



STANDING COMMITTEE ON THE ECONOMY

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**STANDING COMMITTEE ON THE ECONOMY
2007**

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Mr. Eldon Lautermilch
Prince Albert Northcote

Mr. Lyle Stewart
Thunder Creek

[The committee met at 15:00.]

**General Revenue Fund
Saskatchewan Research Council
Vote 35**

Subvote (SR01)

The Chair: — Thank you very much, committee members. I'd like to call the committee to order. The first item of business before us today is consideration of the estimates of the Saskatchewan Research Council, vote no. 35. We have with us today the Minister Responsible for the Saskatchewan Research Council, the Hon. Eric Cline. Mr. Cline, if you would be so kind as to introduce to committee members the officials that you have brought with you.

Hon. Mr. Cline: — Thank you, Mr. Chair. Good afternoon to you and to members of the committee. With me today, to my right is Dr. Laurie Schramm who is the president and CEO [chief executive officer] of the Saskatchewan Research Council. And sitting to my left is Ms. Crystal Smudy who is the chief financial officer.

The Chair: — Mr. Minister, do you have any opening comments or remarks you'd like to make about the item before us?

Hon. Mr. Cline: — Yes. With your permission, Mr. Chair, I'd like to say a few words about the Saskatchewan Research Council. This is a very exciting year for the council because it is the 60th anniversary of the SRC [Saskatchewan Research Council], and of course that's a significant milestone.

And the SRC has in that time period made a lot of positive contributions to the economy of our province in some ways that are truly amazing. It's been instrumental in the realization of many key developments in our province, and I'd just like to mention a few examples.

One example is rural economic development and quality of life for rural people in the area of adequate and safe water supplies. Nearly 40 years ago, the research council established a ground water monitoring network that to this day has provided the most extensive compilation of groundwater data in any province.

Since 1986 SRC has been making significant contributions to the design of EnCana's \$1 billion Weyburn CO₂ injection project which many people will have heard of. That is the largest enhanced oil recovery venture in Canada. SRC's contributions enabled EnCana to proceed with this project which is extending the field operation by 25 years and which is forecast to produce an incremental 120 million barrels of oil.

SRC launched the world's first hydrogen diesel and hydrogen gasoline dual fuel light-duty trucks in April 2004 and January 2005.

Those are just three of SRC's many historic achievements. Today, research and development initiatives remain critical to ensuring that Saskatchewan stays competitive and on the leading edge of technological advances. Today, SRC's

accomplishments have expanded into leading edge areas that are based in Saskatchewan but attracting worldwide attention.

Let me give you just some highlights of some of SRC's successes over the past year. SRC led the construction of a demonstration home that uses 90 per cent less energy and 50 per cent less water than an average Saskatchewan home. This home was just opened two weeks ago in Regina and demonstrates a key factor in sustainability: the very efficient use of energy and renewable energy sources to reduce the usage of fossil fuel energy, which of course is an issue very much on people's minds these days.

This Factor 9 home is an example of how any homeowner can reduce their energy costs and have a positive impact on the environment. SRC is also making some impressive advancements in alternative fuels research including natural gas, hydrogen, and biofuels.

A few months ago it unveiled a tractor that operates on 100 per cent hydrated ethanol. The technology development of this unique vehicle is very exciting as it is not only good for the environment, but is complementary to Saskatchewan's growing ethanol industry. Further, this accomplishment recently made the cover of *Biotechnology Focus* magazine.

The SRC's Biofuels Test Centre was officially opened in September 2006. This is an accredited testing facility that allows the biofuels industry to validate the quality of their products. This access to local accurate testing will help grow Saskatchewan's emerging biofuels industry which includes ethanol and biodiesel.

SRC's geo-analytical laboratory's accredited, secure diamond facility continues to expand for the third consecutive year in a row. This lab, which did the testing to confirm the first ever diamond find in Saskatchewan, is doubling its diamond processing capabilities.

SRC's work in commercial, municipal, and community-based energy efficiency programs has already contributed to significant energy savings and to reductions of at least 1,000 tonnes per year of greenhouse gas emissions.

These are just five examples of many. In fact SRC's 2005 and 2006 economic impact assessment showed that SRC contributed to the creation or maintenance of more than 24,050 jobs in Saskatchewan and contributed to a direct economic impact of more than \$342 million to the provincial economy. These numbers are a reflection of how SRC is helping to grow Saskatchewan's businesses and industry. These are just a few highlights of the exciting work happening at SRC. Over the past 60 years, SRC has provided innovative scientific developments that have helped strengthen Saskatchewan's economy and improve the environment in which we live. Thank you.

The Chair: — Thank you very much, Mr. Minister. With those fine opening remarks, are there any questions? I'll recognize Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair. Mr. Chair, to the minister, I'd like to welcome you and your officials. We always

have a good and frank discussion, and I know that the officials in attendance today will be as helpful as they always are in helping to answer our questions.

Firstly, Mr. Minister, I'd like to state for the record that I and we on the opposition side of the legislature and of this table are fully supportive of the Saskatchewan Research Council and the work they do. What we'll be asking here is questions for clarification and for information and to just clear up some things that we don't maybe fully understand with regard to the functions of SRC.

And if I may proceed, Mr. Chair, to the minister: I believe SRC does some work for the public sector — government departments, Crown corporations, government agencies. Is that correct?

Hon. Mr. Cline: — Yes, that is correct. Certainly SRC does work for government departments, agencies of government, Crown corporations, and also for the private sector.

Mr. Stewart: — Thank you, Mr. Minister. Roughly what percentage of SRC's work would be done for government departments, agencies, or Crowns?

Hon. Mr. Cline: — According to the sales analysis that I have, by contract revenue directly, federal government is about 6 per cent of the work; provincial government is about 9 per cent. And I can give you the figures for private sector as well if you like.

Mr. Stewart: — Yes please, Mr. Minister.

Hon. Mr. Cline: — Okay. Industry from Saskatchewan is 23 per cent. Industry from elsewhere in Canada — so I suppose that would be the nine other provinces and presumably sometimes the three territories — would be 32 per cent, and international industry is 1 per cent.

Now that contract revenue from private industry totals 56 per cent, and you can see that the revenue from the federal and provincial governments totalled 15 per cent so that takes you to 71 per cent. And then I'm going to ask for clarification here. There's another approximately 30 per cent that is referred to as provincial investment Sask general, but I'm going to ask Mr. Schramm to elaborate on that.

Mr. Schramm has explained that the 27 per cent is the amount of revenue that comes from the appropriation from the Legislative Assembly. And then there's 1 per cent from the province through the AFIF [Agri-Food Innovation Fund] and 1 per cent from the province devoted to capital for a total of 100 per cent. So to look at it this way, for all the revenue, 56 per cent comes from the private sector as I've described, 15 per cent from federal and provincial governments as customers, and then the other approximately 29 per cent or 30 — but the figures are rounded — is the funding from the provincial government.

I should mention that this comes from the 2005-2006 year because of course we don't have the figures yet for the '06-07, but I think the general trend would be the same or close so that the majority . . . They're getting a third of their money from direct grants from the legislature, then the majority of their

money from private industry, and 15 per cent roughly from governments.

Mr. Stewart: — Thank you. I know that I've asked this before, and I beg the minister's indulgence to explain it to me again. What is SRC's relationship with the PTRC, Petroleum Technology Research Centre in Regina?

Hon. Mr. Cline: — I think I will ask Mr. Schramm to comment on that specifically in terms of the details, the board, and the structure, the management. It is very much an organization that the SRC is involved with, but we have a structure that also brings in participation by private industry, the federal and provincial governments, and the University of Regina. So I'll ask Mr. Schramm if he can give the specifics of how the board is structured and so on. Thank you.

Mr. Schramm: — Thank you, Minister. The Petroleum Technology Research Centre is a not-for-profit, federally registered corporation. It has, as a not-for-profit, it has four members that serve as kind of a proxy for shareholders. One of those is the provincial government, represented by Saskatchewan Industry and Resources. Another is Natural Resources Canada representing the federal partner. One is the Saskatchewan Research Council, and one is the University of Regina.

Among their other duties, the founding members actually appoint the board of directors, which is an industry-driven board. It begins with board seats for each of the founding members, and then the balance are made up of appointments from the community at large, but typically from the petroleum industry and typically with an attempt to have strong representation on the part of companies that are significant petroleum operators in the province of Saskatchewan.

And then as the minister said, the provincial and federal governments are primarily there as funding partners, and the university and the research council are primarily there as research providers — although they're not exclusively the only research providers to PTRC. PTRC then receives money under contract, including from the federal and provincial government, but those are contracts that are negotiated for certain years and certain terms of course. And PTRC also accepts contracts from industry and in fact from other governments for projects. And I'll ask your guidance on how much further you'd like to go.

Mr. Stewart: — I think that explains the relationship. Can you, Doctor, or the minister, explain how PTRC is funded in relation to SRC and . . .

Hon. Mr. Cline: — Yes certainly. It is funded primarily by the federal and provincial governments who initially entered into a five-year agreement to put up certain amounts of money, which we'll specify in a moment. And then it would also get revenue by doing work for industry. And I'll try to see if I can get the breakdown of that.

Yes, in 2005 . . . Well I have 2006 as well, so I think I'll use that. 2006 the total revenue was \$5.8 million. And of that, 1.5 came from Saskatchewan Industry and Resources, our provincial department; \$1 million came from Natural Resources Canada, the federal department; \$237,000 came from Western

Economic Diversification Canada which is an agency of the federal government.

Then they had project funding as well, which is not necessarily sort of annual operating funding but funding given to them by parties that want to fund particular projects. Saskatchewan Industry and Resources funded them for 485,000 in projects; Western Economic Diversification Canada, 384,000; Natural Resources Canada, \$1.045 million; Natural Resources Canada and US [United States] Department of Energy, \$574,000; and private industry, \$636,000 — for a total of about 5.863 million.

Mr. Stewart: — Thank you, Mr. Minister. Could you elaborate on the projects that were funded by Saskatchewan Industry and Resources.

Hon. Mr. Cline: — Yes, I'll just get that information and be happy to answer the question. While we're getting that information, I could indicate that the revenue for '06 went up approximately \$1.2 million higher than the year before, and most of that could be attributed to project funding, especially from Natural Resources Canada.

Yes, Mr. Schramm advises that we have the research program that refers to the type of projects for this year, and although it doesn't speak specifically to 2006, he indicates that the projects are mainly ongoing and of a similar nature. And they are wormholed reservoir characterization, which has to do with optimizing the exploitation of wormholed cold production fields . . . the wormhole stabilization which has to do with solvent-based, post-cold production processes, in other words projects to try to increase oil production in sedimentary structure — post-cold production, cyclic solvent stimulation — again trying to increase oil recovery. Study of foamy oil and sand, slurry flow, and cold heavy oil production actually . . . And there are several more. They're all pretty similar. I can certainly list them, but it gives you an idea.

Generally speaking — and I'd be happy to provide of course a copy of this description of all the projects — they really are all ways to inject things into the ground to try to move the oil along and get more oil out, I think would be fair to say. And sometimes they use water. Sometimes it will be solvents. Sometimes it will be steam. There's a new technology called Vapex. And of course there's the carbon dioxide, but that's a separate matter. But carbon dioxide is related to some of these projects as well.

Mr. Stewart: — Thank you, Mr. Minister. Could you tell me . . . You mentioned a five-year funding agreement and I think that . . . Is that at its end? Or what is the status of the funding, particularly federal and provincial components?

Hon. Mr. Cline: — Yes. That five-year agreement between the federal government and the provincial government to deliver the core funding that I described came to an end on March 31 of this year, in other words almost exactly a month ago.

And we were in the process, have been in the process for quite some time — by we I mean Industry and Resources, myself, the PTRC, the U of R [University of Regina], some of the members of parliament from Regina — trying to convince the federal government to enter into a new five-year agreement with us.

What has happened is that the federal government has agreed to fund the PTRC for an additional year. And we — they have indicated that — and we will be entering into an agreement with them to fund the PTRC for an additional year. I'm sure you can appreciate that what we want is to have a longer term arrangement, and of course we've impressed that upon the federal government as has the University of Regina and some of the members of parliament.

I should say that I did receive a letter from Minister Lunn, the Minister Responsible for Natural Resources Canada, I believe just last week, where he acknowledged a letter I had recently sent — which followed other letters I've sent and conversations we've had — where I asked for multi-year core funding. And Mr. Lunn indicated that it was their decision to provide core funding for one additional year, but that thereafter that would cease, and they would enter into only project funding for, I believe, for the PTRC.

Our Department of Industry and Resources is leading the negotiations with the federal people. And naturally what we want is the continuation of the PTRC. We're concerned because we would prefer to have core funding to fund the basic operation. Nevertheless, if that's not possible, then what we will do in good faith is to try to ensure that project funding is obtained from the federal people to fund some of these projects. And that will be our effort that we'll go very diligently on. It has been a high, high priority for me to ensure that this research organization continues. So that's what's happening there.

Mr. Stewart: — Thank you. Is the PTRC working on any sort of an extraction process that may work in our own oil sands in the Athabasca region? I understand that's a bit of a tricky situation — it's a little deep for open-pit mining and a little shallow for many processes.

Hon. Mr. Cline: — Not directly. Dr. Schramm advises me that there is some work around solvents that the PTRC is doing whereby some of what they learn may be applicable to extracting the oil sands in Saskatchewan. And actually the SRC, Dr. Schramm just advised me, is going to itself try to initiate a project to study whether they could use some of the knowledge around solvents to use in our oil sands to see if a way can be figured out to bring our oil sands to the surface. Because of course they're too deep to open-pit mine as a lot of tar sands are, and unfortunately they're not deep enough for the type of in situ process they use in some places because you have to be, I'm told, at least 900 feet deep, but these are only 600 feet deep. They're too deep for open pit, not deep enough for in situ.

Mr. Stewart: — Thank you. I'm encouraged to hear that some work is being done on that by SRC.

The hydrogen diesel, hydrogen gas truck project — can you tell us what the status of that is?

Hon. Mr. Cline: — Yes. I'll ask . . . Well actually I can give you some information myself, but I'll ask Dr. Schramm also to make some observations.

As I indicated in my opening remarks, SRC developed the first light-duty hydrogen diesel pickup truck and also the first hydrogen gasoline pickup truck in '04 in case of the hydrogen

diesel and '05 in case of the hydrogen gasoline. And they have been examining hydrogen as an alternative fuel since 1997.

Now as everybody knows, the problem with the hydrogen vehicle . . . They work fine. I've ridden around in them, and I know Dr. Schramm has driven them, you know, between Saskatoon and Regina. But we don't have a system of hydrogen stations to fuel up.

And what they're trying to do, they worked with, I believe, a private company to develop some technology to convert the typical motor vehicle motor to work on hydrogen. And so they have that technology, and I believe that the hope is that that technology may be patented — it isn't yet — and that they could perhaps market that technology to, you know, probably a private company. That could be a parts supplier to the automobile manufacturing sector, or it could be, you know, an automobile manufacturing company itself. And we don't know where the future will go, but the idea is that they will have this prototype technology available, and their hope is that somebody will pick it up.

And that would be certainly a positive development. But I think it's important to note that at SRC, in addition to doing their contract work, you know, they also do just groundbreaking basic research to try to improve upon our knowledge of certain things because it might benefit people in a variety of ways so that if you went over there, for example, you'd see that they're working on the hydrogen. And in fact they're planning to construct Saskatchewan's first hydrogen fuel station which will be located in Saskatoon. And that might be an interesting thing for Dr. Schramm to comment on.

But when you go over there, they will have also the ethanol tractor. They have engineers that will be looking at a concept of maybe someday the farmer could take his or her grain and have some kind of small fermentation plant on his or her farm and then produce the fuel that the farm needs, you know, and it might be self-generated fuel.

And the exciting thing about some of this work that they're doing, when you go over there and look at it, is obviously the implication for the farmer who is spending a lot of money on energy — as certainly, Mr. Chair, Mr. Stewart knows and some others who are farmers, Mr. Weekes too. It would be a great benefit obviously. But I should ask Dr. Schramm to add some information about the hydrogen work.

Mr. Schramm: — Yes. Well the minister started with the vehicle program. We have presently three of these dual-fuel hydrogen vehicles under field tests on the road right now. The fourth is almost completed. We have been demonstrating them. One of the vehicles is in British Columbia right now for a short-term demonstration to people there.

We are presently negotiating with what we hope will be our first fleet user which, if successful, will take us to a fleet demonstration later this fiscal year. And potentially we'll have with a fleet user using some vehicles something like seven or eight vehicles possible by the end of the fiscal year. So that's directionally where we're going with our, kind of, our first customer if you like.

Then as the minister noted, we are trying in fact to bring along Saskatchewan's first hydrogen fuel station because of course people need stations, or they won't buy the vehicles. And no one would buy a vehicle — other than us — without having a station. So we have raised most of the money that is required to put a first station in place. There's a little bit left to be done, but enough has been raised with both the province's and the federal government's help that we have launched the project.

We are purchasing equipment right now, and we are negotiating with a potential supplier. And again, if successful, we would be able to fuel this first fleet of vehicle demonstrations through industrial by-product hydrogen and therefore turn what would be more or less a waste product into something value added with low emissions. So that's only one possible hydrogen source, but it is an environmentally sustainable kind of source.

And we're involved in several other initiatives with many partners to try and bring along projects that would bring along other hydrogen fuel sources. And then of course, as the minister noted, there are a number of other potential alternative fuels for Saskatchewan and other jurisdictions and we are doing some things in those areas. But I'll rely on your guidance — whether you want to shift from hydrogen yet.

Mr. Stewart: — What I'm interested in right at this moment is the cost of converting vehicles to hydrogen diesel, hydrogen gas. Is it commercially viable, or are we close to that point? Or is it still too costly to be a likely event?

Mr. Schramm: — I think in fairness I'd have to say we are not there yet. The vehicle that I mentioned that's nearing completion is certainly being constructed for far less than the first one that we ever did back in 2004. So the price is coming down even with a small number of individual units. Our people tell me that their best estimate at the moment is that once there's a significant number of vehicles in use — so that there's a little bit of economy of scale in production — their expectation is that the cost of conversion would be of the order of \$10,000, which I'm told is about the cost of a good quality natural gas conversion.

And that probably will be where the market will settle, assuming there's enough market uptake. At the moment it is costing for sure more than \$10,000. So other than as an R&D [research and development] technology development and demonstration initiative, I don't think too many people would want to spend the cost of today's vehicle. But we're probably not too many years — assuming there's some market acceptance — from something that would change that radically.

Mr. Stewart: — Well thank you and congratulations on that work. How many patents does SRC currently hold?

Hon. Mr. Cline: — Oh it's 15 patents. And we have the information here on what they are and if you want we can go through that. It might be interesting.

Mr. Stewart: — Please.

Hon. Mr. Cline: — Okay. Three of them are for electronic gas regulators. Two are for high-volume electronic gas regulators. I guess they improved on the original. There's a method for

determining if deterioration of a pressure vessel, a pressure vessel and a structural integrity testing apparatus — so obviously something that will warn you if a pressure vessel is going to blow up, which is good to know in advance. Method for determining if deterioration of a pressure vessel, another structural integrity testing apparatus . . . I guess I should say that the first one is filed in Canada, the second one in the United States.

Water level monitoring float systems, there are a couple of patents for that, and as well I'm sure everybody will know that in certain circumstances you need, you want a float system monitoring your water level, not to mention oil in tanks and a variety of other things.

Multiple drain method for recovering oil from tar sand, there are actually four of those. A system and method for monitoring and controlling gaseous fuel storage and a neural control system and method for alternatively fuelled vehicles.

And Dr. Schramm reminds me that there are also patents pending: two of them for high-volume electronic gas regulators, two of them for multiple drain method for recovering oil from tar sand, one for neural control system and method for alternatively fuelled engines, and one for system and method for monitoring and controlling gaseous fuel storage. And Dr. Schramm points out that a number of these are relevant to the area of hydrogen and ethanol vehicles.

Mr. Stewart: — Thank you very much for that. Are royalties being collected on some or all of these patents at this time, and if so what kind of numbers are we looking at?

Hon. Mr. Cline: — No, not yet. The patents have only been issued. Well they do go back to 1999, but the majority of them are since 2003. And then of course six of them are pending. So they are in negotiations on a variety of fronts to try to market the patented technology to someone else, and I think it's fair to say we would expect the royalty stream to begin at some point. We hope so. And I'm guessing that probably the discussions with, you know, the businesses they're dealing with are likely at a stage where it's still not public information in the sense that they would be in negotiations.

Mr. Stewart: — Fair enough. Thank you very much. I'll go to the Estimates book now, Saskatchewan Research Council (SR01). Pretty simple and straightforward, there's really one entry here. I see that there's another half million or so for this budget year over last year. Could I just have a summary explanation of that please?

Hon. Mr. Cline: — Yes. I'll make a comment, and then I'll invite Dr. Schramm to supplement also. Over the last two years, in the last two budgets, the budget of SRC has gone up approximately 10 per cent. And indeed for '07-08 . . . Excuse me while I obtain the exact number.

Sorry about that. We're going from 8.4 million to 8.9. And basically it is just a reflection that, as a matter of public policy, we're recommending to the Legislative Assembly that SRC is doing good work, so we want to support it. A lot of the increase would be dealing with, really, increases of an inflationary nature — the salaries going up and so on. But the increased

research funding is 394,000 this year and increased operating adjustments for the Office of Energy Conservation, 152,000. So with that maybe I'll ask Dr. Schramm to comment as well.

Mr. Schramm: — Yes. Of the increased research funding, a segment of that was intended to help us offset rising accommodation costs. I don't have the exact number just right in front of me, although we can get it if you want it — approximately \$160,000.

And then of the order of magnitude of 200,000 for direct incremental research and development which we had committed to . . . used focus on bioenergy, biofuel, bioproducts research, which we are already trying to do. But that was our top priority that we presented to Treasury Board for the use of increased funding that we would start there. So we used that extra roughly \$200,000 to increase our efforts in this fiscal year in the general area of bioenergy, biofuel, bioproducts, beginning with ethanol.

Mr. Stewart: — Thank you. That satisfies me. I think that's all I have for now. In any event, I think the member from Kelvington-Wadena would like to ask a few questions.

The Chair: — Thanks very much, Mr. Stewart. I'll recognize Ms. Draude.

Ms. Draude: — Thank you very much, Mr. Chair. To the minister, the officials, I always look forward, if I can, to have a few moments of time because a few years ago I had a more direct interest, well relationship. The 27 per cent or \$8.9 million, the money that comes from the legislature, is that still basically the administration?

Mr. Schramm: — We allocate those funds strategically among our divisions, which are aligned with the economic sectors of the province, and then we charge back those divisions an overhead percentage to cover the administration of the organization. And so what the result of that is, is that a piece of the provincial investment does go to support the administration of the organization, but a larger piece comes from overhead on the industry contracts.

So there is a number for the administrative cost. I can give you that, but the majority of it comes from profit, if you like, on the industrial contracts.

Ms. Draude: — So would it be fair to say then about a third — well 27 per cent — is it about a third of the cost of your administration is from government then? Is that basically about it?

Mr. Schramm: — Yes.

Ms. Draude: — Okay. And when you project into the future, is it hopeful that the money that would come from the government, we'll be able to use more for the research end and less for the administration, meaning you'll be able to get more contracts to cover the administration, be able to use more of the funds that any government I hope would put into the research council to be able to use, look forward to more initiatives that could be carried forward?

Mr. Schramm: — Not based on the trend of the last six years.

Where our revenue growth has occurred has been on industrial contracts, and that is still today where most of the revenue growth is occurring. And by scaling up our operations to match industry needs, there's an inevitable demand on increased administration because that's providing all the support services, so the R&D can be done. So unless something changes from recent trends, more and more we have to rely on being able to sell our services into the Saskatchewan marketplace at a competitive rate that allows us to recover more and more of the administration costs.

Ms. Draude: — Would it be fair to say that more of the focus for the SRC now has been narrowed to support oil and gas or mining the natural resources rather than a broader range as it was a dozen years or so ago?

Mr. Schramm: — Where we have flexibility to invest — and we have the most flexibility with the funding that comes directly from the province — we try to spread that over the opportunity areas that we see for the strategic sectors of the province. So to the extent that money is allocated, I would say no; we try and look for where we can have the greatest impact on the economy and jobs and quality of life for the people of the province.

However, for other parts of our activity, we can only go further in areas for which there is a market for which industry and business are willing to pay. And for that portion of our work, that leads us to be doing more work, particularly in the mining and mineral sector these last few years because it is a large industry in the province, and it does have needs, technology needs for which they're willing to pay.

So if you look at SRC overall the last few years, you'll see more work has been directed at the mining and mineral sector. We have been strong for many years now in the petroleum sector. But I would say where we have the ability to make more discretionary investments, they were across the strategic sectors of the province.

Hon. Mr. Cline: — Yes. I think I should add it's . . . Everything Dr. Schramm said is correct. But it is interesting to note that of the provincial funds, of a total of 6.98 or practically 7 million that is allocated to these divisions as Dr. Schramm described, you've got about 2.5 million going to energy and then the balance — so that would be about 4.5 million — to the other sectors which are agriculture, biotechnology and food, environment and forestry, manufacturing and value-added processing, and mining and minerals. So all of those sectors are important, although the largest single one is energy.

Ms. Draude: — Are there requests from potential clients in Saskatchewan that SRC aren't able to deal with because of a lack of funding?

Mr. Schramm: — Generally speaking, where there are requests from clients — meaning business and industry — there would only be rare cases where we're unable to help them, normally because we just don't have the competencies required for the particular task, in which case we'd try and refer them or match them up with other providers. Where we get requests from people or communities who would simply like our help, there we are severely limited.

Ms. Draude: — I guess to be fair, that was what I was trying to get at and probably didn't say it correctly. I would know that from, in various industries, especially start-up companies where there's a need for R&D and they don't have the wherewithal within their smaller company for sure to do research, there was a need at one time that couldn't be filled. And I'm wondering if that's still the case.

Hon. Mr. Cline: — I should say that part of what SRC is doing is sometimes when somebody wants something done, if they have the wherewithal, they'll enter into a contract and figure out a way to do it.

But I appreciate the second question is what if you don't have the wherewithal. And Dr. Schramm can comment, but we did discuss this in a slightly different context when we were before the committee discussing the Innovation Place, SOCO [Saskatchewan Opportunities Corporation], in the sense that one of the things we mentioned there was they are in a position to help some of those organizations with, you know, either a subsidized grant, something like that, to get them going and provide some kind of incubation.

So there is that. I'm not sure what role the SRC can play, but there are other ways we try to deal with it. And they may co-operate with the SRC in some cases.

And then there are some funds that we have like the WEPA, the Western Economic Partnership Agreement, where the federal and provincial governments in cases like that may have certain funds whereby we can fund some strategic projects for companies such as have been described.

Ms. Draude: — Then provincial R&D tax credit, is it possible to use that with the SRC?

Mr. Schramm: — Yes. Normally an organization would do that independently, but such an organization could do work with us or any other organization equipped to help them with their R&D needs as long as it's under the program. We ourselves don't get involved in that aspect of it, but to the best of my knowledge work that we do and could do for people can be eligible in the right circumstances.

Ms. Draude: — I'm glad to hear that. I was just concerned that because it was a provincial R&D tax credit that there might be some limitations in dealing with the SRC.

And another question I had was there used to be just about a jockeying for position between SRCs in the various provinces. And everyone liked to believe that their SRC was top-notch, and I know that Saskatchewan was for many years. I'm just wondering how does our SRC look in comparison with . . . I know British Columbia was one a while ago that seemed to be on the same line as our province, and Alberta seemed to put most of their efforts into oil and gas. Can you tell me where we are if you were going to put us on a scale of one to ten?

Hon. Mr. Cline: — Well we think it's . . . If 10 is the best, we think we're number 10, if 10 is the best. And we think the SRC is one of the most successful research organizations in Canada, seriously. And actually I'll ask Dr. Schramm to comment, but what we've seen over the last period is some of the research

councils disappearing, so not every province has one now. I think we're in a minority to have a provincial research organization like SRC, and I can get you the details of that.

Mr. Schramm: — Yes, as the minister said or implied, there are presently five provincial research organizations, they're not all called provincial research councils, but there are five organizations across the province that are constituted very similarly to ourselves. And there are three government research organizations in the three territories. The latter are very small. Their mandates overlap, but are somewhat different than those of the provinces because of the nature of the territories.

There are at least three provinces that, to the best of my knowledge, are considering either forming or re-forming research councils at the present time, but those are things that may happen in the future. Within the family of the existing provincial research organizations, I would say we have entered into an era of more co-operation than has probably ever happened in the history of provincial research organizations in Canada in the sense that we and our sister organizations have increasingly recognized that in a global marketplace we have a lot more to gain by working together to increase markets than to be fighting over market share, if I can put it that way.

And while we do compete with our sister organizations in some areas — and they with us — we are increasingly putting more focus on co-operation and collaboration to the extent that we recently, with the other four provincial research councils, formed a not-for-profit corporation called Innoventures Canada, which is federally registered, which we intend to use as a vehicle to increase what I just said — more co-operation for mutual benefit.

We will all still look out to the best of our ability for our respective jurisdictions, so we will of course be looking to advantage Saskatchewan in this. But the vision is to create something that will benefit Canada and allow us to do, each of us, a better job of benefiting our respective province. This is just getting under way, so I don't have great success stories to tell you yet although we just launched our very first project with federal support which is aimed at CO₂ capture.

Ms. Draude: — Would it be fair to say then just that the SRCs in these various regions are maybe considering having centres of excellence where one province may look at being known for their research in one area, and dividing it out that way?

Mr. Schramm: — Yes absolutely. And so I just have one quick example — and getting back to your earlier question in a way — if a local Saskatchewan firm or community were to come to us for help and it not be an area in which we have expertise and there may not be enough time for us to develop it, we may be able to reach out through the family and help them reach that.

And if I may come back to your original question, we are now the second largest of the provincial research organizations among the eight in Canada. We took over number two spot last year. And I shouldn't be the one saying this, but as the minister said, I will say it too. In my opinion, we're the best. Our peers have referred to us publicly as the most entrepreneurial of the provincial research organizations in Canada.

The Chair: — Thank you very much.

Committee members, I'd like at this time to bring to the attention of committee members that our broadcast services and Hansard services are down. And so our discussions will not be recorded. I'll leave it to committee members if they wish to continue with the line of questioning or to recess until which time we have services back up . . . [inaudible interjection] . . . Yes?

Mr. Weekes: — Do we have an estimate of how long it's going to be down?

The Chair: — At this point, we are not able to determine how long we may be out of service . . . [inaudible interjection] . . . All right, we will continue then. We are able to broadcast. It seems to be an internal problem.

Well thank you very much, committee members. Would you proceed, Ms. Draude.

Ms. Draude: — I also know from a number of years ago the SRC was the beneficiary of an endowment, and I'm wondering if there's been more of that type of . . . we were fortunate enough to receive more endowments, or are we still just limited to the one?

Hon. Mr. Cline: — No, there have not been any additional endowments.

Ms. Draude: — So is the original plan or agreement that was made for the use of that endowment, is that still underway or has there been any changes? Or can you give me an update on what has been done with that money?

Hon. Mr. Cline: — Yes. They are carrying on the . . . It is the Technology in Action Fund, and it was established in 1994 when Mr. Ian Wahn made a gift to the council. And it was established to help the people of Saskatchewan develop the province as a highly skilled, fair, desirable, and compassionate society with a secure environment through research, development, and the transfer of innovative scientific and technological solutions, applications, and services.

The council maintains a separate account for the capital contributions and all investment income earned. And the balance of the fund right now is \$649,000.

Ms. Draude: — Thank you. One of the other areas that I know was worked on a number of years ago was basically marketing the SRC, not just outside of Saskatchewan but within the province as well. Is that still a focus, or is there the feeling that with the synchrotron and with the industries that are using the services of the SRC at this time there isn't the same need to market?

Hon. Mr. Cline: — Yes. It absolutely is a continuing focus, and I would say really one of the major focuses in the sense that, as Dr. Schramm said, SRC is the most entrepreneurial of all the research organizations by which we mean, you know, only a minority of the funding of SRC comes from government.

We want SRC to grow and to employ more scientists,

researchers, innovators, and so on, and that is done by contracting with other clients such as was described at the beginning of this meeting. So it's a very major focus.

And I know that on some of the international trips that I've done, there has been an SRC presence to try to reach out to other parts of the world about what SRC may offer. And I believe in the future there will be partnerships between the SRC and companies in other parts of the world. I mean, there are now some research, but I think that some of the technology will be used in other parts of the world eventually, and that certainly is a major goal.

Ms. Draude: — I think my colleague wants to ask another question, but I would like to . . . Can you give me an idea of the makeup of the board now; how many members there are on the board, and the number of meetings they have?

Hon. Mr. Cline: — Yes. The board of directors is comprised of Craig Zawada who is the Chair; Doug Kelln, the Vice-Chair; Dr. Schramm of course is the secretary. And then three other members already appointed: Mr. John Bennett, Dr. Peta Bonham-Smith, and Ms. Patsy Gilchrist.

And then there are two members that I don't think I can identify because they're going to be appointed, but the orders in council are not through cabinet yet. So they would have to be approved by cabinet. But I can tell you that I assume they'll be approved because they're certainly very accomplished individuals.

Ms. Draude: — Thank you. Do they still have meetings every second month, I believe, or is it a monthly meeting, and can you give me an idea of the cost of the boards from last year?

Hon. Mr. Cline: — It is roughly once every quarter so that probably the full board is meeting, you know, four times a year or so. But they also will meet in committees as well.

Ms. Draude: — Okay. Can you give me a cost of the board?

Hon. Mr. Cline: — Yes. Expenses are approximately 80,000 per year.

Ms. Draude: — Okay. I think you answered this question for me last time, but I need another answer. How are you working with PAMI [Prairie Agricultural Machinery Institute] now? At one time prairie implements manufacturing was basically, I don't know if I can describe it arm's-length, but there was an association with SRC. Can you tell me what the association is now?

Mr. Schramm: — Yes. As you say, there was a very close relationship, and then they became more independent again, if that's the right choice of words. We have an ongoing dialogue with them as a stakeholder and as a potential partner. And so we discuss once in a while our mutual views of opportunities to help each other or work together or collaborate.

I don't think off the top of my head I can cite a specific project underway at the moment, but we have a periodic open dialogue with PAMI. And with increasing attention to energy and climate issues, we're anticipating that we will find some things that will make good sense to work more closely on that will

engage us a little more. But we haven't landed those particular projects just yet.

Ms. Draude: — I just have one final question, and I can't not ask this — with SRC being number two in Canada, maybe even more in the world, and having a synchrotron — can you tell me if the relationship is . . . how beneficial it is and if there's any efforts in combining the fact that we have two very important, innovative opportunities in the province, and what kind of a relationship there is?

Hon. Mr. Cline: — Well Dr. Schramm may want to make a comment too, but I think it's important to point out certainly it's significant that we have the synchrotron — which is Canada's only light source — in Saskatoon and in Saskatchewan, and the SRC. But I also like to point out that there's a much, much bigger cluster of research organizations that we're very fortunate to have because not only do we have the SRC and the synchrotron, but we have the Vaccine and Infectious Disease Organization, which would probably be the world's leader in term of, you know, that area. And then we've got the national plant biotechnology institute, the national hydrology institute, a very major research station of Agriculture Canada, a whole bunch of private sector companies up there as well and in fact . . . So we've got 30 per cent of Canada's agricultural biotechnology centred in Saskatoon.

And my point is not to diminish the SRC in any way because it's a very prominent member of that, and I'm very proud of it. But I'm also proud of the fact that along with the synchrotron and the SRC we've got such an impressive cluster of research organizations and companies.

And I can tell you that it is world famous, very much recognized around the world. I once was in Philadelphia for the world bio conference, and the Premier of the state of Victoria in Australia was making a speech which I attended, and I was very surprised and impressed that in the course of his speech — I believe it's Premier Bracks — he mentioned Saskatchewan about six times and what we were doing. And you find that all around the world, so.

And SRC is a part of it, but it's also a part of a very important and impressive cluster that has been built up in Saskatchewan. And I don't want to say it's all in Saskatoon either. I mean in Regina there's an important research cluster there around greenhouse gas, PTRC and so on, so carbon dioxide storage and capture and so on.

The Chair: — Thank you very much, Mr. Minister and committee members. It is now time for us to move on to our next item before the committee. So on behalf of the committee, I'd like to thank the minister and officials for being here and thank the members of committee for their appropriate questions this afternoon. With that I'll recognize Mr. Stewart.

Mr. Stewart: — Thank you very much, Mr. Chair. I'd like to echo that. Thank you, Mr. Minister, for your frank answers and particularly the officials that helped us out this afternoon. I appreciate it.

The Chair: — With that, committee members, we'll take an approximate three minute recess to change the officials that are

going to be with us and prepare for the next item before us, which are the estimates of the Department of Industry.

**General Revenue Fund
Industry and Resources
Vote 23**

Subvote (IR01)

The Chair: — Thank you very much, committee members. The next item of business before the committee is the estimates for the Department of Industry and Resources, vote no. 23. I'd like to once again welcome the Minister Responsible for Industry and Resources, the Hon. Eric Cline, and ask him if he would be so gracious as to please welcome his staff and identify them to us please.

Hon. Mr. Cline: — Yes. Thank you, Mr. Chair, and good afternoon once again to members of the committee and yourself. With me today is . . . are, I should say, Mr. Glen Veikle who is the acting deputy minister of our department. To my right is Ms. Debbie Wilkie, the assistant deputy minister for industry development. And behind us are Trevor Dark, the assistant deputy minister of petroleum and natural gas; Hal Sanders, executive director, corporate and financial services; Gary Delaney, director of the northern geological survey exploration and geological services; Ed Dancsok, director, geology and petroleum lands branch.

And from Tourism Saskatchewan we have Carol Lumb, the acting president and CEO of Tourism Saskatchewan as well as Bonnie Baird, the manager of research, Tourism Saskatchewan. And I believe that's the whole complement. Thank you.

The Chair: — Thank you very much, Minister Cline. Do you have any opening remarks that you'd like to make today?

Hon. Mr. Cline: — Yes thank you, Mr. Chairman. I am pleased to be here along with our officials, and as I indicated, Glen Veikle is acting as our deputy minister. As you will know, that position was very ably filled, until very recently, by Bruce Wilson who has retired after, I think, 35 years with the public service, and he just retired last week. And I don't know if Bruce is watching these proceedings today from the comfort of his living room. He could be out golfing or walking around. So he missed his last appearance before the committee by just a few days after, as I said, many years of dedicated service. And I've already mentioned the other officials who are joining us.

The budget that you're looking at today gives our department the tools it needs to work with stakeholders to continue building a green and prosperous economy. It helps us deliver on the business and economic sector commitments articulated in the Saskatchewan action plan for the economy which we led the production of in the fall of 2005. And as everybody knows, we have a very hot economy right now which is on a roll and many indications of that including very high investment in the province, red hot real estate markets that people are talking about in our two largest cities, people moving back to the province including from Alberta, and of course a lot of this is due to the dynamic performance of some of our sectors like oil and gas and mining.

Production of oil has more than doubled since 1991, and we're off to a record year for crude oil and natural gas production and lots of new investment in drilling, lots of sales of Crown petroleum and natural gas rights to oil and gas companies that want to come in and explore and produce.

The mining industry also enjoying a rush, there's a staking rush going on like we've never seen before. We expect a record of about \$277 million exploration activity this year, mainly in uranium and diamonds. And just to put that in context, that figure would have been less than a tenth of that, maybe five or six years ago. And potash continues to do well — strong sales, much investment, and good prospects for the future.

I think that it's fair to say that these key industries are succeeding for two major reasons: one being of course high commodity prices and good demand around the world for these products; the other being, I think, really receptive taxation and royalty policies by government that goes back to changes that started many years ago now but especially in 2002 and thereafter.

I also want to say it is helped along by a very able staff that we have at our department, and on an almost daily basis I hear from the oil industry and the mining industry how much they appreciate the responsive approach taken by our department on behalf of the province — which makes me very happy to hear.

Our full-time equivalent complement will remain essentially the same as last year at around 330 people. We're continuing with airborne geophysical surveys to assist the mining industry, in other words trying to better identify the mineral deposits we have in the province. We're providing more operational funding to the Saskatchewan Forest Centre to offset a loss of ongoing federal funding. We want to try to solve some of the problems in the forestry sector.

The Canada-Saskatchewan Western Economic Partnership Agreement continues to support projects that increase the competitiveness and productivity of our economy. We have \$5 million in this year's budget for projects under the WEPA, as it's known. The RCMP [Royal Canadian Mounted Police] Heritage Centre, which is opening in a few weeks, time is a prime example of the types of initiatives that are assisted under this agreement.

One of the largest line items in our budget is once again support to Saskatchewan's growing ethanol industry. We have an increased allotment to \$21 million this year for ethanol grant payments to fuel distributors. Tourism is one of our fastest growing industries, and Saskatchewan continues to be one of the most active trading jurisdictions as well. We export a lot.

Our support through transfer payments for Tourism Saskatchewan and the Saskatchewan Trade and Export Partnership, or STEP, has increased slightly under the budget and now stands at \$8 million and almost \$2.9 million respectively for tourism and STEP.

And as members of this committee will be aware, our department launched the Innovative by Nature campaign last October. That campaign, through advertising and business meetings, has spread the word about our leading edge

businesses and researchers and about our competitive business climate. This year we have \$2 million for the second year of a campaign that has been very effective in raising Saskatchewan's profile with business and investment decision makers across the country. This year we're adding a print component to that campaign and also targeting select business decision makers in the United States. And I can tell the committee that, generally speaking, as you know I have been travelling around the world to places like China — where I've been three times — India, the United States, France, Germany, England, Japan, Australia, and New Zealand, and all of those trips I think eventually pay off.

But I do want to say that what I've noticed since I've started doing this, you know, say four years ago, is when you used to go to a lot of these places to sell Saskatchewan there wasn't always a lot of awareness and sometimes it was met with scepticism. Now we will typically see audiences, in other parts of Canada especially, nodding their heads in agreement when we're talking about Saskatchewan which indicates that they have some awareness and certainly see the province as a good place to invest in and do business. And I think we are getting our story out.

As always I think our marketing job is made easier by the business tax reforms which the government has undertaken. We're into year two of the largest business tax cuts in Saskatchewan's history, an estimated \$155 million this year in savings for businesses. And that of course follows the huge personal income tax cuts that have been made which are even larger.

And through measures in our overall provincial budget and through specific initiatives in the budget of Industry and Resources, we will continue to enhance our climate for economic growth to shape an economy that we believe is very innovative by nature and competitive by design. We hope that these efforts will continue to make life better for Saskatchewan businesses and families. And with that, Mr. Chairman and members of the committee, I look forward to having a productive and interesting discussion on the estimates of our department. Thank you.

The Chair: — Thank you very much, Mr. Minister. At this point I will open the floor up for questions. I recognize Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair and Mr. Minister, for your opening remarks. I'd like to take this opportunity to welcome all of the official, and you've always been very helpful in the past, and I know that I will look forward to a good discussion again today.

I'd like to start off with a couple of questions regarding tourism and I'm relieved to see that there are officials here from tourism. And first I'd like to say that the two programs that the minister mentioned — Tourism Saskatchewan and STEP — are programs that we feel really work well. And just like to congratulate the officials that are here for making them work as well as they do.

But in the tourism field, what has been the trend over the last five years or so in Saskatchewan tourism? It seems like we're

gaining ground. I just wonder if we have any numbers on that.

Hon. Mr. Cline: — Yes. We will get the numbers right away. But I do want to say, first of all thank Mr. Stewart, Mr. Chair, for his kind remarks about the work the officials are doing in the area of tourism and also STEP, the export.

I just want to acknowledge that in both of these organizations, we have a partnership with private industry, as all members of the committee know but members of the public listening to this may not know. And it's actually quite unique to Saskatchewan that we took the part of government that dealt with tourism and the part of government that dealt with exports in the early '90s. I think most of the credit actually could go to Mr. Lingenfelter. I think he was the minister of Economic Development at the time. And we decided to spin those off to organizations that would have industry people from private sector representatives and government. And so we created those two new organizations. And I think they have been successful.

And now I know, in the area of exports which, the question wasn't asked, the exports are just growing like gangbusters.

But I should get the figure from Ms. Lumb about the tourism, and she may want to make a comment as well. I see that the receipts for 2005 are \$1.56 billion, but I don't see what it was for the year previous. So what kind of increase . . .

Ms. Lumb: — Yes. It was about 1.4.

Hon. Mr. Cline: — It was in the neighbourhood of 1.4 per cent increase. So you've got 1.56 billion coming in, and that's about a 1.4 per cent increase over the previous. It was \$1.4 billion going up to 1.56 billion, so that actually would be an increase of more . . . 7.1 per cent, in a year, which is a lot better than 1.4. So that's good. Thank you.

Mr. Stewart: — Thank you. Where does 1.6 billion, where does that rank tourism, I mean, as compared to mining and oil and gas and agriculture?

Hon. Mr. Cline: — It is actually the fourth largest, which puts it certainly right up there.

Mr. Stewart: — I presume that the intention is to expand the tourism industry as much and as fast as possible. I don't think that question needs to be answered, but assuming that, what methodology will be used to expand that industry?

Hon. Mr. Cline: — I'm going to ask Ms. Lumb to comment after I give a brief answer. But I think it's fair to say that there are two aspects to it. One is that when people come here, to give them a good tourism experience; that, you know, people are friendly; there are quality sites for them to see; and so on and so on. And a lot of work is being done to actually train people that work in the tourism sector, such as the hospitality industry — how to greet tourists, how to treat them. And there's a sort of a certificate program that goes on through the tourism education program. So I think that's important, how we treat people.

Investing in some quality tourist sites, such as the RCMP Museum here in Regina, but you could go on and on about the different things that there are to see in Saskatchewan all over

the place. More money going into the provincial parks would be important, highways improvements obviously.

And then so you have to have the product, which I think we do. And we need to improve that, both in terms of the capital and the service. And then you have to market that to the world. And how do you do that? And who is the world? In some cases there's Internet marketing directly from, say, outfitters or fishing camps to people in Germany or Japan but more regularly the United States. In some cases, it will be within driving distance — brochures that Tourism Saskatchewan may produce to be delivered with newspapers or householders to people living in other provinces or states. So it's improving the product we offer, improving the people that deliver the service, trying to do more in terms of marketing.

And I should add that the marketing activities we're trying to do are not just from the money that we give to Tourism Saskatchewan, but they also seek to partner with private industry, especially the hotel sector for example to maybe pool some resources together to get the word out. And so with that I'll ask Ms. Lumb also to make some additional comments. Thank you.

Ms. Lumb: — Thank you, Minister Cline. Yes I think you've covered it very well. We have specific areas, product development for example, which does concern itself with what kind of product we have and where in fact we can expand that product. And that's going to be based upon research that's also done in terms of what potential visitors and existing visitors are looking for.

So we sort of have a research-based response to what we need around product, and then also making sure we can deliver on the product in terms of the training side. We want to provide the best possible experience for anyone who comes here. We want to ensure repeat visitors and word-of-mouth advertising for sure.

And then also our visitor's services centre provides a lot of response to individuals who may have seen some of our marketing pieces, whether they be in literature like *Reader's Digest* and others. And then we send out what I believe to be the best literature series that's produced anywhere, and so that goes right into the hands of existing and potential visitors so that they have an opportunity for vacation experiences to accommodations and events and so on. So they're able to get the literature in their hands. And then we also measure what they felt about their experiences after their trip. So it's multi pronged.

Mr. Stewart: — All right good. I'm thinking about small entrepreneurs who may want to start a home-based-type tourism business — you know, trail riding, bed and breakfast, that sort of thing. And I take it that there is some fairly substantial hands-on assistance available to those people to get started in a manner that will make tourists want to, number one, go there and, number two, come back again.

Ms. Lumb: — We partner with all of the various sector specific agencies — bed and breakfast association, hotel and hospitality association, the outfitters. We've expanded our product development branch as well, so we can provide more of that

type of one-on-one, both with Aboriginal groups in the North as well for example. And that's also done in combination with the Saskatchewan Tourism Education Council, the education and training division, and that's everything from business planning to helping them train their staff, their front-line staff. Absolutely.

Mr. Stewart: — Thank you. In my constituency it seems that transportation is one of the major impediments to development in the industry, and that's highways and lately one particularly troublesome ferry on Diefenbaker lake. I know that Tourism Saskatchewan isn't going to fund any highways, but does tourism have any impact on Highways and Transportation as to what roads are necessary tourism corridors, and is there any input in that regard or any opportunity for it?

Hon. Mr. Cline: — I'll ask Ms. Lumb to comment. But I do want to say that, yes, in a general way, in the sense that part of what the Department of Highways and Transportation is trying to do — and I don't want to speak for them because obviously Minister Lautermilch does that and does it well — but they have a strategic plan which seeks to direct the money to repair the roads into areas that are going to have, you know, positive economic impact.

And certainly tourism is a factor in that, so that one example is that recently some money was announced for Highway 219 running south from Saskatoon — the reason being that, for example, the Whitecap Dakota First Nation is going to open a casino out there. And there's Beaver Creek. But it's not just that. It's a tourism corridor through the area all the way down to Lake Diefenbaker, I believe, and Elbow. So these are definitely considerations that inform transportation policy. And as I understand the plan of the department, because they want to be looking at the strategic economic questions, they, I think, they would want to be talking to the tourism industry quite directly in order to determine those issues.

Ms. Lumb: — And I would just add that we also work with the Department of Highways on various subcommittees like signage and, for example, also with our visitor centre at Langenburg. With some of the changes in the highways, we've worked closely with them to ensure that the tourism side of things is also addressed.

Mr. Stewart: — Thank you. Switching gears a little bit I think to biofuels if I may. Thank you very much.

Has the department had interaction with the federal government with regard to their biofuel strategy or possibly lack thereof?

Hon. Mr. Cline: — It's led by the department of regional and economic co-operation and development, or at least they're involved with it as well as we are.

I think most of the contact with the federal government has been through Minister Serby, and certainly I've been privy to discussions. But I think he's taken a leadership role, attended meetings with the federal officials and other provinces and territories.

I think it's fair to say that, you know, there are some funds the federal government has set out, but I'm not sure there's a great

deal of clarity in terms of their policy, and I'm not sure that it's clear that what they're doing can make the industry competitive with the United States, for example, which has larger subsidies to their producers than we do.

And I'll ask if Mr. Veikle or Ms. Wilkie have anything to add to that answer.

Mr. Stewart: — Does the Saskatchewan government . . . And I don't know, like you say, Mr. Minister, Mr. Serby's been dealing with this, and I know that Mr. Serby hasn't been well, in fairness. But does the Saskatchewan government, either Industry and Resources or Ag or under Mr. Serby's umbrella, specifically have a formalized biofuel strategy of their own?

Hon. Mr. Cline: — We're shortly going to release, I believe, the energy strategy, and so I don't want to scoop myself, but part of the energy strategy certainly will be a description of biofuels.

And of course in the Throne Speech in the fall of 2005, I believe it was indicated that the province wanted to go to . . . one-third of the use of our energy would be from renewable sources by 2025 and part of that . . . I mean, renewable can obviously include hydro, wind. But part of that is to promote biofuels, and that will be described in the policy. Although I can say that we have been a leader in the country in terms of biofuels in the sense of we were the first province to mandate the use of ethanol. And right now, 7.5 per cent for this year of the fuel that we all purchase at the pumps has to come from ethanol.

There are two new developments for ethanol, namely NorAmera at Weyburn and Husky at Lloydminster. So there's some other work that has been done — the mandate plus a tax break for production of ethanol — and there's more that will be done and described. But in answer to this question specifically, yes, we will have something to say in the energy policy when it comes out, which is soon . . . no date but quite soon.

Mr. Stewart: — That was going to be my next question. You mentioned the Husky facility in Lloydminster. I know that . . . last I heard they'd been having some difficulties in getting up to full production. Is anyone here aware of the status of that plant?

Hon. Mr. Cline: — I believe there were some delays, but I'm advised they are at full production.

Mr. Stewart: — Okay. Glad to hear that. If I can get on to other resource files . . . Have any potash companies put a hold on land around the Kennedy-Langbank area restricting oil exploration?

Hon. Mr. Cline: — There are restrictions, you know, in different areas around potash mines, but I'm not aware, and Mr. Veikle advises we're not aware of restrictions in those particular areas. If we're incorrect in that regard, certainly I'll supplement the answer in writing to let you know. We're not aware of that at the moment.

Mr. Stewart: — The reason for the question is that oil exploration seems to surround that area but not really go into it. It's like a no-fly zone, sort of, for oil exploration. I don't know

. . . So there have been questions locally about that.

Hon. Mr. Cline: — Yes. If there is any restriction, we'll certainly get that information to the committee, Mr. Chair.

Mr. Stewart: — How many new oil and gas wells were drilled in the last fiscal year ending March 31, '07? Or do you have information up to that point?

Hon. Mr. Cline: — Yes. I believe the question was for 2006. There were 2,339 oil wells drilled and 1,508 gas wells for a total of about 3,800 approximately.

Mr. Stewart: — And that's the '06 calendar year, Mr. Minister? Or is that until the end of the fiscal year?

Hon. Mr. Cline: — I believe that is the '06 calendar year, yes.

Mr. Stewart: — And how does that compare with the '05 calendar year?

Hon. Mr. Cline: — In '05 the figures were 2,007 oil wells and 1,794 gas wells for a total of almost . . . well for a total of 3,801. So '06 is 2,339 plus 1,508, which is 3,847. So it was somewhat higher. I think that . . . 46 higher to be exact, which doesn't seem like a high figure, but I think it's important to note that in Alberta and British Columbia drilling actually went down. I don't have the figures right in front of me, but I think it was in the neighbourhood of 10 per cent. And drilling went slightly up in Saskatchewan.

Now the reason for that is that they drill more for gas in Alberta and BC [British Columbia]. We're more heavily concentrated in oil. And the gas price took a hit, but oil did not take a price hit.

Mr. Stewart: — Thank you. Does your department have projections for this current calendar year that we're in, '07?

Hon. Mr. Cline: — Yes. We are estimating, according to the paper I have in front of me — and I think this is our most current estimate — as of April 3, our projection was 2,000 oil wells and 1,200 gas wells for a total of 3,200. So that's an estimate. But I think I should point out even though that seems . . . It seems like a very cautious figure to me because I am aware, looking at the weekly reports that come out about the amount of drilling, that we are up this year over last year. That would be my first point.

There's more licences being issued this year over last year. And the increase is, I mean, at least 15 per cent in my recollection over last year for year to date. And also the land sales have been very large.

So to me it indicates that perhaps these figures are a bit cautious, but still they're respectable figures and higher than we've had in most of the past years.

Mr. Stewart: — Thank you. There's been reportedly a new gas field discovered in the last year or so in the Eyebrow-Brownlee area. Do we have any information on that at all?

Hon. Mr. Cline: — There's been a special exploration permit issued. There have been 12 wells drilled to date. No findings as

of yet. Nothing to report in terms of the nature or quality of the resource.

Mr. Stewart: — Thank you. We're all well aware here that oil sands exploration is taking place in the Athabasca region. And from reports that I've received, you know, on an informal verbal basis, it seems they seem fairly optimistic frankly. Does the department have an estimate as to how far away we are from production in that particular field if production is to ever happen?

Hon. Mr. Cline: — Well that is the billion dollar question, you know, that really nobody knows the answer to. And I think it's difficult for me also to speculate very much. Well first of all, I'm not able to because nobody really has the answer. But also this is something that is publicly traded where people may invest or not invest, depending upon what somebody knows or supposedly says.

But it's true to say that we know that the quality of the oil sands is a good quality, that the sands themselves have oil in them, bitumen. But the difficulty is with all the activity in drilling going on there — and we do commend Oilsands Quest Inc. for undertaking this work — the resource is 600 feet deep, and I believe that the thickest body is about 55 or 60 feet approximately.

And so to put it in context, the oil sands go underneath the Alberta-Saskatchewan border and extend into Saskatchewan. But unfortunately they go very deep, and they're not very thick. It's almost like the body of a beaver, if you can imagine where there's a big, fat beaver in Alberta and the tail is in Saskatchewan — because in Alberta, the oil sands are about 300 feet deep and then they're 250 feet thick whereas, you know, you go across the border and they're 600 feet deep and they're 50 feet thick. And the difficulty you get into is you cannot profitably do open-pit mining and remove the overburden above the oil sands because you wouldn't make any money.

And there is an in situ steam injection method, I believe, to bring oil sands up to the surface. However you need to be at least 900 feet deep in order to use that methodology, I believe, because otherwise there's too much instability in the ground, that you're, you know, putting steam into the ground but it isn't very thick. And you can have sink holes where — in places like England and Russia where they do certain things, but they're not very deep — all of a sudden, somebody's house is sinking into the ground which tends to be disconcerting for the people concerned.

And so what they need to do is develop a technology that would be suitable. Well they need to do one of two things. Either through the very good work that Oilsands Quest Inc. is doing; they will suddenly — and this would be nice — say guess what we found, a thick body of oil sands in Saskatchewan. And then we'd all be off to the races. But if that doesn't happen and the resource continues to be as it has been for the last 30 years, then we need a different technology. And I want to say that the answer is unclear because of course do we know whether somebody will develop the technology?

Now we do know, as in the previous session, that the

Saskatchewan Research Council — which I happen to be the minister responsible for that as well — they are undertaking work to try to see if they can inform everybody how you might get this oil sands to the surface using some kind of solvent method. And so they will look at that. I'm sure that the private sector also will be trying to figure this out, and perhaps they may be informed by some activities going on in Alberta where perhaps, you know, some other methods are available.

So we are certainly hopeful that something develops to allow people to produce this oil out of the Saskatchewan oil sands, but again it's the billion dollar question. Nobody knows the answer whether there will be a way to profitably bring this to the surface.

Mr. Stewart: — Thank you. It's my understanding although the, as you say, Mr. Minister, the deposit is deeper and not as thick . . . The beaver's tail is an interesting analogy. We're tight in Saskatchewan. We'll squeeze every drop of oil out of the beaver, like we do with nickels, I guess. But is it the minister's understanding that the oil deposit is actually more dense on the Saskatchewan side, even though the formation is not as vast than it is on the Alberta side?

Hon. Mr. Cline: — Well I do know . . . I can't comment right at the moment, although I'll ask the officials if it's more dense than the Alberta side, but I do know that it is a very good quality of resource. There is no question that when you examine a sample from our tar sands, that it has a good percentage of oil in it. Now what I don't know is whether that's higher than Alberta. And I'll just ask the officials and be with you momentarily.

Mr. Veikle: — I think the answer is that it's not necessarily higher density, but there is a higher percentage of oil by weight, by volume. That is what has been reported by the company itself and is not something that has been confirmed by Industry and Resources or anybody else.

Mr. Stewart: — Thank you. To the minister's knowledge, has any company expressed interest in developing any of these reserves or attempting to at least find the technology to do it?

Hon. Mr. Cline: — Well there's Oilsands Quest Inc. itself. You know, they are as I understand it more of an exploration company, and I'm sure that they would be in discussions I assume with others that might want to come in with them. I don't think . . . We wouldn't be privy to those kinds of discussions, but I would assume that they're going on, that they would be talking to investors about whether they want to invest in trying to do this. And that's a decision that will be made, you know, basically by the private sector, whether they want to do this. But again we will certainly try ourselves through places like the research council to see if we can figure out a way to assist the development of the technology.

Mr. Stewart: — Thank you. Has any work been done on a tax and royalty regime for oil sands oil in Saskatchewan, or is that premature since we've had no companies actually interested in developing the deposits?

Hon. Mr. Cline: — Yes. We announced a policy in April 2005 for enhanced oil recovery, and that applies to development from

the oil sands.

Mr. Stewart: — Thank you. The Fort-à-la-Corne diamond play, can the minister give us a report on the status of that? My understanding is that it is quite promising.

Hon. Mr. Cline: — Well that again is another billion dollar question. Certainly there's a lot of optimism out there, but we do have to point out that, the development of mines, whether or not we will have diamond mines in Saskatchewan has still not been determined by the companies. And essentially the reason is that they have to figure out whether if they go through the large and complex kimberlite formations that we have in Saskatchewan — which certainly are there, they're very large, and certainly there are diamonds in our kimberlites. But what they need to know is whether if they milled through all that kimberlite they would have a pile of diamonds left over at the end of the day which in quantity and quality would pay for the cost of milling through all the kimberlite. And that's what they're trying to figure out.

So they've been doing a lot of extensive drilling, actually for about 15 years. And we try to work with them to, you know, in three-dimensional modelling to try to paint a picture of what this resource would be like, as the development of any mine anywhere in the world really is a similar process and takes a long time.

And so it hasn't been determined yet, but they are moving to, you know, a stage where I think in the next few years they will determine whether to build a diamond mine in Saskatchewan.

And I do want to say that . . . I'm able to say that we're cautiously optimistic that a diamond mine will be developed in the province. And if we have one mine, I've been told by industry officials that we would perhaps have two mines because if you could have one, you likely would have two.

And certainly we estimate that last year \$85 million was spent on diamond exploration by private companies. And when you have that happening, well obviously people don't pay \$85 million a year to do something unless they think that there's a serious prospect. And we also have seen Newmont Mining out of Denver investing heavily with Shore Gold in the Fort à la Corne joint venture, I believe. And we have 30 other companies, large and small, actively engaged in diamond exploration in Saskatchewan.

So most of it is around Fort à la Corne, but it does also extend northeast or northwest I should say towards Big River and Green Lake and a little bit of diamond exploration in the Wood Mountain area — I don't know if your farm, Mr. Stewart's farm, is in the Wood Mountain area; I think it's a little north of there — also near Primrose Lake and the Foster Lakes area southwest of Wollaston Lake. So I think there's room for optimism here. But you know, we have to tell people it's an open question whether private investors will make a decision to develop a diamond mine.

I will say this that the Government of Saskatchewan has said on many occasions that if a mine is not developed in Saskatchewan, it will be because the geology isn't right. It will not be because of unfavourable regulation or taxation. We will

fix the taxation regime that will make the mining work if the diamonds are there in sufficient quantity.

Mr. Stewart: — Thank you, Mr. Minister. No, unfortunately, my farm doesn't seem to be anywhere near diamond exploration. I may have to wait for gas.

Has any work — I appreciate the reassurance on the tax and royalty side — has any work been done on, preliminary work even, on developing a tax and royalty regime supposing that we get to the production stage with this?

Hon. Mr. Cline: — Yes, a great deal of work has been done by the officials at the department, mainly led by the people on the geology side, although they would be talking to some taxation side as well. And really what they've been doing is talking to other governments both in Canada and other parts of the world as to their taxation policies, security concerns, regulatory concerns; also talking to the federal government, other provinces that are in diamonds; travelling to different parts of the world where there is a diamond industry, touring some of the mines.

I've been to the Northwest Territories myself to tour through one of the mines. And of course I've spoken to the ministers, well mainly the minister from the Northwest Territories, Brendan Bell. And the officials have done much, much more work. I know that they've travelled up to Yellowknife to consult with officials from the Northwest Territories government.

To make a long story short, yes, much, much works. So if a diamond mine looks feasible, we would be in a position to come up with an appropriate regulatory and royalty regime and also deal with the security concerns, you know, policing and other requirements that simply have to be attended to because the nature of the resource.

And in a general way I would say is that we know we have high taxes for industries like potash and uranium relative to other places because we have the best resources, and therefore they're the most profitable to produce. But on the other hand we have low taxes for things like sodium sulphate or coal relative to some places because the resources aren't necessarily of the same quality. And so what we need to know is what exactly will be the nature of this resources and then tailor a taxation policy accordingly.

Mr. Stewart: — Thank you, Mr. Minister. The last area that I'll go into today is polygeneration. We've heard, you know, a fair amount of talk at least about the proposed polygeneration plant for the Belle Plaine area. Can the minister give us any new information on that? Is there an announcement anywhere in the cards for the near future? Or is the project still alive? Or what is the status of it?

Hon. Mr. Cline: — Yes, the project is very much alive. It is in, I believe, the second step of a two- or three-step pre-feasibility study. And the proponents of the project are certainly moving forward, spending a lot of money — in the millions. I don't think I'd be at liberty to say exactly what. It's probably, you know, private, commercial information. But they're spending a lot of money to do the appropriate work to see if polygeneration

would be feasible at Belle Plaine. And I think there's a lot of optimism there. And so it is moving along.

In terms of an announcement, there has not been a public announcement although the matter has been publicly discussed. But I believe that the proponents are contemplating an announcement in the near future. I don't know if the date has been determined. And so I think they want to make a public announcement telling the public what they're doing and exactly where they're at.

And certainly it's been a priority for me and my officials as well as people from some of the other parts of government — CIC [Crown Investments Corporation of Saskatchewan] and SaskPower — to work with the private sector to try to move this along. And we're participating.

We had entered into an agreement with the previous federal government whereby they would fund \$10 million toward the work being done. And we have asked, I have met with the federal minister several times and communicated by telephone and in writing to encourage them to engage with us on this project. And I believe — I don't think we're quite finished — but I think there's a good chance that, of one of the new funds that the federal government announced, that we should try to convince them that an expenditure on this project would be very good. And since we already said that we would put money into it ourselves, I'm sure that if the federal government did that, we would as well. And that would assist it.

But I don't believe that the project is necessarily going to stop if the federal government doesn't come to the table. I believe that it will proceed. And I'm very enthusiastic and optimistic that in fact this will be a project that Saskatchewan will see in the future.

The Chair: — Thank you very much, Mr. Minister. Committee members, it has now reached the hour of 5 o'clock. I'd like to take this opportunity on behalf of the committee to thank Minister Cline and your officials for coming this afternoon and committee members for their very studious work. With that, I'll recognize Mr. Stewart.

Mr. Stewart: — Thank you, Mr. Chair. I too would like to thank the minister for his answers and particularly the officials that were so helpful today.

The Chair: — With that, committee members, I will adjourn the committee.

[The committee adjourned at 17:00.]