



# **STANDING COMMITTEE ON THE ECONOMY**

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## STANDING COMMITTEE ON THE ECONOMY

Mr. D.F. (Yogi) Huyghebaert, Chair  
Wood River

Mr. Ron Harper, Deputy Chair  
Regina Northeast

Mr. Darcy Furber  
Prince Albert Northcote

Mr. Jeremy Harrison  
Meadow Lake

Mr. Warren Michelson  
Moose Jaw North

Ms. Laura Ross  
Regina Qu'Appelle Valley

Ms. Nadine Wilson  
Saskatchewan Rivers

[The committee met at 19:00.]

**The Chair:** — Thank you, committee. We are going to call the committee to order, being it's 7 o'clock. Welcome back for the committee members. I have two substitutions. I have Fred Bradshaw substituting for Laura Ross, and I also have Denis Allchurch substituting for Nadine Wilson.

**General Revenue Fund  
Supplementary Estimates — November  
Agriculture  
Vote 1**

**Subvotes (AG03), (AG08), and (AG10)**

**The Chair:** — And I'd like to welcome the minister and his officials. And before we get started, we will be dealing with consideration of 2008-2009 supplementary estimates, vote 1, Agriculture. And I would remind members, which has been very traditional in supplementary estimates, we stay close to the supplementary estimates. We do allow a little bit of leeway, but we want to stay basically to the supplementary estimates that are before us.

So with that, Mr. Minister, if you would introduce your officials and if you have any opening statements that you would like to make.

**Hon. Mr. Bjornerud:** — Okay. Thank you, Mr. Chair. To my left is the deputy minister, Alanna Koch; to my right is Nithi Govindasamy, associate deputy minister. To my right at the back, Laurier Donais — he's director of corporate services; directly behind me is Keith Hayward, senior policy analyst with Sask Crop Insurance. And as most of you know is Tim Highmoor, my chief of staff.

I really don't have much for opening comments because it's very brief, these estimates for Agriculture. So probably it would be just as easy, rather than duplicate it, I'll just go into questions. And I'll probably be telling you the same thing as you'd be asking me in a few minutes. So if you want to start with questions, I would welcome them.

**The Chair:** — Mr. Harper.

**Mr. Harper:** — Thank you, Mr. Chair. Welcome, Mr. Minister, and your officials. We have three line items in Agriculture, vote 1, and my initial question would be, was any of that money in any of those line items used to pay compensation for employees who were let go under your watch?

**Hon. Mr. Bjornerud:** — No, that's not what the additional dollars are.

**Mr. Harper:** — Part of the costs here would be the implementation of the gopher control program. Could you give us a brief outline on why you instituted the program and what was the total cost and how many farmers were able to take advantage of it?

**Hon. Mr. Bjornerud:** — Well as you know, gopher problem,

especially in the Southwest, has just been . . . You have to see it to almost believe it. The rebate program was designed and designated for all over the province of course because there is other spots other than the Southwest where they do have fairly dramatic problems, but mostly the Southwest.

We put a program together that's \$3 million of provincial money. So in total we're paying half of the strychnine and other bait costs out there in Saskatchewan. You apply and you get reimbursed for half of the dollars you spent on bait with no real limitations on it. It's for RMs [rural municipality] and producers and First Nations.

**Mr. Harper:** — And how many farmers would this have affected? How many RMs and how many farmers as individuals do you think would have taken part in this program?

**Hon. Mr. Bjornerud:** — Well it's province-wide, so it's anywhere in the province can apply, and applications are coming in. We have a fair number of them already, but the program of course was only announced a couple of weeks ago. But there's been a fairly high number of applications coming in, but we're nowhere near to completion yet.

**Mr. Harper:** — So the idea of the program is that the farmer has already invested the money in the gopher . . . It's just about the rebate — 50 per cent of our investment?

**Hon. Mr. Bjornerud:** — That's right. You have had to spend the money. You have to produce your receipts for that. And it can also be RMs because RMs have also invested dollars in. Or if it happens to be a First Nation does something like that, they also can apply for a 50 per cent rebate.

**Mr. Harper:** — Okay. Did this program come about because of an increased population of gophers?

**Hon. Mr. Bjornerud:** — Well a number of years, as the member might remember, is that we didn't have the use of strychnine because we didn't have approval for it. And I think the gopher population just exploded. And now we're trying to deal with that period of time where we never had access to any bait that was actually, you know, successful.

I just might add in addition — not really in the estimates here — is we've got that research program going on right now where we put \$380,000 in this year. Alberta's also doing somewhat of a side program to this too, trying to find out new ways and new baits possibly, that would be more effective and, you know, possibly cheaper. But I think more effective is the key right now because we've really got behind in the province, and we have to start catch-up. And you know the damage that gophers can do to a farm out there or a ranch.

**Mr. Harper:** — So are the early indications that the program is working well as far as decreasing the population of gophers?

**Hon. Mr. Bjornerud:** — Well we'll see how this year goes, but I think with the rebate it might encourage more producers to maybe invest a little more heavily than they have. And I guess part of the problem out there right now is, you could have five producers out there that spend a fair, large amount of money

and one or two maybe don't or they maybe can't afford to. Remember we're talking here of part of the areas of the Southwest that are, you know, they've dealt with drought for three or four years.

And a lot of these people, money is hard to come by and bait is very expensive. And we're seeing that by some of the bills that are coming in. There's a number of producers that have spent a lot of money. But the problem being is not everybody could afford that. And I think by the 50 per cent rebate, maybe that will encourage more farmers to participate.

**Mr. Harper:** — Okay. With the livestock industry facing the financial crisis that it's facing right now, is any of this funds ear-tagged to assist the livestock producers?

**Hon. Mr. Bjornerud:** — No.

**Mr. Harper:** — So then do you anticipate the possibility of instituting a program that would bring some financial relief to livestock producers?

**Hon. Mr. Bjornerud:** — There is nothing in the works right now as far as it . . . And I'm not sure if the member is talking about an ad hoc payment. You remember back last February when the cattle and the hog producers I had met with shortly after being named minister and asked for a loan program, and we set that up. That was \$90 million — 60 on the livestock side and 30 on the hog side. So that money went out into the system.

I said before none of this money is designated for the livestock industry. That's not quite right. We're bringing the CAIS [Canadian agricultural income stabilization] program home, and part of this money is actually designated for that. And I believe the livestock industry as much as the grain side, if not more, can benefit from bringing this administration home to Saskatchewan and the improvements we can make in timelines.

Because as you know with the livestock industry, as we're in stresses right now all across the industry, whether it's cattle or hogs, and if that administration is slowed down and your files aren't processed in a timely manner — which we both know, Mr. Member, that that isn't happening, hasn't been happening in the past to a great degree — and that's why we're doing what we're doing, bringing it home, hoping we can bring efficiencies to that.

So actually there is \$9 million that are designated here for the, you know, the transfer from Winnipeg back to Saskatchewan, which has got to be a smooth transition or we'll create more headaches for the producers than they already have. And it's over time, but this will be the cost for this year to start with, you know, software, technology, an investment there, you know, the first staffing that we're going to put in place to get it, you know, to get it set up and start training people and operating. There is some of that money going into that, and then of course that's cost shared by the federal government, so they'll put their share into that, too.

**Mr. Harper:** — Okay. The loans program that you implemented for livestock producers I think probably initially was well received, but with the continuation of the poor prices I guess you'd say the producers are receiving, I'm starting to hear

from producers out there that, you know, one of the last things they need is another loan. They're having problems paying the ones they have. That's kind of their difficulties.

So has there been any discussions between you and the federal minister of perhaps introducing an ad hoc program that could put some direct cash into those producers' hands?

**Hon. Mr. Bjornerud:** — Well we've talked about the situation in livestock, that's for sure, but remembering that the federal election is just over, and they're just nicely getting set up and running again, so we haven't had a chance to have a face-to-face meeting with the federal minister. I can tell you that up till before the election, I saw no appetite by the federal government to do any kind of ad hoc.

And I think to a degree they agree with me that if we're going to fix this problem once and for all, we have to start improving the programming. And I think you've saw with crop insurance on the grain side with the review — and of course we've put additional dollars in here this year into the crop insurance side — and with the review we're going to have to put more dollars in there.

Then you go on the cattle side. I mean the member knows from his past experience that it seems for many years, probably since the GRIP [gross revenue insurance program] program was cancelled, we have never had a program in place that we didn't need ad hoc. At some point there was always a disaster that come along and the programming wasn't adequate and it just didn't meet the needs. And my feeling right now is we're still in that situation. We have never got past that.

Somewhere we have to start addressing the programming and finding ways to make it work. And we've talked to the minister now already since the election about maybe where we could start to move and where we would like to see program changes and things like that. But because of the election, and that kind of set everything back a ways, we're just nicely getting into that.

And also the member remembers that we just signed on to the new five-year program, so to have changes made this early probably isn't on. But I think what we have to work with the federal minister on is what improvements can we make to help the livestock industry on an ongoing basis. Because this just isn't satisfactory and I don't think . . . No business can rely on ad hocs because they never know if they're coming. We've never known if they're coming. They come one time. And I guess the other problem we have with that is ad hocs fix the problem for a short period of time and, as the member knows, we'll be right back here.

The loan come out in February. We're not even a year into it and we're already seeing the pressures again. The real solution is if the prices would come up. And I think today might have been the first hint that there's a little bit of movement. Calf prices today were up, not dramatically but they're coming in the right direction, and that's really good to see. And if you adjust in part of the problem was the high dollar, where we had par with the US [United States], in fact at one point we were far above the US, now with the dollar dropping, and it's very slow to react but it's like gas prices and everything else — it works

quick one way and very slow the other. But I think that's the final solution to this, but we also have to fix the programs that deal with these problems.

**Mr. Harper:** — Oh, I agree with you, Mr. Minister. I think all producers would be looking for a stable program that they could rely on, that would be there year in and year out. I think they as much as their bankers would like to see that.

But in the meantime I think we have some significant problems in the livestock industry both in the cattle side as well as the hog side, almost perhaps to the point where it threatens the existence of the industry. And I understand from producers out there that many of them are looking at, you know, just simply getting out of the business. And my fear here is if something isn't done to allow these people to survive, a lifeline of some type to allow them to survive until stability does return to the marketplace, then we could lose a significant part if not all of our industry.

And is there any discussions with the federal minister to look at an ad hoc program, but as a lifeline until a more stable program can be in place?

**Hon. Mr. Bjarnerud:** — Well you know we're going to have ongoing talks with the federal minister, but I certainly can't say there's anything for ad hoc in the near future.

One thing that you might find interesting is that I think there's a couple of reasons why livestock numbers are going down. One of them is definitely the price and the stress and the high feed cost and stuff like that. I think the other side of that, in Saskatchewan especially and probably Alberta's the same, is that when higher grain prices come along — and I think, from your past history and my past history — we know when grain prices go up and cattle go down, we see pastures ripped up, we see hay fields ripped up. And that's always been the trend, and the numbers adjust accordingly. So now we've got a double-edged sword because they're really stressful times, and I think somebody that may be ready to retire may just give up and get out.

One of the interesting things is remembering that Alberta did do the ad hoc. Of course there's a lot of strings attached to what Alberta's doing on that side. Their numbers are dropping more than ours, and that's surprising because they did the first part of their ad hoc. And that hasn't solved the problem over there, as far as stabilizing the numbers of cattle right there.

So I guess to say an ad hoc would solve our problems, you know again, I think we know it won't. Would it help? Certainly it would but . . . You know, and I guess I might also mention too, that if you do an ad hoc in the province of Saskatchewan, we're looking at probably 200 to \$250 million to do something of the same comparison as they did over there.

What that does is takes away from any chance of us making improvements to any program really to a great degree because we're spending all the money on the ad hoc — which is needed, I'm not arguing that out there — but where can we spend it you know with the best results down the road. And somewhere we have to stop and fix the programming. And I think, you know, you see on the crop insurance side — in fact in the estimates

tonight — additional dollars for crop insurance, 17 million more.

This year we already had put in about 25 million more because, you know, the risk factor had gone up and grain prices had gone up, so there was new dollars. With those better coverages this year with crop insurance, there was a higher uptake of acres, so the cost goes up. You know, I think it actually supports what I'm saying, if you make the programs more adequate, farmers take part in it more because it's more useful to them. And you know that as well as I do.

So the easy thing for me to do I guess, if we had approval to do it, would be to say let's do 100, \$150 a cow ad hoc or something like that. But the problem's not solved; 6 months later we're still with the same problem.

And again you know, I don't mean to keep harping on this, but somewhere we've got to find a way to help our producers get through with maybe little things like the water program in the Southwest. I think that went over fairly well. And it's a long-term solution. There'll be wells down there that we're helping them drill right now that'll be there 30 years from now. And I think that's where we're looking into the future.

The gopher rebate program is only a one-year right now, but we're looking at where we can go with that, and maybe you know find a way to make that control start to work better and drop their numbers there. A lot of the things that we're doing are of smaller variety, but each little thing seems to help out there. It doesn't solve all of our problems of course, but then I don't believe an ad hoc would either.

[19:15]

**Mr. Harper:** — No, I don't think anybody would suggest an ad hoc program is the total answer. But in talking to producers there are those who are telling me that without some type of a lifeline in the very short term here, they won't be able to hang on; they won't be producers. My concern and I think their concern is that, without some type of a lifeline through an ad hoc program, that once stable programming is in place to support the industry, there won't be an industry to support. There are many producers who are right on the verge of going under, and they need some time. They need some time to survive until governments can come up with a more meaningful program. So I would certainly encourage you to give some thought to the needs out there.

I understand that the present government is sitting on a significant amount of surplus. I know that, you know, money is never something that flows freely, but with the amount of surplus that you're sitting on, I would think that a serious look at a lifeline and an ad hoc program to ensure that we have an industry here when the prices come back, markets come back, and better times return would be quite important. And I would encourage you to give serious thought to an ad hoc program that would put some money in those farmers' pockets out there because I'm talking to some farmers that simply won't be here next year without it.

**Hon. Mr. Bjarnerud:** — You know, I understand what you're saying but I guess the member would probably be the first to

know that when, after the November 7 election last year, there's a deficit in the infrastructure in this province that's probably never seen like this before. Whether you go to highways and, you know, hospitals, schools, wherever you want to go, there's a demand for extra dollars. There's been a shortage of dollars going into a lot of these programs for many years, so to say. And the debt, of course, is something that we heard about for many years when I was in opposition, that it was hard to deal with. We're addressing that problem right now. In fact we've paid down 40 per cent of the debt by the end of this current fiscal year. So we're dealing with some of these things.

So the demand is not just strictly in one area, and there's lots of money sitting at the end. You have to remember there's a number of cabinet ministers at the table where that deficit sits in parts in each department across the spectrum. So it's not as if all of a sudden Agriculture's going to get all of this windfall. We would like to get it, make my job a lot easier, but you know how government works. We have to put money into every area. Social Services, there's a great deficit there and the minister is dealing with that to a great degree right now.

So, you know, it sounds simple when you've supposedly got all this money, but on the other hand there's a lot of demand for this money. And the other side of it is, I think, to go out and spend every nickel that's coming in and then — as we see with the market meltdown right now — we don't know where it's going to go.

We're very fortunate in Saskatchewan. We're probably the one province that seems to be at this point shielded from a lot of the negative effects that are happening. Will that continue? We have no idea. And I think that's why we're kind of cautiously watching what's happening, but guarding for the future if there is a downturn here, and there may be to some degree. We're not sure of that; we're prepared to handle that.

**Mr. Harper:** — Thank you, Mr. Minister. On a different topic, you had mentioned earlier about the decision to move the administration of the CAIS program to Saskatchewan. That's going to Melville, as I understand. Will there be a movement of personnel to support that program from Winnipeg here? And if so, how many?

**Hon. Mr. Bjornerud:** — The way it worked before, I'm not sure. I think the member knows we used to pay roughly \$15 million to the federal government to administer the program for the province. Alberta does their own, Ontario does their own, BC's [British Columbia] in the process of bringing it back to BC right now.

So it's federal employees within Winnipeg and some here in Regina. We would hope that some of those employees would apply for jobs here in Saskatchewan because . . . remembering they're federal now, but this'll be under the provincial government. So we're certainly looking forward to and welcoming any of those employees that would come and bring their expertise with them because we're going to need a number of people here.

There's about 110 going to be joined in with Crop Insurance out of the Melville office. And there's going to be about 30 that we're planning to put around the province to help producers out

there maybe with a very complicated program, helping them fill out their forms and things like that. And I think I don't have to tell you how complicated these forms are.

And I think a lot of the problem that's happened in the past is where if an application goes in and it's not properly filled out, it sets it back right away. And I think that's why we saw in the past, where in 2008 we're seeing still 2004, especially 2005 on — I think 2004 is getting caught up now — file cases that are still sitting there outstanding. Well that's not satisfactory. I mean a farmer can be bankrupt by now, two years or three years and his file still hasn't been . . . We can't let that happen any more. My feeling was we should have done this years ago, but you know it's never too late to start now.

This is going to be hopefully a fairly smooth transition. We're hoping in 2010 to be administering the 2009 applications. We'll be processing them here, but again as I said before, we've got to make this smooth so we don't set the whole process back. But getting back to your question on a staff and that, we would certainly hope that some would apply for jobs from the CAIS program as it was now.

**Mr. Harper:** — So you don't have a handle yet on how many might be moving, how many present employees might be applying for employment.

**Hon. Mr. Bjornerud:** — Not really, because part of the estimates here today are to start hiring some staff there to find people that can train people in those positions and that. And we're also hoping to get a number of people from rural Saskatchewan with a background in agriculture, whatever other part of a degree or whatever else expertise they can bring to the table. But I think one of the complaints we constantly hear is that people that are administering this program, in many cases, don't really understand what the farming operations involve.

And I think that's created a lot of problems in the past. It certainly has for the producers when they try to explain . . . I'm not going to get into some of the stories, but we've all heard them. Sometimes the people at the other end of the line don't really understand agriculture, and that's really backed up the processing of applications, I think.

**Mr. Harper:** — What's your timeline, and when do you expect to have the move completed and have the operation up and running here in Saskatchewan?

**Hon. Mr. Bjornerud:** — In 2010 to process the 2009 applications. We're hoping to have that up and running you know, and running smooth at that point.

**Mr. Harper:** — Do you have an idea how many jobs this will create in Melville? How many new jobs this will create in Melville?

**Hon. Mr. Bjornerud:** — Our plan right now is for about 110 in Melville, and then as I said, about 30 around the province in our existing Ag offices out there right now. And I think one of my plans is to also expand extension back out there. I think maybe we've been a little bit lax on the extension we provide out there, so that's also additional out there. But part of, the main part of what we're doing with CAIS will bring that expertise right out

more in the area where the farmers are. And maybe they'll feel more comfortable in taking part in the program, but finding out who's there and who can help them with their application forms.

**Mr. Harper:** — Okay, thank you. Crop insurance. You changed the crop insurance program for this last year, increasing the coverage. Can you explain that?

**Hon. Mr. Bjornerud:** — Well really the biggest change last year — and there was a few small changes — but the biggest change was the price of grain, you know, the increased price of grain. So naturally when grain prices go up, the risk factor goes up with that, and we have to put additional dollars in here into Saskatchewan.

Right now in these estimates we've got another 17 million. We'd already put 25 million more than the previous year in. Part of the reasoning for that is there was more acres that went in. I think we're up 9 per cent, something like that, additional acres went in. And I think that's a sign of when you start to provide a little better coverage more farmers get in. Variable price option — things like that. There was a better uptake than normal but I think again there was a little . . .

You know farmers always ask for input costs to be counted into that, and we haven't changed that in any area yet. But I think because there was more coverage, more farmers got into the, you know, took part in crop insurance this year. Which we both know, the more farmers that we can have involved in the crop insurance program, it probably strengthens the entire program.

**Mr. Harper:** — What percentage of Saskatchewan agricultural land was enrolled in crop insurance?

**Hon. Mr. Bjornerud:** — I'd have to check with my officials. I believe about 72 per cent . . . 75 per cent — and that's up somewhat from the year before.

**Mr. Harper:** — When you say somewhat, will that be 5 per cent up or 10 per cent up or just . . .

**Hon. Mr. Bjornerud:** — Yes, that's 9 per cent up. I was close there — 9 per cent up from the year before.

**Mr. Harper:** — Okay. Do you anticipate in the future of being able to expand crop insurance perhaps to 100 per cent of costs of production?

**Hon. Mr. Bjornerud:** — No, that's not where we're heading right now. I think there isn't enough money coming in to probably do that.

But with the review, we've got a lot of good suggestions, I think, that have come in — spot loss hail, it was cancelled in 2002 — where, you know, we're costing out what all the suggestions were that come in. Wildlife compensation. I know the member's well aware of the 80 per cent coverage we're at now. And the producers are saying, why should we bear 100 per cent of the cost and only be covered for 80? We're looking at that, and we're costing that out. And yield trending, yield cushioning. There was a number of areas that they went

So we're looking at all these things and seeing what they would cost, seeing what we could afford to do this year. And I think I've been on the record for quite a while saying we know we can't incorporate all these changes in one year. We're going to go as far as we think we can afford this year, but by doing that, trying to improve the program.

**Mr. Harper:** — I'm pleased to see that. I hope that you continue to do your efforts in crop insurance because I personally think it's a very good program, a vital tool probably needed more now than ever before in our agricultural history with input costs being what they are. I hear stories of last spring's fertilizer costs of anywhere from 12 to \$1,500 a tonne— fuel running, of course, \$1.25, \$1.30 a litre. I know the gentleman that farms my land was telling me that this fall he's running four or five combines and the trucks to support it, and he was spending about \$3,500 a day on fuel. And boy, it doesn't take long to run up a pretty big bill.

And in the business of agriculture, it's weather-related and market-related impacts on these farmers, and they certainly have to protect themselves to some degree against the unforeseen.

We're also seeing that the cereal grain and oil seed part of the agricultural operation has been quite lucrative in the last year or two. But I think we're starting to experience some difficulties there too because of the fact that this spring a lot of costs were based on last year's prices — fertilizer costs, fuel costs, and so on and so forth. Companies based it on last year's commodity prices, but that's not the reality this fall. We're seeing those commodity prices coming in a lot lower than what they were last year. And I think maybe some of our cereal grain and oil seed producers may be experiencing difficulty in the future.

As you know and as I know, it's not the year that you suffer the disaster that hurts. It's the year after. And I think that could be a reality out there in the foreseeable future. I think we have some problems on the horizon on that front.

But, Mr. Chair, I see our time has pretty well elapsed, so that concludes my questions.

**The Chair:** — Okay. Seeing no more questions, vote 1, Agriculture, industry assistance, subvote (AG03) in the amount of 3,440,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Farm stability and adaptation, subvote (AG08) in the amount of 9,000,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Crop insurance, subvote (AG10) in the amount of 17,005,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I'll now ask a member to move the following motion:

That it be resolved that there be granted to Her Majesty

for the 12 months ended March 31, 2009, the following sum, 29,445,000.

Could I have somebody move that?

**Mr. Michelson:** — I so move.

**The Chair:** — Mr. Michelson. Is that agreed? Carried.

[Vote 1 agreed to.]

**The Chair:** — That concludes our vote 1 on Agriculture. I'd like to thank the minister and his officials for being here this evening. I'd like to thank the member for the questions. I think it went very well. And, Mr. Minister, do you have any closing remarks?

**Hon. Mr. Bjornerud:** — Well thank you. And I want to thank the member for his questions tonight but I especially want to thank my officials that have come out tonight after their normal workday ends. And we very much appreciate that. So thank you.

**The Chair:** — Mr. Harper.

**Mr. Harper:** — Mr. Chair, I want to thank the minister and I want to thank his officials for their support. We muchly appreciate it. Thank you.

**The Chair:** — Thank you, committee members. We'll just take a small break while we get the other officials in from the Minister of Energy and Resources.

[19:30]

**General Revenue Fund  
Supplementary Estimates — November  
Energy and Resources  
Vote 23**

**Subvotes (ER18) and (ER04)**

**The Chair:** — I would like to call the committee back to order. We'll be considering vote 23, Energy and Resources. I would ask the minister if he would introduce his officials, if he would, and if he has any opening comments.

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. Yes, I'm pleased to be in front of the Standing Committee on the Economy to consider the supplementary estimates for the Ministry of Energy and Resources. And I'm pleased to introduce to you and the members of the committee my officials from the ministry.

Seated to my right is Bob Ruggles, associate deputy minister of forestry development. To my left is Hal Sanders, assistant deputy minister of corporate and financial services.

Mr. Chair, the supplementary estimates shows that the Ministry of Energy and Resources will be an estimated \$2.1 million over the budget for the 2008-09 fiscal year. This situation is primarily as a result of two significant unbudgeted expenses. Each of these expenditures was required to help deliver on our government's ready-for-growth agenda.

The first major expenditure is \$1.7 million in flow-through funding related to the Community Development Trust. These funds are to be used for research and market analysis on value-added forestry products. As you know, Saskatchewan received \$36.4 million from the federal Community Development Trust Fund. The Ministry of Energy and Resources' share of those funds is 7 million, to be applied to the value-added research program to be facilitated by our ministry.

In the second instance, we received cabinet approval in August to increase the ministry's permanent staff complement by five full-time equivalent positions, and \$439,000 in this fiscal year is for salaries and operating expenses. These positions are necessary to enable the ministry to deal with the huge increase in mineral disposition applications. The new positions created are helping us deal with the backlog of dispositions, allowing mineral exploration permits to be issued in a more timely manner.

Thank you, Mr. Chairman. With those general comments, I would look forward to answering questions from committee members on the supplementary estimates of the ministry.

**The Chair:** — Questions? Mr. Harper.

**Mr. Harper:** — Thank you, Mr. Chair. I want to welcome the minister here, and his officials here this evening, and thank you for appearing before the committee. I will turn the questions on this particular portfolio over to my colleague from Cumberland. Doyle.

**The Chair:** — Mr. Vermette.

**Mr. Vermette:** — Thank you, Mr. Chairman. And also I would just like to start out welcoming the committee here and also the minister and his staff. And hopefully we can get through some of the questions and, you know, bear with, as a new member. And I appreciate that. I know that I will try to do my best to follow through on the questions and try to do my best to ask some of the questions I think that are needed to be asked. Anyway, thank you.

I guess if I start out I've got a few that I'll start out with just general questions. Do any of the increases here represent ongoing increases or are they all one-time expenditures?

**Hon. Mr. Boyd:** — Mr. Chair, Mr. Member, thank you for the question. The \$7 million is for expenditures over the next three years. The \$439,000 is for permanent expenditures related to the permitting process here in the Ministry of Energy and Resources. That'll be ongoing. We see a continued need for resources in that area given the number of permit applications that we are seeing coming forward.

**Mr. Vermette:** — Okay. Thank you. Do any of these expenditures result in increases in staff or increases in contract work?

**Hon. Mr. Boyd:** — The second one, the 439,000, as I said in my opening comments, is related to five full-time equivalent positions. The first 1.7 will result in some outside agencies doing work with regard to the Community Development Trust Fund resources.



**Mr. Vermette:** — I guess do any of these expenditure involve communications or advertising contracts? And if so, who is the contract with and what is the amount of the contract?

**Hon. Mr. Boyd:** — No. It doesn't involve anything of that nature.

**Mr. Vermette:** — Next question regarding consultation meetings on forestry. Where were these meetings held?

**Hon. Mr. Boyd:** — Primarily the meetings that we have had with the forestry people have been in the legislature, here in my office or in room 25. We've had numerous meetings with, I'm going to guess half a dozen to eight different forestry companies.

**Mr. Vermette:** — Okay. And some of these dollars that are added in here — and you're looking at the duty to consult I guess the stakeholders — were any of the meetings done in some of the, I guess, communities that are impacted in the forestry industry? Did that happen?

**Hon. Mr. Boyd:** — We've had some meetings in Prince Albert and I guess Saskatoon and Regina.

**Mr. Vermette:** — Okay. Were these like public meetings, and were certain people invited? Or how did you decide how you were going to get stakeholders and community members involved in the industry?

**Hon. Mr. Boyd:** — We've asked representative organizations to come forward. We have invited people to come forward, and we've also had requests for meetings with our ministry officials.

**Mr. Vermette:** — And in these meetings, were there any minutes taken?

**Hon. Mr. Boyd:** — I would have to think back on every specific meeting. I don't recall minutes being taken. I mean, that's not normally the process for these types of meetings with forestry companies. They come in; they have frequently a presentation. As some of your colleagues would be familiar with — I'm sure they've had many of these types of meetings in the past — you ask them for their views in the forestry sector, what their concerns and interests are, the areas that they want to have a discussion about. And generally speaking from there, there is a broad range of discussion items, and, you know, kind of a question-and-answer period, and then a wrap-up period. But in terms of specific minutes, no.

**Mr. Vermette:** — How about in, I guess, any of the meetings that you might have had in regards to the Community Development Trust Fund, those dollars that were announced by the federal government?

**Hon. Mr. Boyd:** — Well the vast majority of those trust fund dollars are administered by other departments. In our ministry, it's related to research and market analysis. And in the value-added sectors, those were always an agenda item to be discussed with the forestry companies and their representative associations.

**Mr. Vermette:** — Now I know that in the forestry industry that you guys, and I guess with Innovation Saskatchewan, you guys have an opportunity. And I think you just have come out with the names of the people that will sit on the different sectors. And I guess I'm wondering what that group, will they have access to any of the minutes or any of the information that you guys compiled?

**Hon. Mr. Boyd:** — I do not know whether the people associated with Enterprise Saskatchewan, what their particular, how they will be handling that. That's in another ministry, questions that you can probably direct to the Minister of Enterprise and Innovation. That's outside of my purview.

**Mr. Vermette:** — Okay. I'll go to my next question then. Has the minister had an opportunity to read the final report from the Batoche, I guess the member that did the Batoche, I guess, fact-finding mission and stuff? And I believe there was three or four MLAs [Member of the Legislative Assembly] that went along with him. Have you had an opportunity to review all that information, their report yet?

**Hon. Mr. Boyd:** — Yes, some time ago. I would have to re-familiarize myself if you have detailed questions with respect to it. But I'm not sure that it, Mr. Chair, fits within the purview of the estimates before us here this evening.

**Mr. Vermette:** — Okay. Okay. How much of the forestry development money is being directed into the first forest? And how much will be staying with the ministry and left to the discretion of the ministry or his cabinet?

**Hon. Mr. Boyd:** — We are working currently with them to make the decision with respect to the allocation of those resources. We've put together an estimated budget. But at this point it hasn't been finalized, but it will be before very long. I think the discussions in that area are ongoing.

**Mr. Vermette:** — Thank you. How much will it cost to change the name of the forest centre to ForestFirst? And did you hire a consultant to come up with the name change?

**Hon. Mr. Boyd:** — Mr. Chair, Mr. Member, the name ForestFirst was put together by the Saskatchewan Forest Centre themselves outside of our . . . again not something that we were involved in. And it's a creation, from what I understand, within.

**Mr. Vermette:** — I guess media reports suggest that the only idea of value-added is converting trees to a biomass. Can you explain on what means by value-added have you completely abandoned the idea of saw mills, pulp mill, paper?

**Hon. Mr. Boyd:** — Well I guess value-added means looking at ways to, obviously to add value to the products that are produced, whether it's, you know, increased manufactured, processed equipment or products, I should say. It's looking at, you know, additional opportunities — cogen, diversification opportunities of whatever forestry companies can come up with, imagine, create. We're willing to listen to those type of opportunities as they come forward and they certainly have been coming forward with some of those ideas about value-added opportunities that they might want to explore.

And I'm sorry — the second part of your question?

**Mr. Vermette:** — I guess, have you completely abandoned the idea of saw mills, pulp mills, and traditional?

**Hon. Mr. Boyd:** — Well certainly not, Mr. Chair, Mr. Member.

In an atmosphere that we are operating in currently in the world, in the forestry sector, it is an extremely challenged marketplace out there. The primary market for the Saskatchewan forest products — for products that come from our forest sector — is the United States market. Housing starts in the United States have dropped dramatically. As a result of that, I guess, forestry companies could continue to produce and stockpile until they went out of business or they could look at curtailing their business activities until the market conditions improve. And that seems to be the general direction that they have chosen.

And this is not a new phenomena by any stretch of the imagination. This isn't something that's happened in the last month or two or six or twelve since we formed the administration here in Saskatchewan, but it's been an ongoing process for some period of time.

[19:45]

I think if memory serves, and I'll certainly ask my officials for some help in this area, but I think of the mills and plants and everything else that are closed around the province — and somewhere in the magnitude of about eight facilities, I believe, that are closed — I think six of those eight closed under the previous administration. Two have announced layoffs and slowdowns or shutdowns in the last 12 months.

Now I guess in a situation that we find ourselves in, is it something that we like? Most certainly not. We certainly are very much understanding the very difficult nature of the industry and the forestry sector and the challenges that it presents for companies and families. The significant hurt that it creates for families and when you see layoffs . . . In the six facilities that closed under the previous administration and the two that have had layoff notices since — very, very challenging for families. No question about it. But it is not something that's new by any stretch of the imagination. This is something that's been going on for a few years now as we watched it ratchet down.

And, Mr. Chair, I'm not sure whether the member has been following the marketplace in the last few months or not, but had you been following the marketplace, the world markets in the last few months, you would see that there has been an almost total collapse of the housing industry in the United States. We see large housing developments sitting completely abandoned in places all across the United States.

I guess the point is that there just simply isn't much of a market out there any more. And as a result of that, companies have taken the decisions to curtail their activities and slow the industry down, shut it down one after another, mill after mill across not just Saskatchewan — across Manitoba, British Columbia, Alberta, North America in general.

And so this isn't by any stretch of the imagination a situation that's unique to Saskatchewan. This is a situation that's unique to North America or perhaps even the world for that matter, the downturn in the economy that we are seeing right now. We see forestry companies, publicly traded forestry companies that their share values have dropped by some two-thirds to three-quarters, companies that are re-evaluating their capital projects all over the place, whether it's in the forestry sector or others, but it is specifically in the forestry sector. I suspect they are re-evaluating their capital allocations the same as companies in any other business are right now. We are being told by many, many companies in the forestry sector and other sectors as well that capital is becoming increasingly difficult to get, if you can get it at all.

When companies are going to the marketplace to look at raising capital, they're coming away with a fraction, a very small fraction of what they anticipated they might be able to raise. So this is a very, very challenged time for this industry, no doubt about it. And we certainly feel for the people associated with the industry, directly and indirectly.

**Mr. Vermette:** — Thank you, Mr. Minister. How much of the new expenditures . . . and will any of it be allocated to the Meadow Lake, Big River, Prince Albert? Is there any of that money going to be used in those areas at all?

**Hon. Mr. Boyd:** — I don't think any of it can be specifically allocated to any individual within the estimates that are before us here. I'm assuming you're talking about the \$1.7 million in forestry development. I don't think you can specifically allocate it towards any given community at this point in time.

**Mr. Vermette:** — Thank you. What research or market analysis will be taken to determine the best use of this federal money that you guys have been given? And I refer to the, I believe, it's \$36 million that the federal government came out with, that program.

**Hon. Mr. Boyd:** — Well, Mr. Member, Mr. Chair, the total allocation is not within the purview of our ministry. It will be in, the bulk of it, in Enterprise and Innovation, some of it in Environment, I believe, and Advanced Education. And so our allocation will be \$7 million in total over three years, but \$1.7 million relative to the estimates that are before us here this evening.

**Mr. Vermette:** — Okay. I guess the question I'll go to is, does that minister believe that these new estimate expenditures, that the Sask Party have lived up to their promises to strengthen the forest industry and development of the niche markets in Saskatchewan?

**Hon. Mr. Boyd:** — Well I think, Mr. Chair and Mr. Member, it's definitely something that's a work in progress. This isn't something that is going to be corrected overnight, nor is it going to be corrected by \$1.7 million of flow-through capital from the Community Development Trust Fund.

If I recall, if memory serves and it does, the MOU [memorandum of understanding] that the previous administration was engaged in was going to put about \$100 million in. One can only wonder where that money might be

today had that gone ahead. And I think I speak on behalf of a lot of people that thankfully it didn't, or that probably would have been gone by now.

It's not something that any small amount of money that we see here, relatively small amount of money, for research and market analysis is going to solve the problem. I don't know what number it would take to solve the problem in the forestry sector. If you went and asked the forestry companies what would it take to get you through the next challenging months and perhaps even years, I suspect you could add up hundreds of millions of dollars, perhaps even into the billions, of direct subsidies that could be asked for if you wanted to just maintain all of the jobs, keep the plants open, keep them producing lumber and stockpiling it and stacking it up, and clearing more and more.

And frankly it's a bit of a ridiculous way to look at this, but the fact of the matter is, is this is an industry that is in a sharp, sharp downturn. And I'm not sure that any amount of government resources could correct the problem. The problem will be corrected when the market returns for the products that they produce. And it will.

You know, I think that the American economy will recover at some point in time. I'm always an optimist in these areas. I believe that we will see some sanity return to the market system before very long. I think we're starting to see it levelling out a little bit. Perhaps there are some market analysts that are suggesting we may have reached the bottom now and are starting to see, you know, a small amount of recovery.

One of the forestry companies was in the other day with some estimates that they have been working on about housing starts in the US market, and seeing a very slight upturn over the next couple of years, but nowhere near, not even close to the housing starts that we've seen as recently as a year or two ago. So you know, this is going to be a very, very long-term perhaps difficult sector for our economy. And that's primarily why we are looking at research and market analysis to see, try and determine the direction that this industry is going to be going in the future.

Try and look at, through market and research activities, to try and see whether there's other potential sources of revenue streams for the forestry companies — you know, diversification opportunities, value-added opportunities, perhaps cogen opportunities, all of those kinds of things — to try and bring another revenue stream into these companies to allow them some modest amount of breathing room if at all possible and keep obviously . . . and through that maintain employment levels and that sort of stuff.

But the challenge that there always is, when you look at diversification or research or market analysis, is there's a cost associated with it. The government is prepared to assist in some ways in that effort. However the companies, you know, when times are tough it seems it's pretty difficult to start investing additional capital into some of these value-added opportunities or cogen opportunities, those kinds of things.

Generally speaking, the companies find themselves in very tight fiscal times and raising additional capital is very difficult. So

it's not something that they, you know, they traditionally don't sit on huge amounts of capital, and when there's a downturn, weather it because of that and want to pour a bunch of resources in.

A lot of . . . Some of these . . . I'll take that back — not a lot. Some of these companies are publicly traded. They have shareholders to answer to in terms of a rate of return, that kind of stuff. Some of them are family-held businesses that are certainly comparable to small business in many ways. They don't sit on huge piles of capital that are readily available to weather these kinds of things. They traditionally start ramping down their activities the more difficult it gets, and wait for the market to turn around before they ramp back up again.

**Mr. Vermette:** — I guess for the questions I had at this time, for myself at this time, I don't have any further questions to you, Mr. Minister. And I just want to again thank you. And thank you, Mr. Chair, for your leeway and bearing with some of the questions. And I appreciate your answering and working with me as we try to go through the estimates. Thank you.

**The Chair:** — Mr. Furber.

**Hon. Mr. Boyd:** — Mr. Chair, if I might for just a second — I don't think you need to, Mr. Member. Certainly there's no reason to, you know, apologize in any respect. I think the questions were very well put. I'm hopeful that we were able to answer the questions to your satisfaction. We're certainly always available to, you know, for a private discussion, if you would like, about the direction that we are going. We are prepared to be open in terms of the plans that we have in mind. Certainly if you have any ideas, we're more than willing to listen to them. But in any case, we appreciate the questions that you've directed to us this evening.

**The Chair:** — Mr. Furber.

**Mr. Furber:** — Thank you. I know it's been done a couple of times, but thank you to the minister and your officials for attending this evening and members of the committee.

A couple of questions. I just want to be clear. Your department or, sorry, your ministry had no role to play at all with the public consultation with the communities that will be in receipt of the Community Development Trust Fund dollars?

**Hon. Mr. Boyd:** — In some of the community meetings that were held, there were officials from Energy and Resources that were in attendance, along with Enterprise and post-secondary Education folks.

**Mr. Furber:** — Maybe you could clarify who led the discussions? Was it AEE [Advanced Education and Employment]?

**Hon. Mr. Boyd:** — The discussions in terms of this — because the bulk of the funding comes from Enterprise and Innovation — the discussions were led by them.

**Mr. Furber:** — And you had discussed briefly the changes to the Sask forestry centre. I'm just curious, the costs will come out of what budget? The cost of the name change will come out

of which budget?

**Hon. Mr. Boyd:** — The costs associated — which we don't anticipate being very large — but the costs associated will come out of the Forest Centre's budget itself, which the core funding comes from Enterprise and Innovation.

**Mr. Furber:** — In respect to the 439,000, what will those employees be engaged in primarily?

[20:00]

**Hon. Mr. Boyd:** — They will be primarily associated with engineering and geology work. The companies have significantly ramped up in terms of mineral exploration, oil and gas exploration, in Saskatchewan. As a result of that, we are finding very, very high loads of permitting applications coming forward. I think in coal we have something in the magnitude of several million hectares. Virtually the entire province now has been staked for potash.

Perhaps sometime we'll bring along the maps that show you the . . . Well I think we have one of them here, one of the maps here, that shows — and I'll pass it over to the member — the dispositions that have come forward in the last little while. I think if you examined a map of a year ago or a little less than that, you can see the very sharp differences in the amount of land that has been staked in the last little while. I think any independent observer would offer that probably 50 to 75 to 100 per cent increase at a minimum would be what has been taken up in the last few months, perhaps 12 months.

**Mr. Furber:** — So these employees would be doing mostly administrative work as it relates to permitting?

**Hon. Mr. Boyd:** — Generally speaking, yes.

**Mr. Furber:** — Okay. And where will they be physically located?

**Hon. Mr. Boyd:** — Here in Regina.

**Mr. Furber:** — Okay. Does the minister have a breakdown of the expenditures of the 1.7 in terms of any firms that might be selected to do the market research analysis? And if you don't have firms currently hired, maybe you could explain briefly what the selection process will be.

**Hon. Mr. Boyd:** — Mr. Member, Mr. Chair, those decisions have not been finalized with respect to any companies that we'll be engaging. We're looking for companies that are best suited to offering advice in terms of the priorities that we have put forward: value-added, diversification, cogen, and those types of things. Those aren't companies that are, you know, there are not that many out there that do this kind of work but we'll certainly be looking for what we can find in terms of the best quality companies to assist in these areas. And we're hoping to be able to be in a position relatively soon to make some decisions with respect to that.

**Mr. Furber:** — In terms of the 1.7 as a sum total figure, how does that compare with other provinces in terms of an allocation for market analysis and research as a percentage of the funding

that they received through the Community Development Trust Fund?

**Hon. Mr. Boyd:** — We're not familiar specifically with what other provinces have allocated although we know that there are some provinces that are looking at sort of similar types of initiatives, market analysis, research type initiatives. These funds are allocated based on per capita across the country so they vary dramatically obviously based on population from province to province.

**Mr. Furber:** — I guess just one more question as it pertains to the 1.7, or actually to the 36.4. Does the minister believe that the federal government allocating on a per capita basis to a province that has a million people, but is as big as Saskatchewan is with half of the province being forested, does he feel that that's the best measure that the federal government could have used to allocate this funding?

**Mr. Harrison:** — Point of order, Mr. Chair. I would just make the point that I think the minister's been very generous in answering questions that necessarily aren't related to the estimates. And his opinion on federal government policy I think is hardly a part of these estimates.

**The Chair:** — Well I would have to accept your point of order because asking an opinion related to the federal government I don't think is under the purview of the minister right now. If the minister, following the meeting, wants to give you a view on his feelings about it, I'm sure he would be willing to do that but I would not put the minister in a position to ask what his opinion is on what the federal government is doing at this time.

**Mr. Furber:** — I think it's a fair question for the people of Saskatchewan to ask whether or not the minister believes we should have received more money, more than the 1.7 which is the figure we're discussing today. If he chooses not to answer, I guess that's fine.

**Hon. Mr. Boyd:** — Well I guess I would just answer in general terms that whether it is or isn't the appropriate amount, it's the amount. It's not something that's a negotiable thing at this point in time. And this is what we've been allocated; this is what we're dealing with.

**Mr. Furber:** — Thank you. That's all the questions I've got this evening.

**The Chair:** — Thank you. Mr. Harper.

**Mr. Harper:** — Yes, Mr. Chair, I just have a couple of brief questions to the minister.

On the forestry file, I think it's pretty well understood that United States is probably our major market for forestry products. With a downturn on the US economy and a downturn on the US building, of course, has caused a backup with the industry here in Canada. Has your department or has your ministry been involved in looking at new markets, potentially new markets other than that of the United States, around the world?

**Hon. Mr. Boyd:** — That is one of the things that we are

looking at in terms of the value-added opportunities, looking at international opportunities whether they are available or not. As I said, this isn't necessarily a North American phenomena. All that is is a worldwide problem in some regards but clearly they're looking at opportunities in the international arena to see whether there's some potential there.

**Mr. Harper:** — And would you mind sharing with us what vehicles you are using to search out potential new markets?

**Hon. Mr. Boyd:** — Thank you, Mr. Chair, Mr. Member. I think that's exactly the intention is to try and work with companies that have some expertise in this area to identify those areas that might have some potential. You know, at this point the work is . . . We haven't allocated that work to any companies, but that will be one of the areas that we would want to take a look at.

**Mr. Harper:** — And have you opened up discussions with various international forestry companies to secure their expertise to assist you in looking for new markets and market development in new areas?

**Hon. Mr. Boyd:** — That is indeed part of the process that we'll be looking at in terms of seeking companies that have expertise in looking at international opportunities. That certainly will be a part of the discussion that we'll be having with the companies that do work in this area.

**Mr. Harper:** — Mr. Minister, when you say you will be having those discussions, does that infer the fact that you haven't started those discussions yet?

**Hon. Mr. Boyd:** — There has been some initial discussions with a couple of companies that have experience in the international arena.

**Mr. Harper:** — Could you share with us the time frame that you have set for these discussions to take a meaningful route so that we could perhaps explore those potential new markets.

**Hon. Mr. Boyd:** — I think it's the hope and the view that we are looking to be able to be in a position to have some expertise in place prior to Christmas.

**Mr. Harper:** — Thank you, Mr. Minister. That's all my questions, Mr. Chair.

**The Chair:** — Seeing no more questions, vote 23, Energy and Resources, forestry development, subvote (ER18) in the amount of 1,700,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. Revenue and program services, subvote (ER04) in the amount of 439,000, is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I'll now ask for a member to move the following:

That it be resolved that there be granted to Her Majesty for the 12 months ended March 31, 2009, the following

sum, \$2,139,000.

May I have a mover please? Mr. Harrison. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Vote 23 agreed to.]

**The Chair:** — I would like to thank the minister and officials for being here this evening and providing questions. And, Mr. Minister, do you have any closing remarks?

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. I would want to thank you and committee members for their questions this evening and also thank you to my officials here. I think we've had a good discussion about the estimates before us and the challenges that are out there with respect to this significant area of our economy. Thank you.

**The Chair:** — Mr. Harper.

**Mr. Harper:** — Mr. Chair, I'd like to also, on behalf of the members of the opposition on the committee here, thank the minister and his officials for being here and for giving us their very direct and timely answers. Thank you.

**The Chair:** — I would like to thank the committee members for being here this evening, and I would like to now entertain a motion for adjournment.

**Mr. Michelson:** — I so move.

**The Chair:** — Is that agreed?

**Some Hon. Members:** — Agreed

**The Chair:** — Carried. Mr. Michelson, thank you.

[The committee adjourned at 20:13.]