource industry in Saskatchewan. And we not only, as the member opposite knows, provide and allow for that, but we encourage it. And we very much like to see local business people or farmers from your area of the province or from my area of the province getting together and investing either directly in share offerings from these companies or doing their own thing. And many, quite honestly, have.

In the Swift Current area, the member from Morse will know that many people in that area . . . in fact, the mayor of Swift Current, Len Stein, has been relatively successful in becoming involved in oil projects. So there's no end to opportunities for people to invest in their resource sector.

But here we're looking at a Crown corporation that is a utility that provides gas services to the homes and communities in the province of Saskatchewan. For better or for worse, right or wrong, the public of Saskatchewan very much support the concept of keeping this as a Crown corporation, and I think clearly voted for that in the election in 1991.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, you know, that approach I think is unfortunate because everyone knows a lot of revenue could be raised for the government through a share offering. You could, if you wanted to maintain control, keep 51 per cent of the shares — you could have done that — and also allow people to invest in the government projects.

Also I think your logic breaks down a little bit when you tell me that everybody has the opportunity to go and invest. But you want to keep control of the major part of the investments here without allowing people to do that.

You talk about starting up your own oil company. Well someone with 10 or 12,000, \$15,000 to invest certainly can't go and start up an oil company. That wouldn't even open the office.

So I'm wondering why with the . . . when you are aware that the people of Saskatchewan, who incidentally are one of the greatest savers we have . . . We have billions of dollars in savings, and they're willing to put their money in government operated or controlled, if you wish, projects, rather than maybe take a chance on the private industry. I wonder why you wouldn't allow the people to do that, at least offer that. If it don't work you could come back and say to me, you know, look it don't work, always remembering you could keep your 51, 55 per cent, whatever you thought was fair. It works, and I'm sure you know that, because Saskatchewan itself has proved that.

And I was wondering. It's worked all over the world, and companies and businesses vary from one end of the spectrum to the other. It's a proven fact that people have I think more confidence in investing their money when it's backed by government.

And you're talking . . . I am at least, talking about the small investor, the person who is not knowledgeable about shares and stock markets and things like that, but he has some confidence in Saskatchewan and in Saskatchewan's place in the world where they may have small amounts of money. And I think that they would be proud to invest in something that they feel they own anyway, and your philosophy has always been, it's owned by the people. Well then let them have a share of it. I believe you're missing a chance here and philosophies aside, I think the people out there would go for it.

In section 42 it allows you to borrow up to \$1.3 billion. That's a lot of money. When it comes to generating

income, that could be done I think, through the investors. And then you would then not have to borrow money; you would have the people of Saskatchewan owning a part of their own business. You wouldn't have to go on to the money market and you would be trading debt for equity. I'm sure that any farmer today understands the difference between debt and equity, and I'm surprised you wouldn't at least give it a shot. Mr. Chairman, Mr. Minister, I think you're passing up another opportunity to help alleviate the debt in this province.

Bill 21 establishes SaskEnergy as a Crown corporation and that assumes no debt. Can you tell me, Mr. Minister, what is the debt of the new corporation?

Hon. Mr. Lingenfelter: — The member opposite raises several interesting points about investors and investment in Saskatchewan, and a lot of it I agree with. I am one who believe that the individual should have the right to invest in oil and gas and in corporations. And from time to time I've been able to invest in oil companies, and it's fair to say that many people in our party and other parties in Saskatchewan do that. And there are literally hundreds of companies in which we can do that, that play a role in the Saskatchewan economy.

But I say again, there's one utility when it comes to gas and oil in the province — one only — that is a utility. That the public, I believe, want to remain as a utility. Not 10 utilities that they can't invest in, or 50 or 100. One.

There are hundreds of companies that if you want to go out and invest in and take a risk and take some chances, which is perfectly . . . up to that point, I totally agree with you, that there should be within the system, in a mixed economy, that opportunity.

But the people of Saskatchewan, I say again, for right or wrong, the vast majority would like to see their utility that owns the pipelines that come to their home not as a risk venture. They want that secure. They want to know that the government guarantees that if they're hooked on to that gas line that their supply is assured and as stable as the government. That there isn't this adventuresome risk and the excitement of going to the stock market and the company has the opportunity to go up and down and to go broke.

They like to know, they feel comfortable, that the gas company that provides their gas to them is owned by the people of the province. It gives a sense of security. And I think it's there, that's how the province is. They like to know that their power lines, that this isn't a high-risk venture, that it is owned by the people of the province. They built it, they own it, they'd like to keep it that way.

You don't think that's right? I tend to agree with them. And these are matters of opinion. But I think it's fair to say that the debate in 1989 clearly indicated that the people of the province wanted to keep SaskEnergy as a utility and didn't want the opportunity to take big chances in that one corporation in the province.

And so I think the people of Saskatchewan have wisely chosen an economy that tries to derive the best of both worlds. It's not dogmatic, it's not flashy, but it works very,

very well for those folks in Saskatchewan who have designed the plan. That is, they have the ability to invest in the private sector, to take chances to invest, lose money, or make money in the private sector corporations, many of them which the member from Wilkie will know. But in the one area of providing gas to their homes and hospitals and schools, they want to be able to have the opportunity to have that security.

Now we can argue all day about whether that's right or wrong, that that's what the people want. But I think in fact that's where we're at. When it comes to the debt in the corporation, at the present time there is a debt of \$600 million. The equity in the company would be 8 or \$900 million. The debt/equity ratio is about 80:20. We think that is obviously higher than we would like it to be and we are setting in place some systems to see what we can do to bring that down. It's not a disaster scenario, but we would like to see the debt/equity ratio lower than that, and hopefully over the coming years that will come down.

(1030)

Mr. Devine: — Thank you, Mr. Chairman. Mr. Minister, if I could get your understanding, what we're after here is some sense of imagination so that in fact the company can operate successfully with as little debt as possible, as much equity as possible, and regulated, because it is, as you might agree, a natural monopoly.

I see here on section 42 that you can borrow up to \$1.3 billion, and you can do it through bonds and other securities. Now if you borrow that much money, you have to honour the bonds, you have to pay them. Now just say, hypothetically, if you went out into the market and you issued these bonds, you'd have to pay the interest on that.

Two points I'd like to make: number one, the way you'd do this, all of that interest would leave the province because you haven't had an energy bond. And I wondered if you might consider energy bonds to replace the interest from going outside the province to having them inside the province, which . . . and you've talked about bonds this morning, co-ops being involved in bonds, and you've done equity bonds now. That's the first.

Number two, even with 1.3 billion in bonds, you have control because you regulate that company. So you could have all of those outside Canadians, Japanese, Americans, investing in this bond and you guarantee it and you regulate the company. Now if that's the case, Mr. Minister, let me make the point that it's not fair to say to the public that you can't issue bonds and you can't have people invest in this instrument because you would lose control. You do have control. You have significant control.

The third point that I'd like you to comment on: in fact you could do it with Saskatchewan bonds and Saskatchewan people could invest in it and the interest would stay in Saskatchewan, not only would you have control, but if Saskatchewan people could actually invest in it, then in fact you would have less interest to pay. And, Mr. Minister, you could have lower rates, lower gas rates.

And I say that because you regulate the rates. And if you regulate the rates, what we've seen in power and tel and gas and SGI, as under your regulation, the rates have gone higher and higher and higher.

So the public has lost on two accounts. They can't get lower rates. They can't get the interest on their investment. And as a matter of fact, they see that the cost of production and the cost of doing business and the cost of living in the province of Saskatchewan is exceedingly high, given your situation.

So if you're going to go into the market anyway, have you ruled out the concept of utility bonds in Saskatchewan? Like power bonds, we did several hundreds of millions of dollars. Would you look at energy bonds, so that the interest would stay here?

Number two, would you admit, even if you do bonds locally or internationally, you regulate it?

And number three, isn't it true if you had local equity you'd have less debt and therefore you could have lower rates to people? And obviously if you've raised the power rates and other rates, the equity part of it is extremely important.

Could you comment on those three things, Mr. Minister.

Hon. Mr. Lingenfelter: — The issues the member raised — and I'll try to answer all of them, and if I miss, I'd ask the member from Estevan to point that out to me. But on the issue of bonds and the position of our government, we're very much interested in people in Saskatchewan having an opportunity to participate in the economy through bonds, as indicated by the Minister of Finance who had a very successful provincial bond offering, I think \$565 million.

And the theory here of internalizing debt, I think, has been done by other provinces — Quebec probably as ably as anywhere else — where the idea of trying to keep the . . . if there is a benefit from debt internal, doing that. Obviously the former premier will know that's not a perfect science because there's a premium you have to pay, and also a bit of a risk that you have to take that's inherent with doing that internally.

But we have obviously decided that that is worthwhile, and that internalizing debt as much as possible is a good idea without causing problems on the other side of where that money might have been doing work before it was taken out of accounts, or taken out of other projects and put into the Saskatchewan savings bonds. I mean there's obviously a balance.

You can't just take the \$14 billion debt and suck it out of all the accounts and investments in credit unions where it now goes out and is invested in farms for seeding and that. I mean because we know how that works. That you've got to do this in a very balanced way. Because for the action of taking money and putting into Saskatchewan savings bonds, you're obviously taking it out of something else. We hope that we're taking money that the credit unions have up to this point been moving out of the province because there haven't been the kind of investment totally

that they would like to do in the province. So it's fair to say that we're looking at doing that.

Having made that decision though, it becomes then I think a legitimate question. And I guess I would ask the member opposite maybe to comment as well on this, as whether you do a number of small bonds in SaskTel and SaskEnergy and SaskPower, or you try to do one major thrust through the province of Saskatchewan.

And we are thinking and studying and analysing now, a great deal, whether or not SaskEnergy should be doing their own, and SaskPower and SaskTel, or whether or not you do it in a central agency and do it that way, which gives you the most efficient system.

The other thing that's a limiting factor as you will know, or at least I'll remind you, in SaskEnergy, is that there really isn't the opportunity to go out and replace the \$600 million quickly and easily, because much of the debt that's signed up there, some of it signed by your government, some of it by our government when it was part of SaskPower, is long-term debt.

And I just wanted to indicate that this year the total amount of debt that is maturing is \$30 million. So if you wanted to internalize that debt, the maximum you could do would be 30 million. In 1993 it's 7 million. In 1994 it's 35 million. In 1995 it's 2 million. And so you see the numbers that you're working with are not quickly changing the 600 million from long-term debt to some sort of a bond issue.

Nor would it be a good idea — I think the officials in the Crown would tell you — to change all of your long-term debt to all Saskatchewan bond debt that's renewable at any time that it wants to be renewed. That that would not be a . . . that that might not be a great idea, to change all of your long-term debt and security to debt that could go from 6 per cent today to 20 per cent a year from now. That in terms of securing the cost of gas to the consumer, that having a balance in your investment portfolio is very, very important.

So I totally agree, to the member opposite, that the internalizing debt is a good idea. It's not simplistic — and he obviously knows that because he had a big part in running the government — that you will want to do this as a regular, annual kind of investment.

Now whether or not the Minister of Finance will be recommending that we do a lot more than 5 or \$600 million a year for the government is a good question. And I guess I would like the member opposite, if he cared to, to comment on what kind of a number he would see as being legitimate in internalizing on an annual basis. We think 5, 600 million is a good starting point. It may be that you want to do, or try to do a billion dollars. But there are some, I think, pretty severe restrictions on how far you can go in that direction in any one year.

But in the initial comment as to what we think about it, obviously we're involved in it. And we think it's a good idea.

Mr. Devine: — Well I'm happy to hear that, Mr. Minister.

Obviously the participation of Saskatchewan people in resources is very important. And the fact that you now endorse community development bonds . . . which are interesting because you said you have to have a premium to have people invest in bonds. You don't always have to, because in community development bonds there's no premium at all. In fact you don't guarantee that they're going to get anything other than their equity. Which is an interesting phenomenon about Saskatchewan people that we have not seen across Canada. People will invest in their community.

Well I'm very happy to hear that at least you're considering bonds for public utilities, and acknowledge the fact that you regulate them. And whether it's a bond that you issue in New York or a bond you issue in Saskatchewan, you still run the company and you regulate the rates.

I also want to make the argument that people feel quite comfortable investing in utilities because they are regulated. You can ask other people who manage utilities, whether they're in Alberta or other places, and they'll tell you it's a very safe investment. So you don't need a premium on utilities.

In fact I would venture to say that if you wanted to offer equity, even converted . . . or bonds converted to equity, you don't need it because you regulate the rates and you have complete control. So people know that of all the investments you could make in Saskatchewan in a public utility would be as safe as there could be. And they know it's run and managed. So if it's a natural monopoly like gas, like electricity and the line going into your homes, people feel very safe with that. There's no hesitation. So if you would consider the equity, I'm happy to hear that.

Number two, I would hope that you would actively solicit the support of the public in looking at investing in Crown corporations because they are safe.

I wonder if you would comment on whether you'd consider equity . . . bonds or equity in some of your expansion plans, like the gas pipelines that we were looking at. Because that's going to cost \$100 or \$200 million to expand that, and you'd obviously have to go into the market. You're going to have to go to New York market or some other market to get the bonds, to get the money. Would you look at Saskatchewan investors or Canadian investors, either in bonds or equity? You regulate it, and you need good market regulations. In fact the whole industry has asked for regulations.

So two questions. One, would you encourage the public to be there to replace your debt with equity or at least local bonds with international bonds? And number two, have you seriously looked at the regulation necessary in the industry? Because the industry wants to have good, solid access to the kind of regulation that they would like to see here in Saskatchewan so it would fit with other jurisdictions.

Hon. Mr. Lingenfelter: — Mr. Chairman, I want to make a point here and I'm sure the former premier is aware of this. And I don't want to make a big issue of pointing this out, but when he says or infers that bonds are equity, the

committee should know that that is . . . I'm sure the former premier didn't mean to say that. Bonds are debt. Bonds are not equity. If a corporation sells bonds, that's not an equity. That is in fact very directly a debt for the corporations. I just want to make sure the committee . . . I'm sure that you didn't mean that.

The other point that I want to make is that in terms of new development . . . and this will circle off that part you talked about before, and that is transferring existing debt to bonds. And I've agreed that that is something we're carefully looking at, although it's limited: this year 30 million; next year 7 million; then some other number; and in year four it's only 2 million. So in renewing debt we're very limited as to how much we can actually deal with in the public.

Now you come to the new point of new development and the same thing applies, that we are interested in using bonds, although you have to . . . and that's why I made my earlier point that there's no magic about bonds being something that's going to cost the utility less money. I think it's good to use the bonds, but obviously if you're doing a major project and these bonds are renewable on a few days notice, you don't want to build a major pipeline company on debt that can be taken away by financiers in New York or the people in Shaunavon or Sturgis on a days notice.

(1045)

Now if you're asking, if you're doing a \$200 million project could there be some bonds involved in that — absolutely yes; it's a great idea. Now we may argue whether that's 10 per cent or 20 per cent or 30 per cent. That's very short term. Not even short term; you're talking about instantaneously turning around and having to go on the market to replace that. And there are also ways of maintaining that money in there as well as changing the infrastructures.

But yes, the member says, are bonds eligible to be invest in future projects or Crown corporations without consulting a great deal with our Minister of Finance. I think the easy response is, yes. As to how much and the format they would take, obviously we would look at that very carefully.

The member also raised one other issue, and that is the borrowing limit in SaskEnergy being set at 1.3 billion. That is in fact a lot of money, but he will know that their own legislation, I believe a couple of years ago in SaskTel, which borrows and does investment now right around the world, also has a borrowing limit of 1.3 billion. So this number's not unique or new. In fact it standardizes it with their legislation as it applied to Crown corporations in past years.

And so the 1.3 billion is not a new number. In fact we looked at your legislation as it applied to SaskTel. You had jacked that up to 1.3 billion. The companies are of similar size, although unique in their own way, and that seemed like a number that would be legitimate and acceptable to the industry and, I thought, obviously to yourself, seeing it was a number that you had used in SaskTel.

Mr. Devine: — Well thank you, Mr. Minister. Again I'm glad that you're looking at the public participating in bonds, and bonds are an instrument of debt provincially as well as internationally. The interest stays in Saskatchewan if they're issued in Saskatchewan, and that's extremely important.

Let me move though in a theoretical sense, because of your concern about stability . . . You said you don't want short-term debt in terms of instruments like bonds because it might affect your project of expansion because of the short-term demand. Clearly equity is more stable than debt. That's the first point.

So if in fact a company, a public company or a private company or a co-operative, wants expansion and they want to do it with equity rather than debt, then they look at those kinds of instruments.

In that consideration, and I'm going to give you one of a large co-op here that operates in Saskatchewan, that has decided . . . and I know that the Wheat Pool has looked at it although they haven't done it yet, but certainly a large co-op has here in Saskatchewan gone to an equity offering. And the equity offering allows them to reduce their debt. They certainly maintain control in the co-op, they have absolute membership control, but they've replaced debt with a lot of equity. And they have stability and they can expand.

Now if a local co-op — and you just finished the adjustments in the community development bond to include co-ops — if a co-operative can look at expanding in Saskatchewan, maintaining control, and replacing its debt with shareholders' equity, conceptually you'd have to say, well that's fair enough, they're doing it. They're certainly doing it with your legislation. The United Grain Growers as a co-op is doing it now across western Canada; the Wheat Pool is looking at it, and it's run by the co-op.

If you have legislation that lets you run the company and you can have local equity, which is much more stable than either local or international debt, and knowing the political considerations that you have, say, well I'd only allow 15 or 20 or 30 per cent or whatever it is, so you've got control, have you entirely ruled out that stability and that strength on say a billion dollar company, of having people participate so that you could have local equity that is strong, that is guaranteed, that is part of monopoly, regulated by the government, which results in, one, much more stability, and number two, as you know, lower rates in the long haul for industry, for home owners, and for others?

I'm sure you understand the concept. And I say that understanding the political games that people get into. But if a local co-op can do it and is comfortable with controlling it, and they've managed it well and they have well over 50 per cent, isn't it something that your administration might consider, given the dynamic nature of how gas affects other industries? Whether we're dealing with IPSCO, whether we're dealing with fertilizer companies, we're dealing with power projects, co-generation, all of that stuff, we want competitive gas

rates, well regulated. And that balance, the public and the private . . . want to see where it's encouraging people to invest here.

And I'm sure that the minister . . . And I don't want to get into the politics of it, but it's just the concept that some equity in a monopoly that you control and your regulate, it might have two or three advantages that we see the co-op movement moving into. And your own legislation has encouraged co-ops to go equity in the bonds that we talked about here this morning.

Hon. Mr. Lingenfelter: — Well the member raises a very interesting point, and one that you'll know we have debated for a long, long time in the province of Saskatchewan, and that is allowing for private offerings in our utility corporations. And it's fair to say that we're not considering share offering in SaskEnergy or SaskPower or SaskTel or SGI.

We feel that we are able to meet our needs in terms of financing and meet the needs of our residents of Saskatchewan with the Crown corporations as they are now structured, and there's a lot of security. The companies are secure. And the work that we have done in analysing where the corporations are going to would indicate that there is simply no need to go in that direction, that is to privatize any portion of the utilities.

So I think it's fair to say that there is a number of things that I agree with the member on in terms of bonds and having people being able to buy bonds in the various corporations, but when it comes to selling shares in the corporations, i.e., privatizing them, we think it's not necessary, and we think that we're reflecting the view of the public in that issue.

Mr. Devine: — Well philosophically we can certainly agree, but when it comes to the economics of rates, that's where we run into some serious practical and empirical problems. That's probably the strongest argument that the public has anywhere in the world, of having replacing debt with equity.

We had serious rate increases in power, serious rate increases in telephones, and serious rate increases in SGI. We're going to look at rates in gas. And you're saying, well not a bad concept for the co-ops; they'll have legislation here for other things. But the public's going to have to pay higher and higher rates because you're borrowing money and won't allow equity.

That's the part that is pretty serious, and it goes beyond the philosophical game that you're saying, well we won't let the public invest in a utility. The public can invest in a utility and they can win in two ways — total security regulated by the public monopoly, and lower rates for themselves, lower rates for industry.

So you just . . . just as long we know, just as long as we know that the public has to pay higher and higher rates if you deny the fact that the company can have equity. Because you're either going to have to wring this thing out of total cash, which is probably why you're raising the rates, or you're going to have to borrow money. And you're now asking to borrow \$1.3 billion and you're

saying, no equity because . . . well we're not quite sure because you campaigned on no equity.

But just so we all know, the rate increases in the last eight months in the utilities are at historic levels — very high — in the public, if you look at your telephone rates, your power rates, your SGI rates. Can you give us any indication what the utility rate increases are going to be like, given the fact that they have increased rapidly in the last few weeks or last few months — very large increases? And you obviously know if you didn't have all that debt to pay, you could have less and less.

And secondly, we would know that the stability of the corporations are obviously going to be good. The public wants these monopolies run not for monopoly profit, but for service. Isn't that the point of a monopoly? It's regulated so the people don't get ripped off. And you have now increased the rates so you have monopoly profits. You have large monopoly profits in the utilities, and people are saying those monopoly profits are going to do whatever else people want them to. And on top of that, they're paying a great deal of interest because you will not allow equity.

So the philosophical difference can be there but the practical thing and the practical point is, you're raising rates very quickly on the utilities, and you're making monopoly profits when in fact when you regulate something . . . why bother regulating it if that's what it's for? We're into some serious concerns with farmers, businesses, consumers, and others who would like to see competitive rates. And obviously you've raised them very high because you won't allow the public to participate to reduce the debt and therefore reduce the rates.

I mean you can agree not to do it. I'm glad you're interested in bonds. I still can't understand why you wouldn't look at modest equity to help stabilize the company and help reduce rates. And maybe you'd like to comment on that.

Hon. Mr. Lingenfelter: — The member opposite obviously is not willing to give up on the attempt to privatize this utility. And he has an argument, and it's a valid argument and it goes on all the time, whether or not you water down your position in a company by selling shares in it or whether you try to maintain control of the company using debt as a tool, whether through bond or through lending.

But what the member shouldn't confuse is the fact that selling shares is cheap or without expense, I mean because that's simply nonsense. Obviously if someone's going to invest in your corporation, you're going to have to pay them dividends so they can make a profit; otherwise they wouldn't invest in the corporation.

So it's not as if you can get rid of the debt, keep everything the same in the company — same amount of profit, same rates — and then not pay these people who buy shares anything. I mean the . . . obviously you have to pay them dividends on their investment or they go the other way.

Now the simple fact is, is that the utilities in Saskatchewan over the years — and the member will

know this — have been very, very successful in keeping rates low by comparison with other jurisdictions. It's not to say we haven't had rate increases in automobile insurance, in electrical rates and in gas rates and telephone rates, but when you look at our comparables . . .

And I'll provide those for the member — I can't do them all today but I will put them on a chart because I've been meaning to do this for the last while and I just haven't got around to it — but I will put on a chart the utility rates, some where you have all shareholders, all shareholders, and you'll find that the rates aren't cheaper.

Why aren't they cheaper? Because they have debt in the corporation, they have to pay out dividends to the shareholders, which is costly, and rates aren't lower. Of course I understand. I've been involved in many companies and I've been involved in many Crown corporations. The problem here is, is that there is always this simplistic approach to the economy. It's not simplistic; it's very, very complicated.

You can't say that if you simply get rid of your debt in the Crown corporation and replace it with equity, that that's going to save you a lot of money and rates are going to go down. That is too simplistic.

The simple fact is that that is not a true statement, i.e., the utility rates in California and New York where they have all private sector utilities, or Quebec or other areas where you will have comparable utilities and insurance, or in . . . well insurance isn't a good example, but in telephones or in other areas where you have all private sector investment.

And they have debt. Somehow you assume that if you had a private corporation there isn't going to be debt. Well you know as well as I do that is not true. Many of the private sector companies that have shares have huge debts. In fact some of them have so much debt they go bankrupt. In the United States they go into chapter 11 — huge companies that have many, many billions of dollars in shares also have billions and billions of dollars in debt.

So this simplistic approach you take to our Crowns, that if you got rid of the debt and had shares, you'd have a company with no debt, that simply isn't the reality of the economy anywhere in the world.

So I'd like to keep this debate in the other area that's much more reasonable and rational; that we have in Saskatchewan a system of utilities that have been built over many, many years. That it is built on the principle of the government on behalf of their investors, taxpayers, borrowing money at the cheapest rate possible to build utilities. And they have chosen to keep that as a utility, totally operated and owned by the government.

(1100)

Now that's not the only way the utilities could run. Obviously they could run in the way that you would like to see them run. That is, privatized or some portion of them privatized. And that's fair and legitimate argument and it's a legitimate economic approach, and I admit that

to you. But for you to say simply, if you did it this way you'd get rid of all your problems, it doesn't work that way and I think you know that.

What we're saying is that the system that you put forward to the public was rejected. And the system that we have put forward may not be the right one in the end. You may be right. I don't think you are. But you may be right in the end that we should have privatized the Crown corporations, and that they will go bankrupt and they won't provide service for the people in the province. But the history of the province is that they have worked very, very effectively in their present form.

And it's like my combine when I'm out in the field, if it's running and there's no large noises coming from the straw walkers, I don't go out and change the straw-walker bearings to put in something else. The corporations are working. They're working well, not perfectly, but better than many of the options that we see across Canada and North America. So therefore the public have decided they want to keep them the same.

Now in the end you may be right and the public may be wrong. There is the chance of that happening. But my opinion is that we agree with the public, after much analysis, that keeping the Crown corporations, the utilities as owned by the people of the province through their government, is the best way to go. And the concept of using some bond money from Saskatchewan to enhance their borrowing — I want to make it clear, that's not equity, that's more borrowing — is legitimate. But we don't agree that privatizing some portion of these utilities is the right way to go at the present time.

Mr. Devine: — Well I think we're having a productive discussion, Mr. Minister. I'm going to read to you arguments that I'm sure that you could make, and would have made just a few minutes ago on your community development bonds strategy that include co-ops. Because the whole strategy said that in fact it will reduce the debt, increase equities controlled by the co-ops, and is publicly traded.

I have for you, Mr. Minister, investing in the west, a United Grain Growers strategy. And it is a 12-point plan by a large co-operative, and point one is:

- 1) The management team agreed that becoming a publicly traded company is the most sound and effective way of moving the company to respond to the needs of farmers and business and industry.

It will provide more capital to upgrade the grain-handling system which will make UGG a stronger, more competitive company.

- 2) By allowing more people to invest in the company, we're providing an opportunity for others to invest in agriculture and western Canadian economy.

- 3) The money raised as a result of this proposal will be used to continue the investment we already have begun across Canada. We have undertaken a \$25 million program to refurbish facilities.

With an infusion of additional capital, UGG can continue to refurbish existing facilities and construct new elevators at a much faster pace (and what they mean is a much faster pace than debt). It's likely that UGG's credit rating will ultimately rise if this plan is endorsed at the annual meeting.

Now, Mr. Minister, your credit rating has been going down and down and down and down. United Grain Growers says their credit rating is going to go up and up and up based on equity, replacing the debt. And certainly the shareholders in that co-op control the company.

So they didn't privatize UGG (United Grain Growers Limited); they've just opened it up to equity considerations.

A higher credit rating should give UGG better access to short-term money markets which can provide operating funds at lower interest rates. Lower interest rate costs for the company mean lower overall expenses and ultimately lower costs for our consumers and our customers.

So they're saying, by replacing their debt for expansion with equity, they have a better reputation, they lower their debt cost. That means that they have less interest expenses, their profits go up, their dividends go up, and their value and service to the customer is improved.

In the long run the competitive position of the company will improve and so will profits.

Now, Mr. Minister, they go on to say:

The current market conditions indicate change is coming. Policy changes outside Canada, pressures inside our own country, and changes within the grain industry will influence the way UGG operates.

We say the same thing, Mr. Minister. The Chinese government is allowing equity in public utilities. The Communist Party of China has just allowed equity in transportation and communications. Now if China can do this, well maybe Saskatchewan can consider it.

All the countries and the republics in the former Soviet Union are letting people invest equity — equity — not just run by the central government.

So if the Soviets allow equity and the Chinese allow equity, we're asking the NDP (New Democratic Party) in the province of Saskatchewan . . . and the UGG in your province . . . and the Bill you just encouraged in this province, encourages co-ops to have equity rather than debt.

So the arguments are valid internationally, they're valid locally, they're valid with co-ops, they're valid with your own legislation. Certainly you know that local people have confidence if you stood in your place, the Premier stood in his place, and said, the people of Saskatchewan can now invest in TransGas or SaskEnergy and we'll guarantee it, do you know what? You could sell it. You

could sell it.

And it would be a good thing to do. And you replace some debt with equity. You'd don't privatize the company. You let some of the company replace its debt with equity and you run it and you have a better rate structure.

They go on to say, the UGG:

It's likely that the UGG's credit rating will ultimately rise if the plan is endorsed because (they say) financial resources are thin at the federal, provincial and municipal levels. These resources are already hard pressed to keep up with the current commitments under GRIP, NISA and the Western Transportation Act. They'll be pressed even further as people resist tax increases.

People don't like utility rate increases. And you're telling, and everybody is telling us, taxes are high, taxes are high enough. You've raised taxes. You've raised rates. If you want lower taxes and lower rates, one of the ways is equity.

They go on to say:

Under current ownership structure, UGG has only two means available to finance its operations: debt and earnings. The directors and management of the company believe it would be unwise to increase our debt level substantially at this time. Our credit ratings could be adversely affected.

While the company has improved its earnings lately, they aren't sufficient to finance capital requirements in time to respond to our rapidly changing industry. The time for change is sooner rather than later.

And they go on to talk about a renewed commitment to farmers and access to equity markets.

Equity markets will provide the necessary financial resources required. Equity markets enable the people making the investment to take an equity or ownership stake in the company. Equity stakeholders succeed when the company succeeds.

Most of the money available for investing in equity markets comes from pension funds and insurance companies.

People who are in Saskatchewan and people who are across Canada.

Well I'll copy this for the minister and I'll leave it . . . I plan to leave it with the Minister of Finance and with the Premier as well because we endorse your community development bonds, we endorse the fact that you're encouraging equity. We certainly want you to reduce your debt in Crown corporations. The public wants lower taxes and lower rates. If it's good enough for the legislature, it's good enough for communities, it's good enough for the co-ops, it's good enough for a prairie co-op, for credit ratings, and all of those reasons, then I

would think — well I'm just . . . I throw it out to you for your consideration — that at least not rule out the fact that modest equity in a very large company with Saskatchewan participating could help you all the way around: Stability, lower rates, lower interest expense, which means higher profits, or in the case of monopoly, lower rates; and it's absolutely guaranteed by the public.

So I'm going to leave this brochure. I'll get it copied and leave it with you because it has all the interesting arguments that you could probably use at a cabinet meeting or a caucus meeting or as you travel across the province, or indeed across the country . . . to allow people to participate in a utility like SaskEnergy.

Hon. Mr. Lingenfelter: — Well I appreciate the member sending that across to me, because I'm obviously interested in all forms of investment and arrangements that can be made in terms of finance.

And because obviously he's correct when he says that boards of directors . . . and I guess you could compare the cabinet — the member opposite, I don't know whether he thinks this way about government or not — but it's comparable to a board of directors in outlining the strategy for the shareholders, those being the voters of the province.

What I want to go back to is the idea that in 1989 we laid out these options for people. You laid out your option. You used your best guns and millions of dollars of advertising, and we could go through it and I could get the list for you. But the member will know that we gave it . . . your best shot to put forward your proposal.

And we, with much less money, 26 in opposition and very little money to sell our vision as a board of directors or a potential board of directors at that time, running for the position of board of directors, laid out our option, that is, community-built utilities based on the shareholders, being all the taxpayers, through their board of directors, controlling utilities.

And the shareholders voted on which of those views they wanted. And they wanted the utility that was controlled through their government and through the board of directors and not watered down by shareholders.

Now I say again, that may be right or it may be wrong, but the simple fact is that's the best we can do in our democratic process. That is, lay out your vision of the future. You laid out yours. We laid out ours. We now in many ways have a responsibility to bring forward the Bill 21 that we're now bringing forward because we told the public, the shareholders, that that's what we were going to do.

Now in the next election obviously we'll come around to this again. And I'm not going to take that platform that you ran on and run on it and say, look we're going to privatize the utilities. But you certainly have the opportunity to do that. And that's fair ball and we'll wait for that to happen. But right now we believe we're acting in the best interest of our shareholders who . . . And not only that we are going to do it, but I think we have an ultimate responsibility to do it because we promised them that

that's what we were going to do.

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If we didn't bring in this Bill, I think we would have deceived the public on the issue of SaskEnergy, and we don't intend to do that. We promised them to make it a full-fledged Crown corporation and that's why the Bill is here.

Now we could go back and forth on this issue all day, but the simple fact is that I think the public want the Bill, we're going to bring it forward, and the members opposite obviously will vote against it because they have a different vision. And that's fair enough.

Mr. Swenson: — Thank you, Mr. Chairman. Well, Mr. Minister, it's always interesting to listen to New Democrats recant history. It's unfortunate that there doesn't have to be some truth in advertising rules that place in politics in this province.

But the very simple fact, Mr. Minister, is that I remember that debate very well and I won't go back through the whole thing, but the public of Saskatchewan quite frankly were sold a bill of goods by the New Democratic Party. I never heard so many exaggerations in my whole life as I did during the SaskEnergy debate. And there's no doubt about it . . . (inaudible interjection) . . . Well, Mr. Chairman, everybody else in here gets their say and I'm going to have mine for a few minutes this morning on this topic, whether the members like to hear it or not.

The simple fact is I think that the public by and large want that gas line, as the minister said, going to their home, to their farm, to the guy on Main Street, Saskatchewan, to be part of a Crown corporation, the same as they do with their power bill and everything else. And they spoke very clearly on that.

But the other gobbledygook that I've heard coming from the minister today that Saskatchewan, this little population of a million people here, because they are governed by New Democrats today, are smarter than the rest of the world when we come to pipelines . . . to the pipeline infrastructure that delivers gas in a deregulated gas market that now goes from the Gulf of Mexico to the Arctic Circle, and a deregulated gas market that I say this minister and this government isn't going to mess with, that they aren't going to change, that deregulation is a fact of life, and deregulation means certain things differently than the last time that the New Democrats were in power.

Now, Mr. Minister, what I see by this Bill here, without any regulatory mechanisms attached to it, is the right to rip off, and nothing else. Because everywhere else in North America, I will say to you, there are very strong

regulatory mechanisms in place.

There are mechanisms that allow the public to be absolutely assured that the rates that are passed down through them because of tolling and tariff, that those rates . . . And you can go to most of the utilities that are owned by shareholders and you will find very strong, either national, state, or provincial organizations in place that don't allow that utility to pass on rate increases to the public that are unjustifiable. You will find power plants in the United States that are shut down half-way through their construction because the proposed rate increases to the public are not accepted.

(1115)

And, Mr. Minister, when you bring forward a Bill . . . And this entire section 60, part III, all of it gives you the power to do that. And, Mr. Minister, some people in this province remember the last time the New Democrats were in power here and what happened with our natural gas rates. We weren't allowed to drill in Saskatchewan. We used Alberta gas at three sixty-five a thousand I believe it got as high as. Today the rates are half of that.

And that was all passed on through. You had a 180 per cent rate increase between 1971 and 1982 in natural gas. And quite frankly, Mr. Minister, I don't think anyone in Saskatchewan wants to see a 180 per cent rate increase passed on to them in the natural gas area when you're not seeing that in the rest of the world.

I mean it says here, Mr. Minister, section 61(4):

Notwithstanding any other provision of this Act or The Power Corporation Act, TransGas may modify, alter or vary the terms and conditions of any consent given or deemed (there's that deemed word again) to be given under this section and may impose new terms and conditions at any time on the consent.

I mean this Bill, Mr. Minister, is very wide-ranging on the whole transportation area. And quite frankly there are a lot of large industrial users out there. There are hospitals, schools, lots of people that have been phoning me as a former Energy minister and saying, well I don't find this Bill so terrible when it comes to home owners and that type of thing, but quite frankly the powers that the minister has here without any regulatory body attached mean that he basically has me at his mercy in the future.

And, Mr. Minister, if you were going to live up to your election campaign about the shareholders, the stakeholders being the voters of this province, why you would bring forward a Bill that said to the stakeholders, not only are we creating a Crown corporation to run your natural gas business, we are going to bring in a regulatory body that makes sure that a cash-hungry government in the future does not rip you off.

And, Mr. Minister, I'd like some comment on why you would bring forward this Bill without some assurance to the taxpayer, to the home owner, to the farmer, to the small-business man in this province that he is not going to be ripped off by increasing rate increases when they're

not justifiable, when in any other jurisdiction in Canada or North America that individual can go apply and have those rates looked at and be assured that that tolling and tariff of structure isn't going to rip him off.

Hon. Mr. Lingenfelter: — The member will know that the section he refers to is a rewrite from the SaskPower Act that has been in place for many, many years and was in place under his government. There's nothing new.

As the public and the members of the committee will know is that SaskEnergy up until now has been regulated under the SaskPower Act. This is the same section as that minister had in the SaskPower Act when he was in government. There's no change.

And I don't know why he's doing this — why he's making this sound like this is a new section and it's arbitrary and it's not going to work. It's the same section he had in place for 10 years while he was in government and never made any attempt to change it.

And so we're using basically an Act that his government had in place. And he will know that. This is not a section that comes from anywhere except the Act that you were using when this legislation was included in the SaskPower Act.

Mr. Swenson: — Mr. Chairman, the minister didn't answer the question. He side-stepped it. The question is, why you would bring forward this type of a Bill without some kind of regulatory mechanism?

And the reason I think the minister doesn't want to answer that is because he knows that it is on the public's mind and that the potential . . . And he's right. These regulations have been in place for a long time.

But, Mr. Chairman, the application of the regulations, the philosophy behind the people applying the regulations does make a lot of difference. You can have two separate individuals, two separate ministers, or two separate governments using the same set of regulations, and I assure you, Mr. Chairman, under this Bill if one wants to apply these regulations differently, they can mean a whole lot of different things to people.

And I think it's incumbent upon the minister . . . And I would say to the minister — he challenged me as to why change didn't occur — I would say to the minister this morning that given a little bit more time, Mr. Minister, that you would have seen this structure change fairly dramatically. And if I'd have had my way, you would have had a regulatory mechanism that would have been fairly broad ranging. And I think your head official there could probably assure you that that was being studied quite diligently.

And I'm just wondering, if we've gone to all this trouble to put together this Bill and form this Crown corporation, why we didn't go the next step and put the regulatory mechanism in place to assure the consumers and the taxpayers in this province that they aren't going to get ripped off.

Hon. Mr. Lingenfelter: — Well I don't know how many

times we'll go back and forth here. And I'm trying to put forward as many options as I can to get the member opposite to agree. But I think in some ways, Mr. Chairman, we really are at odds. On many things today we've been able to agree, but on the area of privatization we're not going to agree.

I know if the member opposite had been re-elected . . . they put forward the vision of privatization, and we put forward the vision not to privatize. And the shareholders voted. And they voted for our vision of non-privatization.

And I agree with what the member says, that had he been re-elected there would have been big changes in the gas company. I know that. But the simple fact is, you weren't elected for that very reason.

The other fact is, is that when you talk about regulation, in 1982 your government promised to regulate utilities. You remember that. The member from Estevan ran in a campaign in 1982 that they were going to regulate utilities. And they did. They brought in what was known as PURC (Public Utilities Review Commission) at that time. And then very quickly after that they did away with it, saying to themselves, we don't want to regulate any more.

Now you're back to the position of wanting to regulate again. I say to the member opposite that it's very, very confusing to the public when you come forward and stand in your place today and say, we put in regulations back in '82 — PURC; then we fired them; now we want to put it back in again. And I know what you're saying. I hear it.

But for the public, they are very, very leery about ever believing you again on the issue of regulation because you deceived them last time. You put it in in 1982, then you fired them and did away with it. Now you're promising again to put it back in. And you might put it back in if you were elected, but the public doesn't know where you stand on any issue. And this I believe is part of the problem.

I don't want to get . . . I mean discussing and debating privatization over and over again, six months after the shareholders have voted that they don't want it seems to be not a very productive use of our time. But obviously I'm going to be here defending what we're doing because we made a commitment to the public. We're going to bring in Bill 21 and establish SaskEnergy as a Crown corporation, and that's what we're doing. That's what the public wanted.

Now obviously you will continue to try to sell your idea of privatization to the public. And you may be successful and you may be right. I don't think so. But I'm not sure the two of us standing here all day saying the same thing over and over again about privatization is going to get us very far.

Mr. Swenson: — Well, Mr. Chairman, the only one standing here this morning talking about privatization is the minister. And the reason he's talking about privatization is he doesn't want to talk about the questions I'm asking.

Specifically, in several sections of the Bill it talks about the transportation of natural gas. Mr. Minister, you've won. I hand it to you — you've won; you've carried the day. You now have a large Crown corporation that you're going to run as a Crown corporation. You've won. I don't want to argue about that any more. We have a Crown corporation.

Now, Mr. Minister, what I want to talk about is, in your Crown corporation which is yours to run as you see fit, I want to talk about the transportation of natural gas. I don't want to talk about privatization any more, any of those things. I want to talk about transportation of gas and rates and rate increases and how those are going to be handled with the public.

And you're absolutely right, there was a thing called PURC in the 1980s, in the early '80s, that in my view didn't work out. And it didn't work out for a number of reasons. One, it was extremely expensive, and I know the Minister of Finance doesn't like expensive public entities these days. Most of the people in the private sector that used PURC said they had to have far too many lawyers to interpret that particular piece of legislation, that there was too much litigation.

And that's why the people that brought forward alternative proposals on regulatory mechanisms were trying to do away with that expense. And they presented a number of them. They presented a number of them to the people at SaskEnergy. They presented a number of them to the Energy minister.

And what I want to talk about is the transportation of gas, the rates that will be charged on that transportation and how people are going to feel assured that they aren't going to be ripped off. Nothing about privatization at all any more, Mr. Minister.

Now I want you to tell me how you see this working under this legislation you have here and what you see for rate increases and how you see the public being assured that that gas that's coming into their home this winter or next winter or the winter afterwards is going to be regulated or they're going to have some assurance that they aren't being charged rates that are unreasonable. That's what I want to talk about, Mr. Minister.

Hon. Mr. Lingenfelter: — The obvious way that the member for 10 years set rates, which is being continued. But obviously there's always ways of making systems better. One might be surprised that all these bright ideas come up now after 10 years and nothing was set in place for those 10 years. In fact there was. PURC was put in place, then it was turfed out, and now after a few months we've got all the solutions again.

But obviously we do have a great interest and have met with SIGUA (Saskatchewan Industrial Gas Users Association) a number of times. The Minister of Energy and Mines has met with them, and we intend to set rates after much consultation. Because obviously there is a balance, and there is need for having rates that reflect the competitiveness of the market between Manitoba and Alberta and Saskatchewan, in terms of economic

development, whether it's at, as you would say, at factories or manufacturing plants in Saskatchewan, co-generation, those kind of projects that we're looking at at the present time in SaskPower. So it will be done in the same way as you were doing.

I'm trying to be agreeable here, but I'm not quite sure what you're suggesting. Are you suggesting that we go back to the PURC that you introduced and then threw out? Are you recommending that we continue your strategy that you had when you were minister, of ongoing consultation, which I think it's fair to say we do almost on a weekly basis with the users, or . . .

I'm having a hard time to become clear, because I know that you didn't obviously like PURC, because you put it in and then threw it out. You then consulted for eight years with the industry to set the rates. You're now saying that what you did for those eight years was no good either.

And what I'm having a difficult time knowing is what you're recommending to us, and I say this in all honesty to you. I'm very interested in knowing what you're putting forward here. Because I watched with a great deal of interest as the natural gas industry was put to and fro on this issue for the last 10 years, never quite sure whether you wanted to regulate or didn't want to regulate. And I'm not quite sure now whether you're saying PURC was good or bad, or whether the ongoing consultation was good or bad. Supposedly you're saying both of them were bad, that everything you did in that area for 10 years was bad.

But what I'm not hearing you say is what you would put in place. And in all honesty, I would very much like to hear that — not saying that we would do that, but having been minister for a while, I would expect your experience could be helpful.

(1130)

Mr. Swenson: — Mr. Chairman, I was hoping the minister would just give some answers rather than dodging and darting. I am not the minister of SaskPower; never have been. This is the minister that's in charge. And the Minister of Energy told us clearly the other night in his estimates that it wasn't his responsibility. He was doing lots of consulting with people, but the buck stopped at the minister responsible, that on this question of a regulatory mechanism — which I say that every other jurisdiction in North America has — this minister is the one responsible to make sure that the home owner, the senior citizen, the person living in the high-rise aren't ripped off by rate increases. This is the minister responsible right here.

And he can cast all sorts of ideas out about what the former government did or didn't do, and what I did or didn't do in my responsibilities, but this is the minister. It's his responsibility to bring forward those things now in legislation as he so proudly has done. And it is the opposition's job to peruse them, look at them, and see if the taxpayer and the consumer is being looked after by that legislation.

So what I'm asking the minister is: what kind of time schedule, what sort of proposals is he, according to his

colleague, the Minister of Energy, as he told us the other night . . . what are his proposals as the person in charge for regulatory bodies and mechanisms to make sure that the industrial user, the large public user like our hospitals, our universities, our schools, and our private home owners, business men, and farmers . . . what assurance are they going to have through a mechanism that the rates charged them are going to be the proper ones? This is to the minister who is in charge and the one that will have to bring that forward.

Hon. Mr. Lingenfelter: — I just say to the member opposite that what we're doing at the present time is following exactly what your administration was doing; that is, we are taking those sections out of the SaskPower Act and moving them from the SaskPower Act to a free-standing Bill that will give the very same authority as you were using out of the SaskPower Act.

So there's no change. I mean if you look at the clauses that you're referring to, they're exactly the same clauses as you were using when you were the minister. True, you weren't the minister of SaskPower, but the Act that you worked under was the SaskPower Act. You understand that. So what this legislation is is the exact same legislation as you used when you were minister. That's why I'm surprised that you're shocked and astounded at the legislation. It's the same legislation. And I just expected when we used exactly the same legislation as you had used, that you would have been supportive of it. I'm surprised at that.

Having said that, we are looking at always inequities in the system, whether it's SaskPower, SaskEnergy, SGI, and looking at ways and means of making the rates responsive to the needs of the public and to try to make them as fair as possible.

Having completed the review, if we find that the system you had in place wasn't working and has led to many inequities, if that's what you're saying, that your system wasn't working and there are huge inequities — I'm not sure at this point whether that's true or not — but if you're telling us that your system led to all these problems, then we're going to look at that. And I guess what I'm . . . I'm not sure what I'm supposed to do here, Mr. Chairman, is amend the Act, put in a system of PURC? I'm looking for positive alternatives to what I'm proposing here but I'm not hearing them.

Mr. Swenson: — Well, Mr. Minister, I don't want to belabour this either, but you are the one that likes to use the political innuendo about our regime. I mean a lot of this SaskPower crap's been around for 40 years and you and I both know it. Okay? And not everything that the former government did was perfect, as your former government wasn't perfect either.

There are changes. This is the '90s. People are expecting different. We have a de-regulated North American gas market that may, with the inclusion of Mexico, be a way bigger than anything we've dealt with before.

Now what I'm shocked at, Mr. Minister, is that after these promises which you say you are fulfilling with the SaskEnergy agreement, with this Act, where you accuse

the former government of all sorts of things with privatization that would allow the consumer to be ripped off . . . and I remember that statement clearly in the SaskEnergy debate that what we were doing was providing a mechanism for the consumer to be ripped off to pay dividends to private people. What I'm saying to you, Mr. Minister, with just the cabinet, just the cabinet, setting these rates on a sort of a yearly . . . or whenever cabinet decides to set these rates, isn't good enough to the folks out there. The folks are saying that cabinet doesn't necessarily have all of the criteria to set gas rates. And they are looking to mechanism.

Otherwise I guess everyone else in North America is wrong. What the minister is saying to me today is that everyone else in North America is wrong, but we're right here in Saskatchewan. And I don't quite subscribe to that view, Mr. Minister. You can't have the rest of the continent wrong and you right all the time. That there has to be some mechanism. Now obviously you're thinking about it. I just want to have some time lines.

You're the minister in charge. You're the guy that's going to have to take it through cabinet. You've obviously done your consultation, you tell me. One of these regulatory methods must of sort of struck you as being the proper one for your new company. What is that?

And what time line do you see taking that to your cabinet colleagues and bringing it in so that the consumer in this province has the assurance that those rates are going to be set fairly and justly, and that they are going to be very transparent to all who use natural gas. They're transparent to IPSCO. They're transparent to the guy on north Albert in a business. And they're transparent to the home owner. That's what I want from you, Mr. Minister.

Hon. Mr. Lingenfelter: — Well I want to indicate to the member opposite that as I mentioned earlier, we're very interested in making a system that's fair and equitable and that works for everyone. Because as these systems go, whether it's in SaskTel or SaskEnergy, as technology changes, and I guess SaskTel may be even more at the vagaries of technology than is the gas market, because of the massive changes that happen almost instantaneously in that market, that rates have to be reviewed constantly. And he knows that and I know that. And obviously our staff are reviewing this on an ongoing basis. And the way the process will work is that after the consultation they will come forward with recommendations to the board. The board then makes recommendations. CIC has involvement; cabinet has involvement; caucus has involvement; the legislature has involvement. This is the system that I think has worked very well.

If the member — and I say this sincerely — if the member has other ideas, and he doesn't have to do it here today, I would very much appreciate meeting with him off the record and confidentially with the president and myself. And it may be that his ideas warrant that kind of a private discussion. But if there's a mechanism better than that, than having the staff consult on a very regular basis, bring forward recommendations for change or renewal to the board of directors of SaskEnergy, then the consultation that goes on with Crown Investments Corporation and then cabinet and caucus and then the legislature, if

there's a system that you'd like us to inject into that and you want to tell us privately, I'm very much available to meet with you for ideas and concerns and options that we might look at.

And maybe that's, Mr. Chairman, where we should leave that at today, because we know that this is a changing market, just as many of the Crowns are. We know that over time inequities result. I'm not sure where they're at but our staff are reviewing that, and we're going to try to make the system work as best we can for economic development, for the consumers, and also protect the entity of the Crown corporation.

And we believe very firmly we've done a lot of work on this piece of legislation. It's gone through many hoops to get this far, this being the final stage and a very important stage as well. And that's why the member opposite is very right in raising his concerns about the legislation.

But if there are other things that you want to talk to me about privately, that you don't want to raise in this forum, I'd be more than willing and available to meet with you to discuss them further.

Mr. Swenson: — Mr. Chairman, I appreciate the minister's offer to talk, and obviously I would take that up, but I have always understood that the place to air things such as we're talking about this morning is this legislative Chamber. This is where the rules and regulations are made. This is where the Act should be viewed by all Saskatchewan taxpayers.

I received a letter, Mr. Minister, from the Urban Municipalities Association, asking me to support your legislation because in it there is a provision for them to recoup monies that they lost; because way back in the '40s they had gotten grants in lieu for natural gas when it was first brought in and distributed to the cities.

Well, Mr. Minister, I can appreciate that urban municipalities would like to get this 2-plus-some million dollars back because provincial governments have off-loaded on them in so many areas. But the simple fact is, that two and a half million dollars, which then has to go back on the natural gas industry, onto the large users, all the people that use the system, maybe throws a wrench into what we see is a true picture for the price of gas.

In other words, we're saying: here, urban municipalities, here's your money; that will keep you happy for a while — you're back in on the cake. But that's not the proper way to put the price of gas in perspective.

At least, that's not my view. I would rather see government give urban municipalities their money in some other way and not tie it to the price of natural gas, which is a distortion.

And that's what I'm saying to you, Mr. Minister. If there was some type of regulatory mechanism in place, they would clearly speak out against these types of distortions. It's not the proper way to look at the consumer's impact and input into the price of natural gas. And I think in all due respect to the people in urban municipalities — I know that they are under tremendous pressure — but I do

believe that there maybe should be a better way to relieve those fiscal pressures than to muddy up the natural gas market with an artificially imposed fee that has some historical thing that isn't relevant in today's natural gas world.

And that's the type of thing that I fear, Mr. Minister, of giving the public a picture that isn't proper. And the only way the public will have that is with a regulatory mechanism. And that's why I would like you to give some assurance that that process is going to come forward in a public way so that the public will have some input in a regulatory mechanism, so that we don't get these unnatural distortions.

Hon. Mr. Lingenfelter: — The fee that the member refers to was agreements and a series of letters that date back to 1956 to . . . I don't, not quite sure, but about 1959, where I believe 109 communities had some agreement with the utility to provide a fee or a grant in lieu of taxes, I guess as it's become known as. And the ongoing pressure that you felt from SUMA (Saskatchewan Urban Municipalities Association) and those municipalities who felt that there really had been a breach when SaskEnergy was set up and that transferred from SaskPower . . . there was a period where those letters and agreements were not honoured. And they feel very strongly, as you might, that these letters should be honoured.

You must be aware as well that SaskEnergy doesn't benefit at all from that clause. It's simply a flow-through, where we would collect the fee and pass it along. And it goes along, and it fits into the very complicated deregulation that you people supported. And it's now there. It's an issue. And SUMA is wanting us to honour those letters, as well they might. The communities want us to honour them. And we're saying in this instance, we agree that they're with that position.

Now what we do on the other end to make life work for the industry is another story that we're consulting on, working with, and trying to derive a solution. Now if you're saying that we shouldn't do that in that clause, the mechanism is to move an amendment. And we'll debate that and see what happens. And finally we're coming around to an option to the Bill. And we could obviously . . . You could prepare an amendment, put it forward. And obviously we are in a position where we would debate it. And I think in the end of the day, we would vote against the amendment. Because I think SUMA has a legitimate argument that there are ongoing contingent liabilities here that have to be met, therefore it's in that clause of the Bill.

But if you're saying that this is going to cause a problem and a distortion in the system that has to be looked at, you're probably right. And we will be looking at negotiating, talking to the people who are affected to see what we can do to make life easier for them. And further than that, I don't know what commitment I can make to you.

(1145)

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, I want to go back to where we were when we were talking

a little while ago about the debt structure. I think you said that there was 600 million — you were carrying 600 million in the new corporation. I think you also said that the debt/equity ratio is 80 per cent, 20 per cent. And there was a 8 to \$900,000 that I didn't write down what you said. Could you refresh my memory on that, Mr. Minister?

Hon. Mr. Lingenfelter: — Okay, I just want to get this clear, because in the event that I was misunderstood or that we haven't got the numbers straight, the debt in the corporation is about 600 million, the total assets about 720 million, and equity about 120 million.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Minister, this 600 million, you brought that from SaskPower into the new corporation?

Hon. Mr. Lingenfelter: — This would be the long-term debt that remains, that would have come from the shift that the previous government made from the Sask Power Corporation.

Mr. Britton: — I understand then that this 600 million was originally in SaskPower and we've shifted it over now to SaskEnergy.

Hon. Mr. Lingenfelter: — Okay. I want to just take a moment to . . . The original amount of debt that was shifted would have been in the area of something slightly over 700 million. Of that 700 million there was a determination, or there has been comment made in the Gass Commission and by others, that there was an inordinate amount of debt shifted from SaskPower to the new corporation when it was structured.

And one can argue why that occurred. Many will say that it was getting the corporation ready to be privatized, that they wanted to shift more than the proper amount of debt from SaskPower to the new corporation, then privatize it, and therefore picking up an inordinate amount of debt from SaskPower.

Then the \$700 million in debt grew to something in excess of 800 million over the last few years of your government. So that when we came to government, the recommendation was that about \$226 million, roughly, should be shifted back to SaskPower — that being about the right amount that should have been . . . should have taken place in the initial deal.

So we've now done that and shifted back the proper amount of debt to SaskPower. That will now show up in SaskPower books, leaving the debt in SaskEnergy at around \$600 million.

Mr. Britton: — In section 22, there is reference made to outside the boundaries of Saskatchewan. Now if you . . . Could you outline what your plans are to do business outside of the boundaries of Saskatchewan?

Hon. Mr. Lingenfelter: — The reference in the clause would refer to that very small portion of the Many Islands pipeline — it's a stub line that goes into Alberta — and that would be the only application.

Mr. Britton: — One final question, Mr. Chairman, Mr.

Minister. Then I can — I want to go back to the 600 million — I can assume from what you said that while SaskPower carries a load of debt and now SaskEnergy is a new corporation, that SaskEnergy will not assume any more of SaskPower's debt. Thank you, Mr. Chairman.

Hon. Mr. Lingenfelter: — Just for the record, that's absolutely correct. You've got that. The debt now in the two corporations is as it should be, as per the Gass Commission and the analysis that we've done.

The Chair: — Because of the number of clauses, I wonder if members can agree to proceed through the Bill on a part-by-part basis with the exceptions of clauses 26 through 29 where I believe there are amendments. Is that agreed?

Part I agreed to.

Part II

Clauses 3 to 25 inclusive agreed to.

Clause 26

Hon. Mr. Lingenfelter: — Yes, Mr. Chairman, section 26 of the printed Bill. I would:

Amend section 26(1) of the printed Bill by striking “Notwithstanding The Pipe Lines Act but” and substituting “Subject to The Pipe Lines Act and”.

Amendment agreed to.

Clause 26 as amended agreed to.

Clause 27

Hon. Mr. Lingenfelter: — Section 27 of the printed Bill:

Amend subsection 27(1) of the printed Bill by striking out “Notwithstanding The Pipe Lines Act but” and substituting “Subject to The Pipe Lines Act and”.

Amendment agreed to.

Clause 27 as amended agreed to.

Clause 28

Hon. Mr. Lingenfelter: — Section 28 of the printed Bill:

Amend subsection 28(2) of the printed Bill by striking out “or any other authority”.

Amendment agreed to.

Clause 28 as amended agreed to.

Clause 29

Hon. Mr. Lingenfelter: — Yes, Mr. Chairman. I believe this is our final House amendment. Section 29 of the printed Bill:

Amend subsection 29(2) of the printed Bill by striking out “, the member of the Executive Council responsible for the administration of The Highways and Transportation Act and the clerk or administrator of” and substituting “and”.

Amendment agreed to.

Clause 29 as amended agreed to.

Parts II to VII inclusive agreed to.

The committee agreed to report the Bill as amended.

Hon. Mr. Lingenfelter: — Mr. Chairman, I’d like to thank the officials who are with us here today. Mr. Baker and his group have done a lot of work on this legislation, and I think all members who have worked on this Bill really would want to thank them.

I also thank the critic from Wilkie who I think raised some very important questions, along with the member from Thunder Creek and Estevan. So I think the work that has been done on this Bill will really bode well for the province.

Mr. Britton: — Thank you, Mr. Chairman. Mr. Chairman, Mr. Minister, I too would like to thank the staff for helping us through this. I’m sure they done a lot of work. And it’s quite a large Bill and the reason we wanted to progress through it a little bit is because it’s a new corporation, and we certainly appreciate the work. Hopefully it will be a good Bill — I think it is. Thank you very much for your help.

The committee reported progress.

THIRD READINGS

Bill No. 88 — An Act to amend The Power Corporation Act

Hon. Mr. Lingenfelter: — Mr. Speaker, I move the Bill now be read a third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 60 — An Act to amend The Community Bonds Act

Hon. Mr. Lingenfelter: — Mr. Speaker, I move the Bill now be read a third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 66 — An Act to amend The Industrial Development Act

Hon. Mr. Lingenfelter: — Mr. Speaker, I move the Bill now be read a third time passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 78 — An Act to amend The Labour-sponsored Venture Capital Corporations Act

Hon. Mr. Lingenfelter: — Mr. Speaker, I move the Bill now be read a third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

Bill No. 21 — An Act to continue SaskEnergy Incorporated, to make certain consequential amendments to certain Acts resulting from that continuance and to validate certain transactions involving SaskEnergy Incorporated

Hon. Mr. Lingenfelter: — Mr. Speaker, I move the amendments now be read a first and second time.

Motion agreed to.

Hon. Mr. Lingenfelter: — Mr. Speaker, by leave I move that Bill 21 now be read a third time and passed under its title.

Motion agreed to, the Bill read a third time and passed under its title.

The Assembly recessed until 2 p.m.