

Royalties helped Sask. avoid the recession



Please forgive my frankness, but politics suck. Particularly when it impedes good public policy, and especially when its ramifications negatively affect business and the population at large.

Also please note the distinction between politics and politicians. I've long held the belief that politicians become politicians for altruistic reasons — they truly are doing so because they want to make a difference, regardless of their stripe. Coincidentally, this is the same motivating factor behind the vast majority of entrepreneurs — to positively impact the world in which they live.

But back to the point at hand: the brutal game of politics. Among the more recent examples is the public awareness campaign the Canadian Union of Public Employees (CUPE) has undertaken. Their mission is to see royalty rates rise (and to stir discontent among the public with the Wall government). "Imagine what we could do..." is the slogan they're using.

They claim that the province isn't getting its fair share from royalties because 2010 saw an unusually low amount of royalties collected. PotashCorp, for instance, paid \$177 million in royalties on revenue of \$1.6 billion.

What they fail to mention is that the reason these royalties are so low is because of the unprecedented, gargantuan expansion projects potash companies are undertaking in Saskatchewan. The Calvert NDP government allowed potash companies to deduct capital expansion expenditures from royalty resource tax in an attempt to entice development. And it worked. Hence, for example, PCS Rocanville is undergoing a \$2.8-billion expansion — that's at one mine.

To put it in context, PCS Rocanville has accommodation set up for its construction workers that, in 2009, housed 275 workers. Today that figure's grown to more than 1,000.

In other words, when the rest of the world went into economic meltdown, Saskatchewan's economy grew. And it wasn't just in Rocanville. Rather, this isolated incident — indeed, part of a much bigger picture — is offered as just a sampling of what happened here in Saskatchewan.

While other provinces, regions, states and countries were going into a recession, the likes of which hadn't been seen in decades, Saskatchewan was employing more people than ever.

The primary reason for this phenomenon — and it's a phenomenon — is the expansion of resource industries in Saskatchewan. Potash alone is seeing a \$7.5-billion expansion from one company — PotashCorp.

Mosaic and Agrium, two other key players in the industry, are also undergoing unprecedented expansion at their Saskatchewan mines. BHP Billiton is sinking billions of dollars into its Jansen project, which is anticipated to be its first, with several more to follow. All of this development accounts for multiple billions of dollars of primary investment — not to mention the spinoffs.

Let's put this in context. By comparison the River Landing Project, the largest prospective development in Saskatoon's history, is about a \$200-million project. You could put 14 of these in Rocanville alone. So this potash play is HUGE. It's kept us flourishing while the world around us is floundering.

And the reason for this is because we have a steady, predictable, lower-trending royalty regime. You'll notice I didn't say competitive. That's because at 22 per cent, our royalty rates are the highest in the world — by a considerable margin. They are more than four times the rates in other potash-producing jurisdictions including the U.S., U.K., Chile, China, Russia and Brazil. Four times higher. And we're not getting enough? When we are better off than the rest of the world economically? Like when we are in another stratosphere? C'mon. Give your heads a shake.

And here's the real head-slapper: CUPE's political motive in their "Imagine what we could do" campaign is an attempt to put a chink in the Brad Wall government's armour... when all the Wall government is doing is upholding what the NDP-led Calvert government passed.

Ay Yie Yie. Politics suck.

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