



ACTION COMMITTEE ON THE RURAL ECONOMY

Resource Sector Subcommittee Report

March 2001

Phil Reeves (Chair)
Les Lindberg
Ray Frehlich

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INTRODUCTION

The resource sector subcommittee is composed of Phil Reeves (Saskatchewan Mining Association), Ray Frehlick (Petroleum Services Association of Canada) and Les Lindberg (Canadian Bankers Association) and supported by Steve Rymes (Saskatchewan Energy and Mines), Shelly Vandermeij (Saskatchewan Environment and Resource Management), Vice Chief Guy Lonechild (Federation of Saskatchewan Indian Nations) and Alan Syhlonyk (Saskatchewan Agriculture and Food).

The committee developed the mandate to provide recommendations to enhance the continuing contribution of the resource sector to the vitality of the rural economy. Implementation of the recommendations will:

- provide long term employment opportunities;
- encourage sustainable resource use;
- economically exploit regional/provincial advantages; and
- encourage and reward the use of local capital in fostering resource development.

The resource sector contributes 12-16% of the provincial Gross Domestic Product, has seen average annual growth of 3.1% from 1984 through 1998 and represents 3-5% of rural employment.

The committee, in examining the resource sector, reviewed and made recommendations in the areas of oil and gas, mining, forestry, Crown land, land, water and electricity. In examining each area, the committee approach included an examination of the contribution of each resource to the rural economy, with a view of what changes were likely to happen over the next ten to fifteen years, how additional value added could be captured, identification of constraints and opportunities and concluded with the identification of issues that needed to be addressed to realize the full opportunity from the resource. Although the recommendations that follow are specific for each resource, there were central themes that evolved:

- creating a competitive environment through fair taxation with clear and simple development rules;
- the need for provincial support in research and development and in maintaining information;
- the need for education and training programs; and
- the need for targeted and planned investment to enhance the benefits of resource use to rural Saskatchewan.

RECOMMENDATION SUMMARY

General

Generally, there is a lack of knowledge in Saskatchewan about the resource sector and its contribution to the rural economy. The committee recommends that the benefits of the resource sector, particularly in terms of employment, be built into the larger communications strategy to encourage rural Saskatchewan to welcome the economic growth opportunities and employment associated with resource development.

The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

Oil and Gas

The provincial government is encouraged to continue to better align the electricity rates charged by SaskPower with the average cost to SaskPower of providing the service, i.e. reduce the cross-subsidization.

The industry has developed a niche of expertise in the development of marginal reserves and the province must continue to support relevant oil and gas research and development, through facilities such as the Petroleum Technology Research Centre.

Mining

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Forestry

The committee recommends the province encourage training of rural residents, including First Nations, to participate in opportunities related to the forestry sector.

The provincial government should also support the Forest Centre of Excellence (value-added research and identification of market opportunities).

There are opportunities to use the province's hardwood resource (poplar) for purposes including, but not limited to oriented strand board. The committee recommends that the province create awareness of the opportunities for utilizing the province's hardwood resource so that private investment and related employment can occur.

Water

The committee recommends that the Saskatchewan Government develop a plan for infrastructure buildout around key irrigation sites such as, but not limited to, Lake Diefenbaker, the Rafferty and Alameda Reservoirs and the South Saskatchewan River that includes synchronized public and private investment.

Land

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

Saskatchewan must establish and maintain a complete, accurate and current ecological and geological information database and increase its

availability to industry in order to compete with other jurisdictions for limited exploration and development dollars.

In order to improve compliance and understanding, and as a matter of fairness, the rules, regulations and taxation of all rural municipalities should be more consistent and should apply equally to all ratepayers. Specifically, the application of road haul agreements and variable mill rates needs to be addressed.

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

Crown Land

The committee recommends that the Saskatchewan Government encourage the conversion of marginal cultivated agricultural Crown land to perennial forage and examine the development of an infrastructure program that would provide Crown land tenants the means to construct required facilities on lands being converted to perennial forage thereby enhancing the livestock industry.

Also, it is recommended that the Saskatchewan Government examine mechanisms to form or expand existing community pastures or co-operatives through public/private/corporate partnerships.

The committee asks that the Saskatchewan Government examine the current sale of Crown lands with a view towards delaying sales and entering into new long term leases where there is potential to assemble lands for joint programming related to grazing. (For example, establishing a backgrounding operation using Crown and private lands in conjunction with a feedlot to further a community project.)

Finally, it is recommended that the Saskatchewan Government establish the legislative, regulatory and policy framework to encourage the sustainable non-traditional and, where possible, multi-use of Crown agricultural lands for the benefit of rural residents and that new leases issued contain clauses allowing for integrated multiple uses.

RESOURCE SECTOR REPORT

In viewing the resource section, the committee identified six resource areas on which to focus its attention:

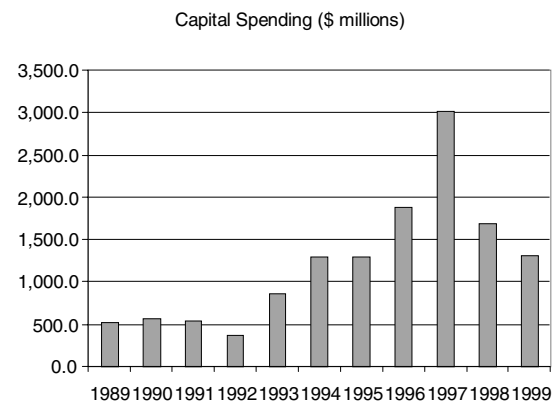
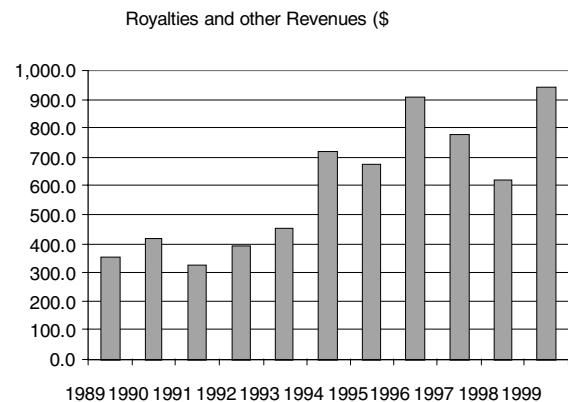
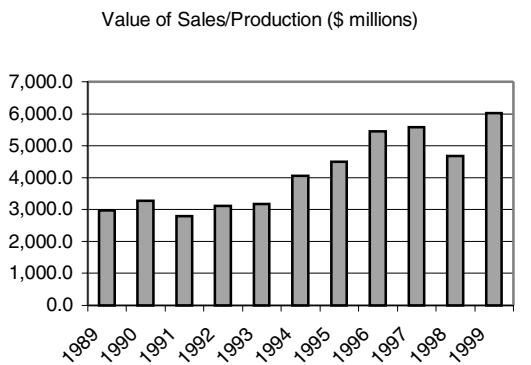
- Oil and gas developments
- Mining developments
- Forestry (on Crown lands) developments
- Power generation developments
- Water developments
- Land as a resource

In reviewing these resource sectors, it became apparent that three sectors - oil and gas, mining and power generation could be viewed as mature industries while the other two - forestry and water fall more into the category of emerging or developing industries.

In considering opportunities and barriers for each of these sectors, it became apparent there were a number of overriding themes that applied to virtually every sector - employment issues, land access and investment climate.

The resource sector contributes 12-16% of the provincial Gross Domestic Product, has seen average annual growth of 3.1% from 1984 through 1998 and represents 3-5% of rural employment.

The key resources are as detailed on Figure 1.



The committee evaluated each of the identified resource sectors by examining the contributions the sector is currently making to the rural economy. We then tried to extrapolate what changes were likely to occur within that sector over the next ten to fifteen years. We then attempted to:

- Consider how additional value added potential could be captured;
- Identify constraints and opportunities and what issues need to be addressed to maximize the potential of the sector.

When dealing with land as a resource, the committee chose to consider Crown land as a separate subset of the provincial land base as there are a number of issues specific to Crown lands.

In the detailed discussion of issues by resource sector you will notice a number of issues and recommendations appear in more than one resource sector. For purposes of simplification, they were only listed once, under one section, in the Executive Summary.

As a result of this review, a number of recommendations that were common to a number of the areas included within the resource sector were identified. These recommendations are as follows:

Recommendations:

Generally, there is a lack of knowledge in Saskatchewan about the resource sector and its contribution to the rural economy. The committee recommends that the benefits of the resource sector, particularly in terms of employment, be built into the larger communications strategy to encourage rural Saskatchewan to welcome the economic growth opportunities and employment associated with resource development.

The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

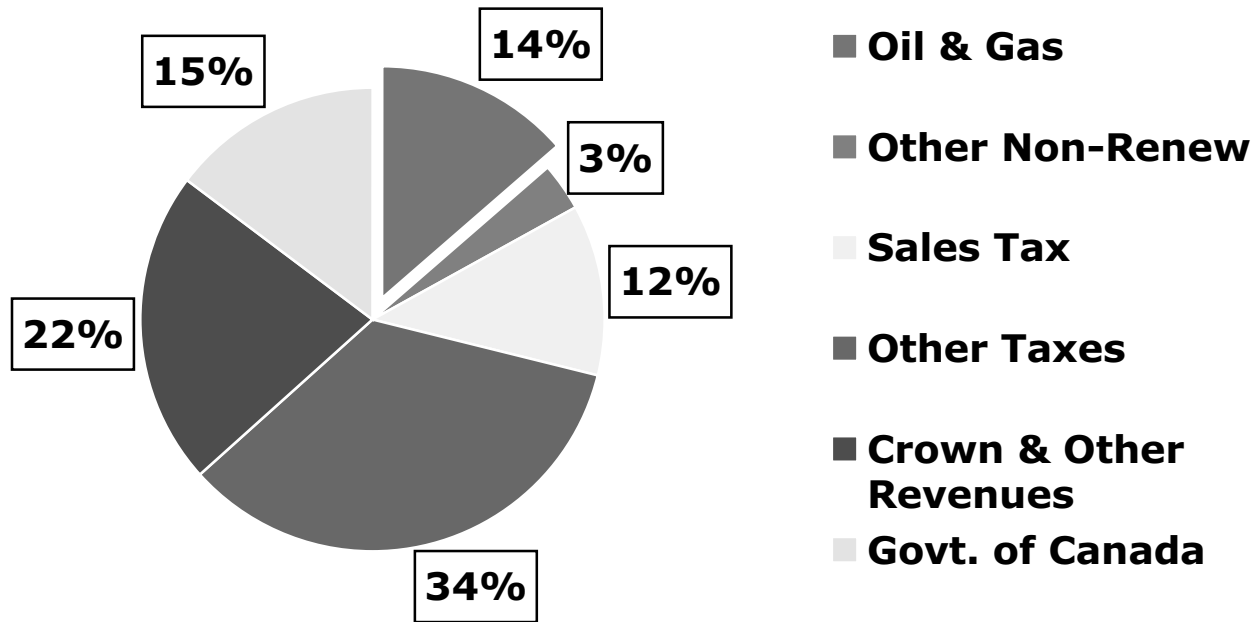
First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

I. Oil and Gas Sector

Background

- The oil and gas industry is a mature industry that is a major contributor to the provincial and rural economy in Saskatchewan.
 - The non-renewable resource sector (includes the mining and the oil and gas industries) accounted for 13.1 per cent of provincial gross domestic product in 1999.
 - An estimated 21,000 people are employed directly or indirectly in the oil and gas industry in Saskatchewan in 2000.
 - The oil and gas industry invested an estimated \$1.7 billion dollars in the province in 2000.
- Energy and Mines collected approximately \$730 million in government revenues from the oil and gas industry in the 1999-2000 fiscal year. In addition, the industry contributed millions of dollars to government revenues through the payment of corporate income tax, corporation capital tax and surcharge, education and health tax, fuel tax, property tax, etc.

PROVINCIAL REVENUES



*provided by the Canadian Association of Petroleum Producers

- The oil and gas industry is well established in the province.
 - There are approximately 370 companies operating approximately 31,000 active oil and gas wells in Saskatchewan. Although large companies produce the vast majority of the oil and gas produced in the province, most of the companies active in the province are classified as small or junior.
 - There is a well-established service and supply industry in Saskatchewan.
 - Crude oil production in the province has nearly doubled over the last 10 years. In 2000, Saskatchewan crude oil production totaled more than 150 million barrels.
- Primary areas of development are in the general regions around Lloydminster, Swift Current, Weyburn and Estevan.
- Crude oil and natural gas prices are established in the international marketplace.

Opportunities:

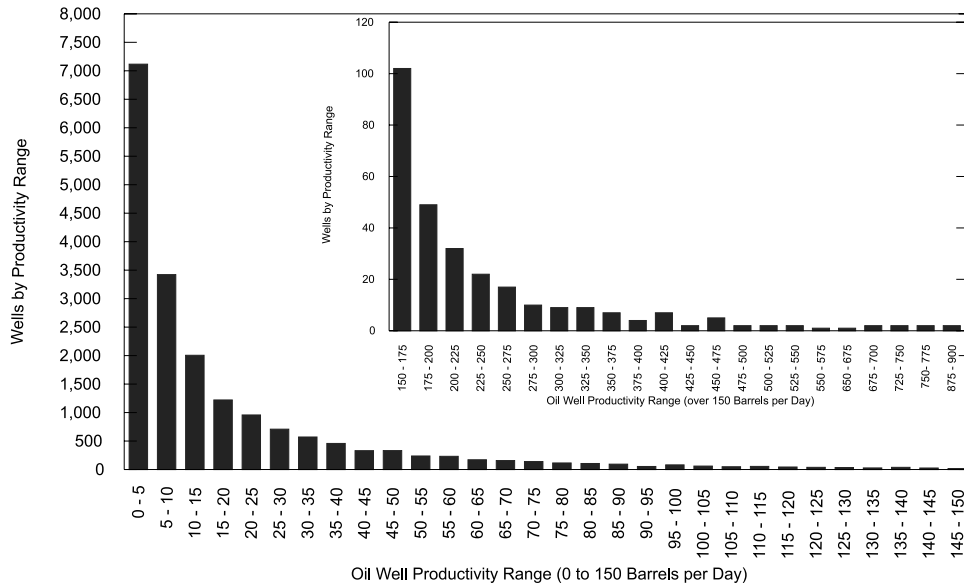
- There are extensive heavy oil resources in the region around Lloydminster and Kindersley.
- There is the opportunity to develop new technologies and processes to improve the recovery rates of existing oil pools (i.e. CO₂ enhanced oil recovery) and to assist in the discovery of new pools (i.e. deep oil pools in frontier areas).

Challenges/Constraints:

- There are two heavy crude oil upgrades in the province and one crude oil refinery. There are limited opportunities related to further processing crude oil and natural gas.
- The productivity of the oil and gas industry in Saskatchewan is considered marginal, compared to other jurisdictions (both within Canada and internationally).

Saskatchewan "Oil Wells" By Productivity Range June 2000

Total Number of Producing Oil Wells 19,212
Average Producing Well Rate 21.2 bbls/day



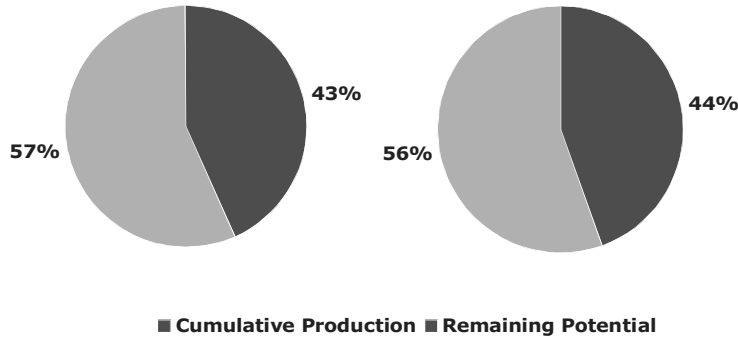
provided by the Canadian Association of Petroleum Producers

- The average productivity of a gas well in Saskatchewan is also much lower than Alberta and reservoirs are much smaller (although the gas in Saskatchewan is sweet and the wells shallower, and therefore, less costly to drill).

Saskatchewan Crude Oil & Natural Gas Ultimate Resources - Mature Basin

Crude Oil
7.4 billion barrels

Natural Gas
9 trillion cubic feet



source the Canadian Association of Petroleum Producers

- The potential for the discovery of major new oil and gas pools in Saskatchewan is declining. Therefore, it is crucial that efforts be made to improve the recovery of existing pools.
 - On average, only about 15 per cent of the current oil in place in Saskatchewan is produced through primary, secondary and tertiary means.
 - Natural gas potential in the province is limited.
- One of the major challenges facing Saskatchewan relates to ensuring it remains competitive with other jurisdictions and is able to continue to attract investment.

Recommendations:

- The major constraints identified by industry relate to Saskatchewan's competitiveness and ensuring that a level playing field exists.
 - Since oil and gas resources in Saskatchewan are considered marginal, company returns are not as lucrative as in other jurisdictions.
- There are numerous areas that can be classified as irritants to industry and which have a negative impact on potential investment in the province.

The Corporation Capital Tax Surcharge:

- The surcharge is a highly visible tax that is not based on profitability and that is unique to Saskatchewan (i.e. other jurisdictions do not have a surcharge). In addition, the surcharge only applies to certain non-renewable resources (oil, natural gas, potash, uranium and coal).
- The surcharge is seen by industry as a major disincentive to investing in Saskatchewan.

Recommendation:

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

Royalty Rates:

- Royalty rates in Saskatchewan for oil and natural gas are higher than those in Alberta.

Recommendation:

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Power Rates:

- The power rates charged by SaskPower for oilfield services are significantly higher than the cost of providing the power. Over the last several years, SaskPower has gradually been rebalancing the power rates charged to different customer classes, in order to bring all classes closer to the cost of service. SaskPower's current rate application that is under review by the Saskatchewan Rate Review Panel proposes to further rebalance the rates of different customer classes.

Recommendation:

The provincial government is encouraged to continue to better align the electricity rates charged by SaskPower with the average cost to SaskPower of providing the service, i.e. reduce the cross-subsidization.

Municipal Issues:

- Individual rural municipalities in Saskatchewan have the authority to develop by-laws and administer various agreements and regulations with respect to their municipality. There are often different rules and requirements among municipalities, which create confusion for industries that are active in several different municipalities (i.e. the transportation of a drilling rig to a single site may be subject to a number of different road haul agreements).
- Not all rural municipalities apply their various rules and regulations in an equitable manner. For example, RMs have the authority to apply property tax tools to enable them to accommodate property reassessment. One of those tax tools is the authority to apply a

variable mill rate. The manner in which the variable mill rate is being applied in some RMs appears to result in excessive property taxes for the oil and gas industry. Another example is the inequitable application of fees related to the bulk haul of goods and materials. In some RMs, the fee does not apply to all bulk haulers (i.e. may apply to the transportation of a drilling rig, but not to the transportation of grain).

Recommendation:

In order to improve compliance and understanding, and as a matter of fairness, the rules, regulations and taxation of all rural municipalities should be more consistent and should apply equally to all ratepayers. Specifically, the application of road haul agreements and variable mill rates needs to be addressed.

Resource/Land Access:

- The resource sector requires access to land in order to explore for and develop the resources in the province. There are a number of competing land uses (i.e. parks and environmentally sensitive areas, RM planning bylaws, outstanding Treaty Land Entitlements, etc.), which creates uncertainty for industry and results in increased costs and frustration, and which negatively impacts on the cost of doing business in Saskatchewan.

Recommendation:

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

- Saskatchewan must support and encourage research and development of new technologies in order to take full advantage of the province's resource potential.

Recommendation:

The industry has developed a niche of expertise in the development of marginal reserves and the province must continue to support relevant oil and gas research and development, through facilities such as the Petroleum Technology Research Centre.

II. Mining Sector

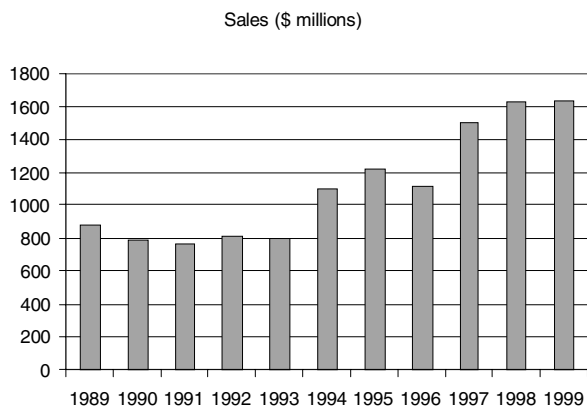
Background:

- The mining industry is a major contributor to the provincial and rural economy in Saskatchewan.
 - All mining in Saskatchewan, with the exception of uranium and precious and base metals, occurs in rural Saskatchewan.
 - The non-renewable resource sector (includes the mining and the oil and gas industries) accounted for 13.1 per cent of provincial gross domestic product in 1999.
 - Close to 12,000 people are employed directly or indirectly in the mining industry in southern Saskatchewan in 2000 (excludes uranium and precious and base metals which are found in northern Saskatchewan).
 - The mining industry spent an estimated \$2 billion dollars on wages, goods and services in the province in 2000.
 - Energy and Mines collected more than \$200 million in government revenues from the mining industry in the 1999-2000 fiscal year. In addition, the industry contributed millions of dollars to government revenues through the payment of corporate income tax, corporation capital tax and surcharge, education and health tax, fuel tax, property tax, etc.
- The mining industry is well-established in the province.
 - There are a small number of major companies active in Saskatchewan. There are also a few junior companies active in the province.

- There is a well-established service and supply industry in Saskatchewan.
- Primary areas of development are in southern (coal) and east central (potash) Saskatchewan.
- Commodity prices are established in the international marketplace.

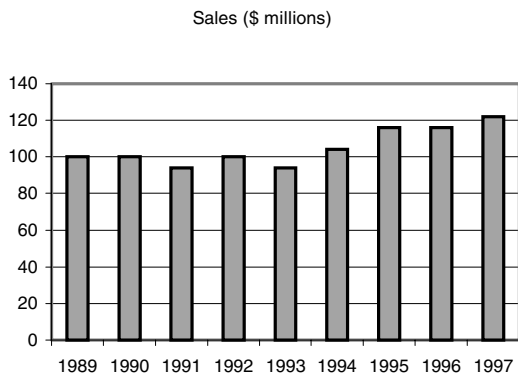
Potash

Saskatchewan is the world's leading exporter of potash, accounting for approximately 43 per cent of world trade.



Coal

Coal produced in Saskatchewan is used almost exclusively for the generation of electricity.



Opportunities:

- There is potential for the development of a diamond mine and related facilities in the region east of Prince Albert.
- There is also the potential for development of other minerals such as silica sand, Kaolin and magnesium brines.

Challenges/Constraints:

- There are limited opportunities related to further processing of minerals, although there is some potential in the area of diamonds and potassium sulphate.
- One of the major challenges facing Saskatchewan relates to ensuring it remains competitive with other jurisdictions and is able to continue to attract investment.
- The mineral exploration industry requires access to land in order to continue to explore for and develop the mineral resources in the province. There are a number of competing land uses (i.e. parks and environmentally sensitive areas, RM planning bylaws, outstanding Treaty Land Entitlements, etc.), which creates uncertainty for industry and results in increased costs and frustration, and which negatively impacts on the cost of doing business in Saskatchewan.

Recommendations:

- The major constraints identified by industry relate to Saskatchewan's competitiveness and ensuring that a level playing field exists.
- There are numerous areas that can be classified as irritants to industry and which have a negative impact on potential investment in the province.

The Corporation Capital Tax Surcharge:

- The surcharge is a highly visible tax that is not based on profitability and that is unique to Saskatchewan (i.e. other jurisdictions do not have a surcharge). In addition, the surcharge only applies to certain non-renewable resources (oil, natural gas, potash, uranium and coal).

- The surcharge is seen by industry as a major disincentive to investing in Saskatchewan.

Recommendation:

Taxation is still the major disincentive to attracting new investment capital. The provincial government should eliminate or phase out the Corporation Capital Tax Surcharge to maintain the province's competitiveness with other jurisdictions.

Royalty Rates:

- Royalty rates and the cumulative tax burden in Saskatchewan are considered too high by the mining industry.

Recommendation:

The provincial government should continue to examine royalty rates for the various non-renewable resources to ensure they are competitive with other jurisdictions.

Research and Development

- One of the most effective ways for governments to encourage exploration and development by private industry is through the provision of geoscientific information.

Recommendation:

Saskatchewan must establish and maintain a complete, accurate and current ecological and geological information database and increase its availability to industry in order to compete with other jurisdictions for limited exploration and development dollars.

III. Forestry

Background:

- The Provincial Government has a Forest Economic Strategy underway to grow the sector with an increase to GDP of \$750,000 annually and the creation of 10,000 new jobs.
- The Strategy focuses on expanding the primary forest industry and expanding forestry development opportunities

- The potential for the use of the hardwood resources (poplar) in the production of oriented strand board has been identified as a growth opportunity by industry.

Opportunities:

- Saskatchewan is suited for an expansion in agroforestry or the production of both high value wood species and the production of fiber for oriented strand board mills. For this to happen however, will require an increase in demand for these wood products. For example, demand for fibre from hardwood products can only be created through the construction of new oriented strand board mills, that in turn creates demand for the product, in turn increasing product prices.
- As with any commodity, increasing the processing of the product creates additional jobs. There is an opportunity to increase the Saskatchewan forest related value-added sector.
- Establishing the Saskatchewan Forest Centre will create a base for industry knowledge and encourage training of rural residents to participate in the forest sector.
- Rural residents, specifically agricultural grain and oilseed producers may have available labor during the winter months, creating an opportunity for landowners to participate in the harvesting and management of the forest.
- An opportunity exists for private investment to meet the demand for wood related niche markets that Saskatchewan may be able to capture.
- Opportunities exist for related tourism and seedling growing activities being linked to the forestry industry.
- As well, there is a synergy between agricultural by-products (straw) and forestry fibre processing.

Challenges/Constraints:

- That any forest-related activity be economically viable.
- Forest related activities are often capital intensive.

- Managing trees requires a different skill-set from conventional agriculture.
- Agroforestry, as part of the Forest Economic Strategy, is being addressed by another subcommittee of ACRE

Recommendation:

The committee recommends the province encourage training of rural residents, including First Nations, to participate in opportunities related to the forestry sector.

The provincial government should also support the Forest Centre of Excellence (value-added research and identification of market opportunities).

There are opportunities to use the province's hardwood resource (poplar) for purposes including, but not limited to oriented strand board. The committee recommends that the province create awareness of the opportunities for utilizing the province's hardwood resource so that private investment and related employment can occur.

IV. Water as a Provincial Resource

Background:

The Province of Saskatchewan has a long term Water Management Framework that was adopted in 1999 and is being implemented.

The Resource Subcommittee focused on the opportunity areas as they relate to rural Saskatchewan and did not deal with the Water Management Framework in detail.

Irrigation:

- Water is a huge underutilized resource
- Potential for 4 million acres
- Currently approximately 300,000 acres are irrigated
- Sask Water is the agency responsible for licensing water users
- Technology has changed - more efficient use of water and more sustainability

Opportunities:

- Vegetables; perennials; fruit industry; irrigated trees for pulp or fibre
- Much of the infrastructure is in place for successful irrigation facilitates
- opportunities in tourism, recreation and other businesses

Challenges/Constraints:

- Need to define critical success factors and then move forward.
- Markets must be in place concurrent with investment and production.
- There is a need to cluster development to optimize rotations arising from irrigation i.e. in conjunction with a feedlot etc.
- There is a need for other infrastructure such as highways (primary weight all weather road), cell coverage etc. to be developed at the same time.
- Use of irrigation requires different skills that producers do not necessarily currently have. Upgrading skills or having new individuals enter the industry will be required.

Recommendation:

The committee recommends that the Saskatchewan Government develop a plan for infrastructure buildout around key irrigation sites such as, but not limited to, Lake Diefenbaker, the Rafferty and Alameda Reservoirs and the South Saskatchewan River that includes synchronized public and private investment.

V. Electricity Sector

Background:

- The electricity industry is a major contributor to the provincial and rural economy in Saskatchewan.
 - Nine of the 14 generating stations operated by SaskPower are located in rural southern Saskatchewan.

- SaskPower maintains more than 150,000 kilometers of power lines (underground and overhead) in the province.
- The total generating capacity of SaskPower is approximately 3,100 megawatts.
- SaskPower directly employs more than 2,100 people in Saskatchewan with a payroll of \$130 million. Much of this employment is in rural Saskatchewan.

- In rural southern Saskatchewan, SaskPower operates power plants near Coronach (coal), Estevan (coal), Success (natural gas), Meadow Lake (natural gas), Nipawin (hydro), Landis (natural gas) and Outlook (hydro).
- Interconnects with Alberta, Manitoba and North Dakota allow for seasonal imports and exports of electricity. SaskPower sells more electricity outside of Saskatchewan than it purchases.
- SaskPower's plans over the next few years include an upgrade of its Queen Elizabeth power station in Saskatoon, the development of a 228 megawatt co-generation facility at the Cory potash mine and the development of wind power.
- There are opportunities in wind power however the technology is located in Europe so the manufacturing jobs would not likely come to Canada. Once constructed, the facilities require low maintenance for 30 years.

Opportunities:

- There are future opportunities for capital expenditures in rural Saskatchewan related to power line maintenance and power plant upgrading.
- Into the future, there will also be employment opportunities for the ongoing maintenance of infrastructure, line and facilities.

Challenges/Constraints:

- Shortage of skilled staff (i.e. lineperson) interested in living in rural Saskatchewan.
- There is a great deal of uncertainty related to the issue of climate change and how the Federal government will choose to address the issue.

Recommendations:

The committee recommends that the Province of Saskatchewan develop a labour strategy to meet the resource sector's ongoing labour needs. This strategy needs to recruit youth and aboriginal people and provide them with the necessary skills so that they can live and work in rural Saskatchewan.

VI. Land as a Resource**Background:**

- Saskatchewan Land Base composed of 140,878,000 acres
- 65,653,588 acres included as farm land
 - 35,579,845 crops
 - 10,950,353 summerfallow
 - 3,047,567 tame or seeded pastures
 - 16,075,823 other lands (natural pasture etc.)
- 297 rural municipalities
- Municipalities have the authority to carry out planning, establish zoning controls, require development permits, and require servicing agreements and other such authorities to manage land use and development issues.

Opportunities:

- Municipalities have the legal right to identify compatible uses for lands contained within their rural municipalities.
- Planned development often results in increased acceptance and sustainability of the development.

Challenges/Constraints:

- Municipalities either compete against each other for development or, if local residents are not fully supportive go out of their way to stop development.
- Companies doing business across multiple municipalities see there being a lack of consistency and an unlevel playing field.

- Local interests sometimes override provincial interests (not in my back yard issue) resulting in uses being zoned out.
- Lack of development certainty is viewed by some as a constraint to development.

Recommendation:

Land access is a critical component of resource development. The committee recommends that the government develop a land use planning process that takes a balanced approach to land management in the province and establishes fair and consistent rules with respect to land use for the province.

The provincial government, through Municipal Affairs and Housing, needs to ensure that there is consistency in zoning and development and that a proper balance between provincial and local interests is established so that provincial opportunities and interests are not foregone.

First Nations control a large land resource that is an integral part of rural Saskatchewan. The committee recommends that the Government of Saskatchewan work with First Nations to facilitate development of First Nation resources.

VI. Crown Land as a Resource**Background:**

The province owns eight million acres of land in the agricultural zone of Saskatchewan.

This Crown land includes:

- Approximately 700,000 acres of cultivated land leased out for growing annual crops;
- over 5.0 million acres of Crown land leased out for grazing or hay production;
- 23,000 acres of land used by local governments, construction or development companies for non-agricultural uses such as sand and gravel or oil and gas development;
- close to 460,000 acres of provincial Crown land used by PFRA within the federal community pasture program;

- approximately 160,000 acres under agreement for sale to former leaseholders; and
- close to 800,000 acres administered under the Saskatchewan Pastures Program.

Agricultural rental revenues are based on formulas that are linked to commodity prices. On a year-to-year basis, the revenues, therefore, vary with the commodity price movement.

Gross revenues are estimated at 26.6 million for 2000/01

Leasing of Crown Lands

Any land that becomes vacant through surrender or cancellation of a lease, and on for which there is a reason to maintain the ownership of the land in the Crown, is publicly advertised for lease. Leases are generally allocated for 33 years and detail the type of agricultural activity allowed on the land.

Transfer of Leases

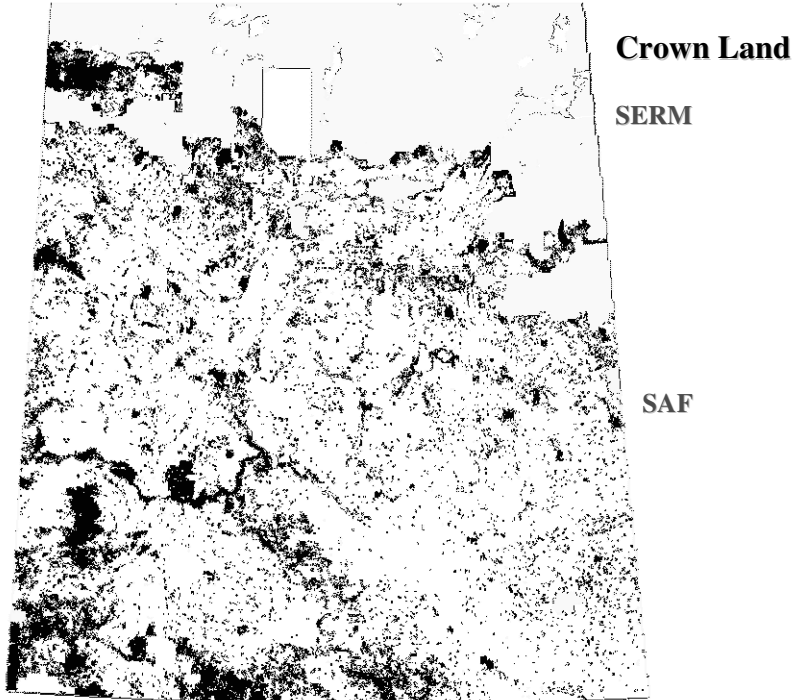
Saskatchewan Agriculture and Food (SAF) facilitates the transfer of agricultural Crown leases between generations, co-lessees, or between vendors and purchasers, through the Agricultural Crown Land Lease Policy.

Sales of Crown Lands

Crown land may be sold either by tender or direct sale to the lessee of the land.

Opportunities:

- Crown lands as a tool to enhance the livestock industry



Challenges/Constraints:

- One of the limiting factors to expansion of the livestock industry is the availability of summer grazing lands.
- In addition to the limitation of grazing lands, infrastructure required to manage livestock on pasture (water, fence, corrals etc.) is often viewed as a limiting factor to individuals wishing to diversify into cattle.
- The cost of converting cultivated lands to perennial forage requires up front costs along with a lag period to achieving economical use of the lands.

SASKATCHEWAN AGRICULTURAL CROWN LAND USE - JANUARY 31/2001

Land Use		Acres	No. Of Agreements	
Agricultural Use	Cultivated	700,334	10,458	
	Grazing	5,030,391		
	Hay	147,558		
	Non Productive Ag. Land Included in Leases	114,806		
Non-Agricultural	Oil & Gas	17,360	4,333 oil and gas sites	
	Exploration Permit	1,929 (1)	5	
	Gravel - Lease	20,350 (1)	287 quarrying leases	
	Gravel - Removal	1,779		
	Easement	31,916 (1)	5,923 easements	
	Public Use	3,715	113 special leases or permits for public or commercial use	
	Commercial Use	462		
	Road Construction	44 (1)	11 road construction permits	
	Seismic use	0 (1)	155	
Short Term Vacant (land being sold, leased or not usable on the short term)		135,769	N/A	
Time Sale or Rent to Own agreements		159,354	587 sale agreements	
Provincial Land Leased to PFRA Community Pastures		456,733	1	
Provincial Community Pastures		798,474	Summer Pasture Program.	2,393 patrons 68,693 cows 316 horses 1,504 sheep 54,614 calves 792 lambs
			Wintering Programs	940 bulls 1200 cows 320 background calves
Total Crown Land Administered by SAF *		7,566,735		

*Does not include long-term vacant land and land in and under water bodies.

Note 1 - Acres excluded from total to avoid double counting.

Recommendations

The committee recommends that the Saskatchewan Government encourage the conversion of marginal cultivated agricultural Crown land to perennial forage and examine the development of an infrastructure program that would provide Crown land tenants the means to construct required facilities on lands being converted to perennial forage thereby enhancing the livestock industry.

Opportunities:

- Direct purchase of Crown lands to increase long-term grazing

Challenges/Constraints:

- Producers wishing to expand their cattle herd sometimes face limitations in terms of acquiring lands, converting these lands to forage and also financing their cattle expansion.
- In some areas, there is an excess of land for sale with few purchasers.
- In other cases, lands may be available for sale adjacent to existing grazing operations including community and co-operative pastures.

Recommendations

It is recommended that the Saskatchewan Government examine mechanisms to form or expand existing community pastures or co-operatives through public/private/corporate partnerships.

The committee asks that the Saskatchewan Government examine the current sale of Crown lands with a view towards delaying sales and entering into new long term leases where there is potential to assemble lands for joint programming related to grazing. (For example, establishing a backgrounding operation using Crown and private lands in conjunction with a feedlot to further a community project.)

Opportunities:

- The alternative use or multiple uses of Crown lands can enhance the value added or benefits accruing to rural economy

Challenges/Constraints:

- Historically Crown lands have been used for cultivation, grazing and hay and more recently for oil and gas development.
- More recently, other interests including tourism, ecotourism, outfitting, wildlife preservation, forestry, recreational uses and cultural values have become increasingly evident on agricultural Crown lands.
- Currently, there is a lack of/or a conflicting legislative, regulatory and policy framework that prohibits or restricts these multiple or non-traditional activities from occurring.
- Recently the Crown Land Stakeholder's Forum was established to provide increased dialogue amongst stakeholders and with government.

Recommendations

Finally, it is recommended that the Saskatchewan Government establish the legislative, regulatory and policy framework to encourage the sustainable non-traditional and, where possible, multi-use of Crown agricultural lands for the benefit of rural residents and that new leases issued contain clauses allowing for integrated multiple uses.