

Pursuant to Standing Order 68, Wally Young, MHA for St. Barbe replaces Ray Hunter, MHA for Windsor-Springdale.

The committee met at 7:00 p.m. in the House of Assembly.

CHAIR (Mr. Harding): Order, please!

We are ready to begin.

I would like to welcome everyone here as we debate the Estimates for the Department of Natural Resources. First of all, I would ask the Committee to introduce themselves.

MS JONES: Yvonne Jones, MHA for Cartwright-L'Anse au Clair.

MR. YOUNG: Wally Young, MHA for St. Barbe, sitting in for Ray Hunter.

MS JOHNSON: Charlene Johnson, MHA for Trinity-Bay de Verde.

MR. BAKER: Jim Baker, MHA for Labrador West.

CHAIR: Harry Harding, MHA for Bonavista North.

When we call the first subhead the minister may begin by introducing her officials and give an overview of her department's estimates.

The only thing I ask is, for the benefit of our people in the media centre, if any of the officials need to answer a question or make a comment, that they identify themselves before they do. Apart from that, we are ready to go.

I will ask the Clerk to call the first subhead.

CLERK: Subhead 1.1.01.

CHAIR: Subhead 1.1.01.

Minister Dunderdale.

MS DUNDERDALE: Thank you, Mr. Chairman.

It is my pleasure to be here this evening. I will ask my officials to introduce themselves, beginning to my immediate left with my deputy minister.

MR. KIELEY: Chris Kieley, Deputy Minister of Natural Resources.

MR. MOORES: Len Moores, CEO, Forestry and Agrifoods Agency.

MR. TOBIN: Pierre Tobin, Associate Deputy Minister of Energy with Natural Resources.

MR. DEERING: Keith Deering, Assistant Deputy Minister for the forest service branch, Department of Natural Resources.

MR. WHALEN: Jeff Whalen, ADM, Agrifoods.

MR. WARDLE: Dick Wardle, ADM, Mines.

MR. IVIMEY: Philip Ivimey, Manager of Financial Operations, Natural Resources.

MR. BARRON: Tracey Barron, Director of Communications.

MS DUNDERDALE: Thank you.

Mr. Chair, I want to briefly outline and provide a little detail on some of our larger budgetary items contained in Estimates and give some explanation on the investments we made in Budget 2007 in the Department of Natural Resources.

Our Budget reflects the growth in our department and our priorities across four branches. As you are aware, the department

encompasses mines and energy, and forestry and agrifoods.

We have committed a substantial amount of money, at least \$12 million in this Budget for our energy priorities as it relates to the implementation of the initiatives contained in the energy plan. This money is frozen until we release the energy plan and details of the initiatives contained in the energy plan will be announced at that time. It will outline priorities and directions in this regard for this year and years to come.

The \$12 million in the Budget for the Energy Plan includes \$2 million to facilitate participation by Newfoundland and Labrador Hydro in oil and gas activities and other initiatives related to the Energy Plan, as part of their expanded mandate. These will include targeted initiatives that we want hydro to make as incentives to facilitate exploration and is not related in any way to any major equity investments the Province may enter into, in regards to large scale energy projects.

In addition to the \$12 million, we are spending an additional \$350,000 this year towards the development of the provincial energy plan. This will further fund studies related to the development of energy policy and cover expenses related to the preliminary implementation of the energy plan.

We are also spending an additional \$300,000 to initiate studies and seek expert advice related to the current development issues in the Jeanne d'Arc Basin, White Rose in particular, as well as potential oil and gas developments including those on the West Coast of the Island. This will ensure we have the best possible advice and analysis when making decisions on the development of the industry.

In the last year, we have also had significant restructuring in the energy branch, which is

reflected in this year's Estimates. Funding was allocated for the restructuring of the branch last year and it was reflected in one location. As the restructuring was implemented and positions filled, this funding has been reallocated and spread out under the appropriate activity. The base budget for the restructuring has not changed from last year when the additional funds were made available to address the priority being placed on this sector and to recruit individuals with the appropriate level of experience and expertise to provide advice in this area.

You will notice there is an increase in the Budget for the Canada-Newfoundland and Labrador Offshore Petroleum Board. We are spending \$925,000 this year, \$1.85 million over three years towards the development and implementation of a data management repository system. This system will assist in managing the Province's oil and gas resources through faster access to data for accurate and timely decision making.

We are also increasing the board's base budget to meet operational requirements. This is required because of increased development activity and monitoring related to our three producing oil projects, as well as anticipated increased activity in exploration and production.

A new Budget item in our three-year \$10.1 million work plan for mines is a work plan to address safety and environmental issues that the former Baie Verte and Rambler mine sites, as identified in the Phase II Environmental Site Assessment. The value of this work this year, at both sites, is roughly \$3.3 million, which you will find reflected in the Estimates. The work plan includes the hiring of a project manager and proceeding to the Phase III Environmental Site Assessment.

We also have \$1 million in new funding this year to foster exploration of our mineral and

onshore petroleum resources by improving the collection of geoscience data. This funding will allow increased geological mapping in the Province in support of mineral exploration and onshore oil and gas exploration.

In forestry, we have a number of initiatives that reflect the priority areas related to attempts to diversify the industry and ensure its sustainability over the long term. We have allocated \$283,000 for research on sustainable forest management practices to address the multitude of challenges facing this sector. We anticipate this level of commitment will leverage an additional \$2 million to \$3 million in funding from our research agencies with which we can partner.

We are also undertaking a gender equity study in the forest industry to identify opportunities for females in this traditionally male dominated industry and provide recommendations on how to improve recruitment. The cost of this is around \$80,000.

This year's Budget contains the bulk of the funding for the forest industry competitiveness and strategy study, \$167,000 of the total \$177,000 that we embarked upon last year. This study will provide an assessment of the current structure of the industry and provide recommendations on the best path forward as we try to diversify the industry to overcome the current global and market challenges. This has been a comprehensive process that has included initial consultations with industry representatives to determine the Terms of Reference for the study, formal consultations and now this phase, that we are currently in, which is the work of the outside consultant contracted to compile the information and provide us with recommendations.

We are also spending \$500,000 to fill vacant and new positions to address emerging priorities in the forestry service. This will increase the

department's capacity to manage the resource to develop forest sector opportunities and to implement the forest sector strategies for Labrador and the Island. The strategy for the Island I just referenced, while the strategy for Labrador was completed and released last year.

In agriculture and agrifoods, the funding levels reflect, in many cases, a continuation of existing programs at the increased funding levels established in previous years. These programs are designed to take the sector to the next stage of commercial development and we have some great success stories happening in agriculture and agrifoods across the Province.

As well, we are investing over \$1.4 million in new funding this year for a two-year total of \$10 million in new funding for the industry. We are investing \$250,000 in the Fruit and Vegetable Storage Assistance Program this year to meet our Blue Book commitment to invest \$1 million in the four years in this area.

We are increasing the funding under the agricultural limestone program by \$100,000 this year, for a total of \$442,300, in recognition of the importance of the program as the industry expands and more farmland is put into production.

We are continuing our \$4 million investment in the Agriculture and Agrifoods Development Fund that was established last year to encourage the undertaking of large scale agricultural projects. We are also carrying over the \$2.8 million that was allocated in last year's Budget, for a total line item of \$6.8 million. We are also funding a new position this year to administer this program.

We also have an additional \$300,000 for the agriculture access road to an electrical program. This is an increase of \$300,000 to the five-year \$10 million land development program to provide off farm access road to electrical

services. Spending on the program this year totals \$2.3 million.

Mr. Chair, I just wanted to give you a bit of an overview of some of the new line items in this year's Budget, as well as reasons behind variances in others. I can provide additional information as we go through this process here this evening. My officials are here with me and available to answer any questions related to how these initiatives will unfold in their respective divisions and on the front line.

Thank you very much, and we are happy to answer any questions.

CHAIR: Thank you, minister.

Ms Jones.

MS JONES: Thank you, minister, for the overview of your department and some of the Estimates. I would also like to welcome you this evening and your officials.

I am going to start off with some questions related to the Estimates to be voted, and then I would like to move on into some other questions, more general as it relates to each of the various sectors in your department.

The first, I guess, we will start with is subhead 1.1.01 and it falls under the Minister's Office. It has to do with Salaries in your department, it did increase by almost \$90,000 last year. Was that an additional staff person who was hired in your office? If so, what was the role or capacity under which they were hired?

MS DUNDERDALE: The reason for the increase in Salaries in the Minister's Office is due to reclassification of executive secretaries. Also, an unbudgeted parliamentary secretary and her executive assistant, and pay in lieu of notice for a former minister's secretary.

MS JONES: Okay. So, it was one new position and the rest was reclassification and step increases?

MS DUNDERDALE: It was the addition of a parliamentary secretary that the department did not have until -

MS JONES: Okay. Also, last year you had Budgeted \$36,600 under Purchased Services for your own department, you only spent \$16,800. I would like to know what you purchased with that money and also why you have increased the Budget again this year?

MR. IVIMEY: The details behind the particular purchases that were provided for this year we do not have on hand. Certainly, we can provide that information, that is not a problem.

There was no increase in the Purchased Services budget from last year to this year. If you will notice, \$36,600 and \$36,600 this year as well.

MS JONES: Okay. Last year you only spent \$16,800. You are going to provide those details for me, are you?

MR. IVIMEY: Certainly, yes.

MS JONES: Okay. I would also like to know why you budgeted the same amount this year, even though you did not spend it last year, and what you intend to be purchasing this year?

MR. IVIMEY: Once again, I would not have those details here but I could certainly provide them.

MS JONES: Okay.

Under Executive Support in your office as well, minister, 1.2.01.06., there were Purchased Services budgeted there for \$11,700, you actually spent \$17,500. I am just wondering what you purchased under that heading.

MR. IVIMEY: (Inaudible) not right now.

MS DUNDERDALE: We will get that information for you.

MS JONES: Okay. Again, the Salaries under that section was \$200,000 more than what was originally budgeted. Can you explain to me what positions were added in that part of your office?

MS DUNDERDALE: There were no positions added. That is reclassifications of executive secretaries and vacation pay for a former deputy minister.

MS JONES: Reclassification and what else?

MS DUNDERDALE: Vacation pay for a former deputy minister.

MS JONES: Okay. Moving over to Executive and Support Services, 1.2.03. Administrative Support. Under that there was \$2.8 million budgeted this year for Property and Furnishings. Can you tell me what that money is going to be spent on? Were they renovating, or what new properties are being purchased or equipment?

MS DUNDERDALE: Okay. Additional funding is for the replacement of vehicles for the forestry branch and agrifoods branch, that is \$1,000,376, and the geological survey division is \$200,000. Funding to replace the forestry and agrifoods building in Winterland is \$250,000; Lewisporte is \$600,000 and Pynn's Brook is \$400,000; animal health infrastructure and equipment, \$20,000. The removal of one-time funding related to 2006-2007 includes vehicles, \$542,000; soil plant and feed lab equipment, \$250,000; animal health infrastructure and equipment, \$675,000.

MS JONES: Okay. What is it you are doing at Pynn's Brook?

MS DUNDERDALE: A new building.

MS JONES: Okay.

MS DUNDERDALE: And a new building in Winterland.

MS JONES: Three of them were new buildings?

MS DUNDERDALE: Three new buildings.

MS JONES: Okay.

Another question under section 2.1.01. under the Forest Management section. The Purchased Services this year increased to \$3,253,000. Can you tell me what services you are purchasing there? I could take a guess at it, but I would like to know.

MS DUNDERDALE: Additional funding was needed to address recommendations of workload analysis study for the forestry branch, and that is ten positions at a cost of \$325,100. Two industry analysts for Corner Brook; two CEOs for Corner Brook; a value-added specialist, Corner Brook; a check scaler, Corner Brook; supervisor of equal systems sustainability, Corner Brook; a senior management planner, Corner Brook; and a GIS Systems Analyst, Corner Brook; and a mensurationist in Corner Brook. Additional funding is also provided for temporary technical support staff, two CO IIs related to timescale and standards development, that is \$45,000. Comprehensive Research Program in support of sustainable -

MS JONES: Can I just stop you for a minute, because I am somewhat confused here?

MS DUNDERDALE: Yes.

MS JONES: All of the positions that you are outlining now, are they all new positions? Wouldn't they be under Salaries instead of

under Purchased Services?

MR. MOORES: The first part, yes, those positions are under the Salaries piece. Then under Purchased Services, the minister was speaking to the Comprehensive Research Program, satellite phones for Occupational Health and Safety, work for our communication strategy and for our enhanced inventory program. Those are the additional costs under Purchased Services.

MS JONES: Okay. The ten new positions that are being added, where are the salaries for those? Because the salary has not increased much over last year, only by about \$300,000 or \$400,000.

MR. MOORES: That is correct.

MS JONES: All of those positions you just outlined, are you getting all of them for that amount of money?

MR. MOORES: That is correct, for about \$400,000.

MS JONES: Okay. Are there any changes in other positions in the department? Are there any positions that are being terminated or -

MR. MOORES: No, they are not.

MS JONES: Nothing, okay.

MR. MOORES: These are all new positions.

MS JONES: So, all of them are coming out of that amount of money?

MR. MOORES: Yes.

MS JONES: Okay. Now you can tell me about the Purchased Services. You need to clarify that.

MR. MOORES: The additional funding for Purchased Services deals with an establishment of a sustainable forest management research program for \$235,000. There is also a purchase of \$12,000 for satellite phones for officers who work alone. In support of a communication strategy, a public awareness program in the forest sector, \$150,000, and \$865,000 to improve our inventory program.

MS JONES: What new inventories are being done this year?

MR. MOORES: What we have done with the additional funding is we brought our inventory up to probably the best in the country by going through a ten-year inventory cycle and with the Trans-Labrador Highway, we are starting our second year of new inventory for Labrador.

MS JONES: How much is budgeted for that?

MR. MOORES: The Labrador piece?

MS JONES: Yes.

MR. MOORES: Approximately \$20,000 this year.

MS JONES: Grants and Subsidies as well - under that same heading, 10. - is budgeted this year at \$2.3 million.

MS DUNDERDALE: The additional funding is there to provide assistance to the pulp and paper companies in the amount of about \$2,305,000 and an increase to the Newfoundland and Labrador Lumber Producers grant, about \$8,000. I just noted that the funding for the pulp and paper companies is subject for further review by Cabinet.

MS JONES: Okay. Why would those grants and subsidies be given out to the pulp and paper companies?

MS DUNDERDALE: Well, it will be done on certain conditions. We have an industry that is under considerable stress. The bleeding has not stopped in that industry and it does not look like it is going to stop at any time soon. They are looking to us for support and we want to have the ability to do that. So, this allocation was requested in this year's budget. It was approved in the budget process but the conditions under which we would give this money to the pulp and paper companies still has to be reviewed by Cabinet.

MS JONES: Okay. This grant would be made to both companies?

MS DUNDERDALE: Yes.

MS JONES: Okay. Are there any specific details around what the grant would be for? Would it be to offset energy costs, transportation?

MS DUNDERDALE: They will have those conditions. There will be conditions applied to the granting of the money but they are still subject to Cabinet review.

MS JONES: Okay. Last year, you did spend \$581,000 under your Grants and Subsidies. Can you tell me where that money went to?

MS DUNDERDALE: The \$581,000 was a grant to Corner Brook Pulp and Paper in lieu of revenues related to the Insect Control Program. This was a non-cash transaction subject to the company continuing to purchase logs from the Northern Peninsula at 2005 levels.

MS JONES: Has that agreement now expired?

MS DUNDERDALE: Yes, it has.

MS JONES: Does it continue to be an issue for the company to purchase logs in that area?

MR. MOORES: Under the agreement that Corner Brook Pulp and Paper operates under, they can purchase 35 per cent of their wood from non-union operators. It is not an issue right now. They will continue to purchase wood this year up to a certain volume level.

MS JONES: Go ahead, I am listening.

MR. MOORES: What happens is they are restricted by that volume amount through the union agreement. There is only a certain level of Crown wood they can purchase and then the rest of it has to come from the union operations. That is part of the union agreement.

MS JONES: The 35 per cent of the wood that they purchase from non-union groups, is that from outside the Province or in the Province?

MR. MOORES: No, that is all within the Province.

MS JONES: All within the Province.

Does either of the pulp and paper companies now purchase wood from outside the Province?

MR. MOORES: Corner Brook Pulp and Paper purchases wood outside the Province. They are purchasing, this year, approximately \$200,000 cubic metres.

MS JONES: Will there be another agreement negotiated for the loggers on the Northern Peninsula or do you not see it as being necessary right now?

MS DUNDERDALE: There is no request at the moment to do another agreement.

MS JONES: Okay. So it seems to have taken care of itself, more or less stabilized for the loggers in that area?

MS DUNDERDALE: It has settled itself for the

moment.

MS JONES: Under section 2.1.02., under forestry as well. Obviously, this is the Budget that operates your various offices around the Province. Can you tell me if there are any vacancies in any of those offices right now, in terms of forestry and wildlife officers?

MR. MOORES: Yes, we do have vacancies in some of the offices at this point in time. We are in the process of filling some. You will see them on the board, but there are some that are vacant at this time.

MS JONES: Okay. Can you give me the numbers, please?

MR. MOORES: I would have to get back to you on that. I could not give you the number of vacancies right off the top of my head, but we can get back to you on that.

MS JONES: Okay. I would also like to know the locations, please?

MR. MOORES: Okay.

MS JONES: You have increased your Budget this year for that part of your department, is that step increases, raise increases and all that kind of stuff, or are there new positions being added?

MS DUNDERDALE: Under Salaries?

MS JONES: Yes. Section 2.1.02.

MS DUNDERDALE: Section 2.1.02. Salaries, 01?

MS JONES: Yes.

MS DUNDERDALE: Len, can you speak to that, please?

MR. MOORES: There is an increase of six

positions with a field organization this year. There is a regional ecologist in Gander, another Conservation Officer in the Eastern region, four new Conservation Officers for Labrador.

MS JONES: Can you tell me if they are in the District of Cartwright-L'Anse au Clair?

MR. DEERING: One Conservation Officer in Cartwright and one in Port Hope Simpson.

MS JONES: The other two are in Happy Valley-Goose Bay?

MR. DEERING: One in Northwest River and one in Wabush.

MS JONES: Okay. While we are on forestry, I just have some questions as well around the Forest Access Roads Program in Labrador. Can you tell me how much money you are investing in that this year and what new roads are going to be built?

MR. MOORES: (Inaudible) the exact location of roads.

MS JONES: Yes, sure.

MR. MOORES: Okay.

MS JONES: As long as you do not take too long. I would like to get the information within the next couple of days, if that is okay.

MR. MOORES: Okay. Yes.

MS JONES: I would like to know what monies are going to be spent in Labrador this year for forest access roads, because I know it is a different program than it is usually on the Island part of the Province. What sections of road will be done, either upgraded or newly built?

MR. MOORES: Okay.

MS JONES: The other question there, I guess, is around the stumpage fees that loggers are paying. Has there been any changes in the rate of stumpage fees that are being paid?

MR. MOORES: For this year, we operate on a calendar year now. So, since January 1 of this year there has been no change in the stumpage fees that are being paid, but we do have a discussion, a dialogue going on with the Lumber Producers Association about the possibility of reviewing our stumpage fee program.

MS JONES: Okay. So, it is under review or going to be reviewed?

MR MOORES: It is under review at this time.

MS JONES: Okay. Also, under that section, 2.1.02. Property, Furnishings and Equipment, you are budgeting over \$900,000 this year. Can you tell me what you are going to be spending that on?

MS DUNDERDALE: There is additional funding provided for extra helicopter time to monitor the Labrador-Quebec Border, that is \$69,300; satellite phones, \$37,000; replacement of ATVs and snow machines, \$400,000. That is all related to our Conservation Officers.

MS JONES: Has there been any discussions with your counterparts in Quebec with regard to hunting in the Quebec-Labrador border area?

MS DUNDERDALE: Yes, there has been.

MS JONES: Do you want to give me an update on where those discussions are, because I know it has been a hassle for our Province for a number of years. I know, minister, that your predecessors have tried to negotiate with Quebec to stop hunting across the boarder and the slaughter of caribou, in particular, in the Labrador region. Is anything changing? Are they receptive to trying to put more restraints on

their hunters from crossing over and exercising illegal rights, I would guess, in our area?

MS DUNDERDALE: Keith Deering can speak to it more fully, but my understanding is the Quebec government are faced with the same challenges that we are. We have a group of stakeholders on both sides of the boarder involved in education, raising awareness, sending messages to the government and direct interventions with the government ourselves. We are certainly not seeing the effect of any of that effort.

MS JONES: Yes.

MR. DEERING: I guess we have had quite a regular dialogue with representatives of the band councils of a lot of the Aboriginal communities up along the Quebec North Shore. I can say that we have buy in from a vast majority of the people in these communities, but like in any situation, you are always going to get a certain proportion of the population that probably does not fully buy into this concept. Of course, we expect that this new allocation of resources for patrol work, this coming winter, will have a market difference in their reaction to this.

MS JONES: Okay. I should probably know the answer to this but I do not. When these hunters are charged, are they tried in our court system or in the Province of Quebec?

MS DUNDERDALE: If they are charged in our Province, they are tried in our Province.

MR. DEERING: That is correct. When we identify infractions in this Province and we can apprehend these individuals in this Province, they are tried in the Newfoundland and Labrador court system.

MS DUNDERDALE: (Inaudible).

MS JONES: Yes. Silviculture, section 2.1.03.

MS DUNDERDALE: Yes.

MS JONES: Again, the Salaries were increased this year over what was budgeted. What was the increase for?

MS DUNDERDALE: They were salary overruns at the Wooddale Tree Nursery due to unfunded temporary positions.

MS JONES: Because the Estimates have dropped again this year, am I to assume that those positions are no longer there or they are redundant?

MS DUNDERDALE: They were temporary positions.

MS JONES: Okay. The Purchased Services there, the \$6.6 million for this year, can you tell me what projects they are that you are going to be doing?

MS DUNDERDALE: That is increased funding for an enhanced silviculture program, \$1 million. This is the second increase of three equal increases improved in the 2006-2007 Budget.

MS JONES: Where are these programs being done, the silviculture programs that you are allocating for this year?

MS DUNDERDALE: Our seedling production has increased from 12 million trees to 15 million trees. That is a piece of it.

MR. MOORES: That is the major piece. We are increasing significantly our planting program by 3 million tree seedlings a year. So, it increased the planting program. Two years ago we did a cost benefit analysis and found out that our biggest bang for our dollar in the silviculture program is through tree planting. So, we are putting a focus on growing more trees and planting more trees.

MS JONES: Okay. I guess the next section is on the Resource Roads Construction. You said you would already get me that information, right?

MS DUNDERDALE: Yes, (inaudible) regional piece for you.

MS JONES: Last year the amount of money that you had allocated for Insect Control was decreased. Does that mean that the problem is not as great as it was in the past? Maybe you can explain to me why you spent almost \$200,000 less than what you had budgeted.

MS DUNDERDALE: Well, we did not need a hemlock looper program last year and we needed a smaller than anticipated balsam fir sawfly program. Therefore, the operational expenditures were reduced; expenditures like aircraft time, insecticide and personnel.

MS JONES: Okay. Of course, that would explain the Professional Services to a certain degree, but it was substantially low, only \$6,000 down from \$200,000.

MS DUNDERDALE: Yes. Everything under that heading is a result of -

MS JONES: Of not doing that program.

MS DUNDERDALE: - the hemlock looper program not being carried and a reduction in the second program.

MS JONES: That sure cuts down on your helicopter bills, doesn't it?

MS DUNDERDALE: It helps.

MS JONES: Under 2.2.02. Fire Suppression And Communications.

MS DUNDERDALE: I am sorry, I did not -

MS JONES: Again, under the Salaries section. It has increased this year. Are there new positions being added there?

MS DUNDERDALE: No, the savings in that program were miscellaneous salary savings and we had - Len, do you have some further explanation for that on Salaries?

MR. MOORES: I think the increase in Salaries are just pay raises for the staff that is reflected there.

MS JONES: I just want to skip over to section 3.1.03., under the Land Development section for agriculture, roads and farmland. You may have mentioned some of this in your preamble, but the \$1.8 million that you had budgeted last year, you only spent \$600,000 out of that, under 07. Property, Furnishings and Equipment. I would like to have an explanation why the Revised amount was so low and what you actually used the \$600,000 for? This year, again, you are budgeting the \$1.8 million and I would like to know what you are going to use that for.

MS DUNDERDALE: That is money that has been made available under land consolidation. The variance is due to expenditures associated with the St. John's ADA review. We are doing an agricultural review of the zone. That has resulted in property owners being a bit reluctant, at this point in time, to sell their properties until they see the result of the ADA review.

MS JONES: Okay.

MS DUNDERDALE: The number of land purchases, which was 175 acres for \$479,000, was less than anticipated due to not only the announcement of the zone review, but the length of time that it has taken to close transactions, surveys, all of that kind of stuff. So, we have just carried that over because land consolidation is still extremely important to us.

MS JONES: When do you expect to have a lot of that clued up then? Will it be this year?

MS DUNDERDALE: Jeff can speak to this, but we are certainly expecting it to move a little faster this year in terms of the ADA review. We anticipated that it would take a full two years to do the ADA review and we are only six, eight months into that at this point in time. So, that is certainly going to have an impact on land consolidation in the Eastern region.

There are a number of sales under the program pending. So you will see a fair take up of that funding over the next twelve months.

MS JONES: Okay. Thank you.

Under Agrifoods, 3.2.01. Again, the Salaries last year was \$1,099,000 Budgeted, you Revised that to \$1.2 million and this year you are reducing it again to \$1.1 million. Can someone give me an explanation of why the variances there?

MS DUNDERDALE: I have the answer but I am going to let my ADM speak to that piece.

MR. WHALEN: The increase in the Salaries is related to the unfunded temporary positions within the branch and unfunded positions related to the potato seed farm in Glenwood.

MS JONES: Some of those positions will not be required this year?

MR. WHALEN: Some of the unfunded positions will not be, no.

MS JONES: You have also reduced the amounts to be voted for the Purchased Services in that area, that division. Can you tell me why that is, and normally what services you would be purchasing under that heading?

MS DUNDERDALE: That is removal of one-

time funding for the federal-provincial agricultural ministers' conference. That was \$120,000, as well as related revenues of \$120,000.

MS JONES: Okay.

MS DUNDERDALE: That conference was held here.

MS JONES: The Marketing Board, under 3.2.02., that is run from your department is it?

MS DUNDERDALE: Yes, it is.

MS JONES: Okay.

Is the board a politically appointed board?

MS DUNDERDALE: All of the positions are approved by government.

MS JONES: Are they appointed - through your department to Cabinet, is it?

MS DUNDERDALE: Yes.

MS JONES: Can you tell me, or give me a list of who sits on that board, please?

MS DUNDERDALE: We can, yes.

MS JONES: Okay.

Is there just one position in your department that manages the Marketing Board?

MS DUNDERDALE: One manager.

MS JONES: Okay.

The amounts voted here would cover, I am assuming, the transportation and communications; all of that would cover all of the boards expenses. Is that what that means?

MR. MOORES: (Inaudible).

MS JONES: Yes, so everything related to that board would come under this particular section?

MS DUNDERDALE: Yes.

MS JONES: Okay.

They do not have an office external of government, do they?

MR. MOORES: (Inaudible).

MS JONES: I am sorry, I can't hear you. Is your microphone on?

MR. MOORES: No, they do not.

MS JONES: Okay, they don't.

Thank you.

Still under agriculture, subsection 3.3.01., under the Salaries heading, last year it was a little bit over what you had budgeted. Was this just normal step increases in the civil service?

MS DUNDERDALE: There were some unfunded positions there, and the increased overtime expenditures due to a number of agricultural fairs.

MS JONES: These unfunded temporary positions keep coming up. Do you want to tell me what they are? What kind of a classification is that?

MR. WHALEN: In this particular case here, it was a program co-ordinator to run the Agriculture and Agrifoods Development Fund and the Provincial Agrifoods Assistance Program.

MS JONES: I know what a temporary position is, of course, someone who is hired on a short-

term basis to do a job immediately or within a period of time, but you keep referring to them as unfunded. Does that mean that they were hired without being forecasted in any Budget Estimates, I guess, for one thing?

MR. IVIMEY: Yes, that would be correct.

MS JONES: Is that normal? Does that happen on a regular basis? This is about three or four times throughout this department that we are seeing these unfunded temporary positions being added in various sectors.

MR. IVIMEY: I would not be able to speak to the fact of whether it is normal operations, but several of the unfunded temporary positions are usually funded through salary savings in other areas to compensate.

MS JONES: Okay.

So, you are telling me that the money would be coming out of another part of the Estimates? Don't tell me that, because I will be here all night trying to connect up the dots, to find out what section you took it out of.

What I would like to have is probably a list of all the temporary positions for this department over the past year, because there seems to be a lot of them that have been added to these Estimates that were not originally budgeted for. Is it possible to get a copy of those temporary positions?

What I would like to know is under what sections they were. I can understand, I think, one of them, you said, was in a nursery or something. Maybe it was just a busy time of the year or something like that, but I would like to know specifically what sectors of the department they were in.

Also under 3.3.01., the Grants and Subsidies section there, what kind of grants and subsidies

is that?

MS DUNDERDALE: Additional funding was provided for the Fruit and Vegetable Storage Assistance Program, \$89,700. These were lapsed funds from 2004-2005 and 2005-2006, and they were required to meet the government's commitment of \$1 million over four years.

MS JONES: Okay.

Now I am going to move to 3.3.03., still under agriculture. Again, under Grants and Subsidies, last year you spent \$2 million and this year you are budgeting \$2.8 million. I guess I want to know what you spent the \$2 million on, first of all.

MS DUNDERDALE: Grants and Subsidies, that was the 2006-2007 Revised and 2007-2008 Estimates variances due to the federal Green Cover Canada and National Water Supply Expansion Programs, funding not being spent in 2006-2007, and the amounts were carried over to the 2008, \$450,000. Both the Green Cover and the National Water Supply Expansion Programs are 100 per cent federally funded.

MS JONES: Okay.

It is managed through your department, is it?

MS DUNDERDALE: Yes.

MS JONES: The \$2 million that you granted last year, what was that used for?

MR. WHALEN: That relates to the Provincial Agrifoods Assistance Program.

MS JONES: Okay.

Is that administered by a board or through the department?

MR. WHALEN: Through the department.

MS JONES: Okay.

MR. WHALEN: With industry representation as well.

MS JONES: Okay.

Would this be grants to private companies?

MR. WHALEN: No, to producer organizations and farmers.

MS JONES: And farmers? So they would be private business?

MS DUNDERDALE: Yes, to the agricultural sector.

MS JONES: Okay.

This year you are increasing that grants program, or is there some specific initiative being included here that you are going to be subsidizing?

MS DUNDERDALE: That is the base amount program and carry-over.

MR. WHALEN: Yes, and it is also the addition of the two national programs, the National Water Supply Expansion Program and the Green Cover Canada Program, which is 100 per cent federally funded money.

MS JONES: Okay, that is the \$898,000.

These grants to producer organizations and farmers, I think you referred to it, do they have to be matched by private contributions or are they 100 per cent grants of funds?

MR. WHALEN: All of our grants and needs program is 50-50. Some of the organizations are 75-25, but for producers it is 50-50.

MS JONES: Is there a huge demand for those

grants?

MR. WHALEN: Yes, there is.

MS JONES: Are you meeting that demand with the \$2 million a year?

MR. WHALEN: To be honest, it depends. You can double that amount, I guess, and still spend the money.

MS JONES: There would still be take-up on it.

MR. WHALEN: Yes, the industry is growing so there is a big demand for -

MS JONES: I can tell you where you can get \$8 million in the Department of Innovation, Trade and Rural Development. They had \$8 million last year for small business and medium sized business and there was only \$50,000 of it used, so there you go. You can check them out. You might get some more money. These are business people too, right?

MS DUNDERDALE: Yes, and we are increasing our investment in agriculture year over year and have made significant amounts of money in the programming over the last three years.

MS JONES: Good.

MS DUNDERDALE: It is an important industry to the Province.

MS JONES: Under section 3.3.04., again we are looking at Grants and Subsidies for the agriculture industry.

MS DUNDERDALE: Yes.

MS JONES: It looks like this is to attract investment from outside the Province, within the Province.

MS DUNDERDALE: Not necessarily. This is the Agriculture and Agrifoods Development Fund, and these are significant projects within the Province. Because of the size of some of these projects that we are undertaking, it takes a little longer to do the required work and the due diligence. Certainly, starting up a brand new program last year, the assessment process took longer than was anticipated.

MS JONES: This is a new program, Minister?

MS DUNDERDALE: Yes, we started it last year when we spent \$1 million on the Brookfield Ice Cream project. We have \$2.8 million of that program carried forward. There are a number of projects under consideration. Actually, we anticipate having an announcement on another significant project very shortly.

MS JONES: Oh, good.

A lot of the businesses that you are looking at are already established in the Province?

MS DUNDERDALE: They are established in the Province and it has not only an impact - the one that is approved and the one that is in the final stages of approval have significant impact in the agriculture sector and the supply of material to the company. Our industrial milk quota is certainly something that we are very interested in developing. That was a significant piece of the Brookfield Ice Cream project and will form a significant piece of the next project. So, it has a very positive impact not only on the company receiving the funding directly but also to the industry who work in support of that company.

MS JONES: Of course, also in section 3.3.05., Agriculture Policy Framework, there is a Grants and Subsidies program there as well. Last year you budgeted \$4.5 million, there was only \$3 million allocated, and this year you are budgeting \$3.9 million. Do you want to tell me

what the \$3 million was invested in, under this Grants and Subsidies heading?

MR. WHALEN: A lot of this funding basically went to various projects, on-farm projects, industry-driven projects, projects that were in partnership with government and industry, but it all went to on-farm projects, different types of projects on farms.

MS JONES: What was the cost-shared agreement on those grants?

MR. WHALEN: Most of those are 50-50 as well.

MS JONES: Is it all private sector, or non-profit groups as well?

MR. WHALEN: Non-profit as well.

MS JONES: You have increased it - well, first of all, I should ask you why it was down by \$1.5 million last year.

MR. WHALEN: Basically, this one is down due to the cold and wet fall that we had, and the anticipated up take of projects was lower than anticipated.

MS JONES: Okay.

This year you are budgeting a little more than you actually spent last year. Is that for any specific initiative, or do you expect there will be more demand for those grants this year?

MS DUNDERDALE: I hope the weather is going to be better and we are going to have more up take.

MR. WHALEN: It is the final year of a five year agreement, so that is the money that is basically left.

MS JONES: Okay.

Is this the last year of the agreement?

MR. WHALEN: This is the last year of the agreement.

MS JONES: Okay.

This agreement has a tremendous amount of money from the federal government being invested into it. Is all of this administered by the department?

MR. WHALEN: Yes.

MS JONES: All of the applications and proposals come directly to the department, do they? It is not assessed by an arm's-length or independent board or committee?

MR. WHALEN: We have a board set up, which is made up of industry, the federal government and provincial government.

MS JONES: Yes. This is the same board that the Auditor General reported on in his last report, isn't it?

Just a second. I just have to look something up.

CHAIR: Does anyone have any other questions in the meantime?

MS JONES: I will just be a second.

CHAIR: Okay.

MS JONES: Sorry for the little delay.

This board that administers this program, are they appointed by government?

MS DUNDERDALE: There is industry representation and federal government representation. We appoint our representation and the federal government appoints theirs.

MR. WHALEN: (Inaudible) agreed upon by federal and provincial.

MS DUNDERDALE: (Inaudible) agreed on by both the federal and provincial government.

MS JONES: Okay. I think the issue around this in the Auditor General's report - I am sorry that I do not have all the proper information organized in front of me, but I think they were addressing the issue of weaknesses in the assessment of these proposals and applications before the funds were going out, and I think they identified a number of proposals that they were concerned about.

MS DUNDERDALE: The Auditor General identified a number of issues around assessment and around the documentation on file and follow up.

MS JONES: I think I am just going to have to skip over that because I do not have the time, but there were some questions that I did have on it. Maybe I could send a note off to your officials with regard to that.

MS DUNDERDALE: Sure.

The Auditor General's report has been carefully reviewed by the department and significant efforts taken to reduce the deficiencies that he noted.

MS JONES: Yes. I know there were some concerns around the approval process, the assessment process, the monitoring, I think, of a number of these applications after they had gone out.

MS DUNDERDALE: Yes.

MS JONES: Are all of these responsibilities those of the department?

MS DUNDERDALE: They are shared between

the three - this is a federal-provincial program and these responsibilities are shared between the federal government and the provincial government.

MS JONES: Okay. I guess I misunderstood in the beginning, when I asked if all of this was administered by your department you said yes, and then I asked about the board.

MS DUNDERDALE: Yes, but it is overseen by the board with federal representation, provincial representation, industry representation as agreed to by both the federal and provincial governments. That is the board that oversees the whole process and the whole administration of this program.

MS JONES: Okay. Before we move away from the agriculture piece, there were just a couple of other questions. One is with regard to the chicken farm industry in the Province. I am wondering if that industry has been stabilized or more stable than it used to be? Just an update on what has been happening with that industry.

MS DUNDERDALE: I have met with the industry association. Like any business operating - not only here in the Province, I guess, but in the country - they have their challenges from time to time, but the industry does appear to be fairly stable, and some would say thriving.

MS JONES: Okay. Good.

Now we can move on to Mineral Resource Management, 4.1.01. The first question, again, would be as it relates to Salaries in that section of your department. Last year you had budgeted \$2.7 million, spent \$2.4 million. I am just wondering if there were any vacancies in the department or people on leave, layoffs, whatever the case may be? If you could give me an explanation for that.

MS DUNDERDALE: Our salary savings last year were as a result of late recruitment and vacancies.

MS JONES: How many vacancies were there?

MS DUNDERDALE: There were four Geologists III positions.

MS JONES: Were those positions based in St. John's?

MR. WARDLE: Yes.

MS JONES: Have they since been filled?

MR. WARDLE: I am sorry?

MS JONES: Have they since been filled?

MR. WARDLE: No, filling geologist positions these days is a somewhat difficult job because of competition from the private sector. We have two that we are still trying to fill. One is very close.

OFFICIAL: (Inaudible) the mines and energy sector in terms of recruiting technical people, such as geologists and engineers. The industry is growing out there and it becomes increasingly difficult to hire these people, but we have taken steps to move that whole process along.

MS JONES: You need to get yourself one of those 16.8 per cent raise increases for those positions. Just a recommendation.

This year you budgeted \$3 million for Salaries. Is that in anticipation of filling those vacant positions? Also, are you adding any new positions?

MS DUNDERDALE: Yes. There is additional funding for a geologist position. That was originally transferred to the OCIO and now it has been transferred back to us without the

funding. The Cooperative Geological Mapping Strategies, there is \$200,000 there; senior geologist for the new geoscience data management section, \$60,000, as well as required salary increases.

MS JONES: Okay. Thank you for that explanation.

Professional Services, 05., under the same heading. Last year you budgeted \$4,000, you actually spent more than \$152,000. Do you want to tell me what professional services you purchased last year?

MS DUNDERDALE: Okay. There was additional funding provided to implement the Cooperative Geological Mapping Strategies. There was \$400,000 in TSE and four hundred in Purchases Services; \$15,000 in operating for a senior geologist position with the new geoscience data management section; as well as a realignment of operating funds within the activity to provide funding and grants to support the North Atlantic Mineral Symposium, which is part of our MOU with Ireland.

MS JONES: Okay. You said \$400,00 for TSE, what does that mean?

MS DUNDERDALE: TMC.

MR. WARDLE: The specific item you referred to, I think it was \$152,500.

MS JONES: No, she said there was \$400,000 - and she used an acronym, I do not know what it means.

MR. WARDLE: I am sorry, I did not hear. Which item are you referring to?

MS JONES: Under 05., I thought you said TSE but -

MS DUNDERDALE: TMC.

MS JONES: TMC. Why would that be under Professional Services?

MS DUNDERDALE: I am sorry, I have taken (inaudible) the whole piece we have from 02. to 10.

MS JONES: Oh, okay.

OFFICIAL: I think the question she asked was (inaudible).

MS DUNDERDALE: I am sorry, this is my fault. I have confused you.

OFFICIAL: I believe the question that was asked was (inaudible).

MS JONES: That is fine. I just want to know what you spent -

MS DUNDERDALE: It was a mapping project with Natural Resources Canada.

MS JONES: Okay, thank you.

Purchased Services, this year you are looking at \$728,000. What are you actually purchasing for that?

MR. WARDLE: This is all part of the Cooperative Geological Mapping Strategies. It was part of a \$1 million enhancement to the geological survey budget to increase geoscience data collection. So a certain amount of that will involve things like truck rental, house, cabin rental, various scientific analysis, this sort of thing.

MS JONES: Okay. Also, under Grants and Subsidies, you have increased that this year to \$10,000.

MR. WARDLE: This is for a meeting that is going to be held in Dublin, Ireland. It is part of a Memorandum of Understanding with the Irish

government. It is for a program called the North Atlantic Mineral Symposium and it is held biannually with the Irish government.

MS JONES: What did you spend the \$2,800 on last year? - just out of curiosity.

MR. WARDLE: One of the items was the death of a geologist in one of the surveys elsewhere in Canada. We gave a grant to a scholarship fund in his memory. The rest of it, I am not sure. That was about \$1,500.

Yes, we would have given some to the CIM, the Canadian Institute of Mining and Metallurgy.

MS JONES: Okay. Under Mineral Lands, I just have a question under Purchased Services there. What services would you be purchasing? Last year you spent \$92,000. Do you want to tell me what you spent that on?

MR. WARDLE: Normally, Purchased Services would be spent on field operations. Again, it is a similar sort of thing: truck rentals, accommodations, rentals.

MS JONES: Okay. You are not projecting to spend as much this year?

MR. WARDLE: No. The activity is somewhat less in that area this year. Last year a lot of it would have been in Labrador, this year more of it is probably on the Island.

MS JONES: Under section 4.1.03., Mineral Development, Salaries. Last year you budgeted \$1.1 million, you spent \$810,000. Why was it so much less? Did you have some vacancies in that area?

MS DUNDERDALE: There was a Director of Mineral Development and a Mineral Development Engineer. So, there were two positions there, and a Mineral Industry Analyst.

MS JONES: Three positions all together?

MS DUNDERDALE: Four positions.

MS JONES: Four. Have they been filled now?

MR. WARDLE: The positions?

MS JONES: Yes.

MR. WARDLE: A Director of Mineral Development, two Mineral Development Engineers and a Mineral Industry Analyst.

MS JONES: Have they been filled?

MR. WARDLE: Have they been filled? Sorry. No. Again, the same problem applies to filling these positions as applies to geologists there. They are in high demand in the private sector, particularly mining engineers.

MS JONES: You are budgeting for them this year. You are still actively recruiting, are you?

MR. WARDLE: Yes.

MS JONES: Okay. Under Purchased Services, of course, a very high number has been voted this year. I guess that is the Baie Verte cleanup project, is it?

WITNESS: Yes.

MS JONES: I just have a question around that because, from what I understand, you had the study in your office for three, almost four months before it was released to the public. Do you want to tell me why that was?

MS DUNDERDALE: There was an analysis that needed to be done on the report. When that analysis was completed the report was released, as well as the announcement of the funding to implement the recommendations of the report.

MS JONES: Were there any public meetings held with the community or with the public regarding that report after you had it tabled in your department and were notified that there were toxins in and around the community in which they were living? Were any of those communities consulted or any public discussions held with them?

MS DUNDERDALE: There was when we made the announcement around the funding. There was a meeting held between my department officials and representation of the municipalities in that area.

MS JONES: Yes. I believe that was held, minister, on the same day as the Budget, in the morning. I am just wondering if there was any prior consultation with them in the four-month period that your department had this information?

MR. WARDLE: No, there was no public consultation.

MS JONES: Not even public. Was there any consultation with the town, the mayor, council representatives, not necessarily public, even in-house or private discussions?

MS DUNDERDALE: (Inaudible) conversations with people in that area. As well, the MHA for that area had regular discussions with people in his district around this issue and he was in regular communication with our department on this issue.

MS JONES: So, you are telling me the MHA was informed that the report was in your department and was informed of the contents of that report?

MS DUNDERDALE: No, he was informed that we had the report and there was an analysis being done on that report. Then he was briefed that we were going into Baie Verte and what we

would be saying there when we went in. He was briefed either that day or the day before, very shortly before we went in there.

MS JONES: Is it normal that a government department would have information like this outlining that there is chemical waste, that there are toxins, that there are pollutants in and around communities adjacent to where people live? I understand, in this case, there are communities even within two kilometres of one of the mining sites. Is it unusual that government would sit on that information for four months and not release it to the public?

MS DUNDERDALE: I take exception to that. We were not sitting on the report. There was an analysis ongoing of the information. Certainly, not anywhere in that report could we find any indication that there was any immediate threat to surrounding communities. What it did identify was a number of situations on-site that needed to be addressed and it also required further investigation to see what kind of additional work is going to be required there. We expect that it will take some time and it will take substantial amounts of money to restore that site. That has been sitting there for a very, very long time without any remediation, any study, any effort to address the situation.

MS JONES: It is my understanding that a private company is going to be occupying one of the areas there that was formerly part of - I do not know which mine it was now, one of the mines.

MS DUNDERDALE: Well, there are four particular sites.

MR. WARDLE: I think that would be the Rambler site you are referring to. There is a company called Rambler Metals & Mining PLC, which is a British based company that is conducting exploration on that area at the moment. That is not part of the area that we are

addressing as part of this cleanup program.

MS JONES: Is there another company out there called Altius Minerals or something?

MR. WARDLE: Altius was the previous operator. They have optioned the property onto Rambler Metals & Mining with a retained share in the project.

MS JONES: Okay, but -

MS DUNDERDALE: There are four different sites to this piece of work. Not all of them are involved in the remediation.

MS JONES: The company that is currently doing some work out there, what company is that?

MR. WARDLE: That is Rambler Metals & Mining.

MS JONES: Okay. One of the parts of the site that they are on, wasn't that part of the former mining operation?

MS DUNDERDALE: (Inaudible) that this report deals with.

MS JONES: Okay.

MS DUNDERDALE: There are four different areas in this that these mines occupy, and we are dealing with two contaminated sites. Two of the sites are contaminated. That is what we are dealing with. Two are not, and Rambler is in one of them.

MS JONES: Okay. Is anyone in the other site?

MR. WARDLE: The Baie Verte site?

MS JONES: Yes.

MR. WARDLE: There is no current exploration

work going on at the Baie Verte site. It is completely abandoned.

MS JONES: Okay. Also under mining, I guess I have a couple of other questions. First of all, what would be the status of the hydromet facility at Long Harbour?

MS DUNDERDALE: Work is progressing. They have until November 15, 2008 to say whether hydromet is working or isn't working. We are aware that there are a number of challenges with this technology. At this point in time, we cannot say whether hydromet will work or will not work.

MS JONES: Yes, I would just like to know what is happening there. I know there was some dispute over the site allocations. I also know they are going through the environmental assessment process now for Long Harbour. Has anything started there with regard to a hydromet facility at all? Are there Inco employees on the ground out there in Long Harbour right now?

MR. WARDLE: No construction has started at Long Harbour. They are still in the environmental assessment process. All of the work that is currently going on really is connected with the Argentia demonstration plant. This is the plant that is attempting to prove hydromet as a commercial technique.

MS JONES: Yes. How many people are working at the Argentia site with Inco?

MR. WARDLE: I am sorry, I do not have that information at hand but I can get it for you.

MS JONES: Okay. Can you tell me how much royalty the Voisey's Bay project turned into the government this year? What the exact amount was?

MR. WARDLE: We would have to check with the Department of Finance.

MS JONES: You do not have the breakdown, do you? I can tell you from the Estimates how much went into mining, \$200 million in new royalties. I do not know what the breakdown is per mining operation.

MS DUNDERDALE: I do not have the breakdown with me, that is in Finance.

MS JONES: Okay. Would you be able to get that information for me?

MS DUNDERDALE: We will ask Finance for the information.

MS JONES: Has there been any further discussions regarding new mining operations in Labrador?

MS DUNDERDALE: There is tremendous activity in Labrador in terms of claims staked. There are a number of companies up there that are looking at potential mining activity. They are in regular contact with our department. There is a process that they have to go through and they are at various stages in that process.

MS JONES: I am aware of most of the discoveries in Labrador in the last number of years. You can only go on reports that you hear of their significance. There has not been any formal discussions with government around any of those potential discoveries being mining operations has there?

MS DUNDERDALE: Well, these companies come and meet with us on a regular basis. I have met with any number of them. There are a number of steps that they have to go through, such as a bankable feasible study, all of those kinds of things. They are progressing in that work. Until that work is done there is not a lot that we can do, other than provide the information that we make available right across the industry in terms of support to industry, information, and all of those kind of things; to

be supportive and to talk to them to see if there are ways that we can be helpful, and wait for them to do their due diligence piece.

MS JONES: What is the status of mining exploration now in the Province? Is mining exploration up or down?

MS DUNDERDALE: It is up.

MR. WARDLE: Yes, it has gone up significantly from last year. We had a total expenditure of \$98 million last year and it has gone up to \$116 million this year, which is a record level in current dollars.

MS JONES: Where is the bulk of the exploration being concentrated to?

MR. WARDLE: Where is the bulk of the exploration?

MS JONES: Yes.

MR. WARDLE: Labrador, Eastern Labrador.

MS DUNDERDALE: It is interesting to note that at the PDA Conference in Toronto earlier this year, that it was noted time and time and time again by the industry that this Province is the best place in the country to do business in terms of -

MS JONES: For the mining industry?

MS DUNDERDALE: For the mining industry in terms of the support from government, the whole approach that we take in terms of our regulations. There was extremely high praise for the people who do this work on our behalf in the department and we are being lauded right across the country, not only in terms of testimonials at conferences such as PDA, but also in their own industry materials.

MS JONES: I guess they like our mining and

mineral tax legislation. That is good to hear. It is also good to hear that there is lots of exploration going on in Eastern Labrador.

The Duck Pond mining operation is now open.

MS DUNDERDALE: I think the official opening is tomorrow.

MS JONES: Is that right?

MS DUNDERDALE: Yes.

MS JONES: I toured their mine, actually, a couple of months ago and I was really impressed with what they had done then.

One of the issues out there was definitely around the camp operations. I am wondering if that has been resolved or not?

MS DUNDERDALE: It has been resolved. One of the communities had some issues and I think Aur Resources has worked very proactively with them and any objections that were raised with my department have been withdrawn.

MS JONES: Okay. I am left with the conclusion that they will operate as a camp operation, will they?

MS DUNDERDALE: Yes.

MS JONES: Okay.

Let's move into the Energy sector. Under 5.1.01, Salaries. Again, \$1.2 million budgeted only \$700,000 spent. What was the reason for that? Were there vacancies under that head?

MS DUNDERDALE: Again, some of the variances are due to delays in finalizing the restructuring of the Energy branch. Recruitment issues associated with filling positions is still a major challenge for us. Again, due to the

competitive nature of the industry. That explains most of the variances.

MS JONES: Can you tell me what vacancies there were?

MR. KIELEY: The vacancies were mainly due to - we had positions identified last year in terms of restructuring the Energy branch and adding different positions. Due to the delays of that restructuring, those positions, at the end of the year, were still vacant.

MS JONES: Okay. Are they going to be filled now?

MR. KIELEY: Yes, they are. We are aggressively pursuing that restructuring process now. It is almost complete. We started the process of filling a number of those positions. It just was delayed for a certain period of time. A lot of that was taken care of the latter part of last year and we are finalizing filling the positions now. We have had several positions posted and in the paper throughout the last little while.

MS JONES: Okay. Can you tell me how many positions it is?

MR. KIELEY: Perry, do you know how many vacant positions we have now?

MR. TOBIN: There are about a dozen vacant positions following from the restructuring that we have left to fill.

MS JONES: Twelve?

MR. TOBIN: Yes, roughly twelve - ten, twelve positions - including a couple of senior level positions at the director level, but also a number of manager and technical positions identified in the new structure.

MS JONES: Okay.

MR. KIELEY: A lot of the salary savings is due to some delays in filling the positions we currently have in place. For example, we have a new executive structure in place in the Energy branch that was not filled probably until the middle part of the year. So, because of those delays you are seeing some salary savings associated with that as well.

MS JONES: Okay. Also, under Purchased Services, last year you spent \$190,000. Do you want to tell me what that was for?

MR. TOBIN: That could be on a variety of items, such as intelligence reports, conference sponsorships, maps, printing; a variety of typical types of things that would fall under the Purchased Services heading.

MS JONES: Okay. This year you are budgeting \$284,000?

MR. TOBIN: Yes, and that would be a reflection of the fact, I guess, once the department is fully staffed, the level of activity in a variety of areas would increase.

MS JONES: Okay.

Also, under 5.1.02, Petroleum Development, still under Energy Resources, Salaries. Last year you budgeted almost \$760,000 but you only spent \$400,000. Do you want to tell me what vacancies or how many vacancies there were and why they were not filled?

MR. TOBIN: In that particular area, the number of vacancies, there would be a Director of Petroleum Geoscience, a Director of Petroleum Engineering and a number of technical positions in the geoscience and engineering field which have proven to be difficult to fill, as Mr. Kieley and the minister have indicated.

MS JONES: How many positions?

MR. TOBIN: In that particular area right now, I would say we are down approximately five positions.

MS JONES: Section 5.1.03, this is the Canada/Newfoundland and Labrador Offshore Petroleum Board. Grants and Subsidies, is that just one grant made to them annually for their operations, minister?

MS DUNDERDALE: The \$5,825,000?

MS JONES: Yes.

MS DUNDERDALE: Yes.

MS JONES: Okay. Why is that amount increased this year over last year?

MS DUNDERDALE: As I said in my opening remarks, we have made an additional investment of \$925,000 to the board for their data repository and \$450,000 to increase their base budget because we do have an increase in offshore exploration and production forecasts.

MS JONES: Under 5.1.04, Royalties and Benefits. The salary again last year was down by over \$600,000 to what was budgeted. Again, I can only assume it was probably due to vacancies, was it?

MS DUNDERDALE: The same explanation as we have given under the other two headings.

MS JONES: Can you tell me how many vacant positions it was?

MR. TOBIN: Most of the vacancies in that area would have applied to the area of royalty auditing, between that area and a couple of vacancies in the benefits division. Once again, there would be around five or six positions.

MS JONES: Okay. Also under that section, the Professional Services that you purchased, what

kind of professional services is that?

MR. TOBIN: That would be for outside auditing firms who were retained - be it by virtue of the fact that we did not have our own audit expertise - that would be Grant Thornton and Navigant Consulting. We also retained Wood Mackenzie as a Senior Energy Advisor for the Province. That would have accounted for the whole \$750,000 last year.

MS JONES: What was the name of the firm again?

MR. TOBIN: The three firms were: Grant Thornton, Navigant Consulting and Wood Mackenzie.

MS JONES: Also, under Grants and Subsidies, what do you give out grants and subsidies for under this part of the department?

MR. TOBIN: Minister, would you like me to take that?

MS DUNDERDALE: I am sorry, I did not hear the question.

MS JONES: Minister, under 5.1.04.10, again, Grants and Subsidies. Last year you gave out \$1.1 million, or a little more. Can you tell me what kind of grants and subsidies they are, who is eligible to access it?

MS DUNDERDALE: There was additional funding provided for the Petroleum Research Atlantic Canada, PRAC, an Atlantic Canada research agency and we funded to the tune of \$100,000. That leverages additional money, and there are other partners in that group. Also, \$1,135,000 of that was a grant for Bull Arm, which covers utilities, security, snow clearing, salaries and insurance.

MS JONES: How much was the Bull Arm grant again?

MS DUNDERDALE: It was \$1,135,000.

MS JONES: All of it went to Bull Arm last year?

MS DUNDERDALE: The \$1,135,000 went to Bull Arm and the other \$100,000 went to PRAC.

MS JONES: Yes. This year, I am assuming, the grant to Bull Arm will be the same?

MS DUNDERDALE: Yes.

MS JONES: Again, under 5.1.05, Energy Initiatives. You talked about this in your opening remarks with regard to the Energy Plan. I guess my first question is: Where is the Energy Plan? When can we expect to see it?

MS DUNDERDALE: As the Member for Cartwright-L'Anse au Clair would know, putting together an Energy Plan is no small feat, given that her government announced one in 1998 and there was still no sign of it up to 2003; nor was there any work completed towards an Energy Plan by 2003 that we could find. So, we had to start from scratch. We are now into our third draft of the Energy Plan. It is very near completion. Again, as I have said on any number of occasions, this is probably the most important policy document that this government will put forward. We are determined to do it properly and to take the time required. When that is done, the Energy Plan will be announced.

MS JONES: We can expect to see it in this fiscal year, I would assume, by looking at the Estimates?

MS DUNDERDALE: Yes, absolutely.

MS JONES: I know this particular section is to implement the Energy Plan but I am not sure how the Grants and Subsidies portion is going to work. How does that tie into those Estimates to be voted there?

MS DUNDERDALE: Well, there are going to be a number of initiatives and strategies associated with the Energy Plan. That is why we have block funding of \$12 million included in this Budget. All of that money is frozen until we have the Energy Plan and those initiatives and strategies are announced and made public. So, I really cannot go into any more detail than that until the Energy Plan is released.

MS JONES: All of that piece will be done by government, not by Newfoundland and Labrador Hydro?

MS DUNDERDALE: Parts of it will be done by Newfoundland and Labrador Hydro and parts of it will be done by government. It would be a wide variety of initiatives in the Energy Plan.

MS JONES: First of all, I guess, just a couple of questions under this section before I get into other questions. What is the energy demand for the Province right now? Are we able to supply what the demand is? What are the projections in the long term?

MS DUNDERDALE: We are able to meet all of our energy demands at the moment.

In 2009, we also have available to us 300 megawatts from the Upper Churchill. So, all of our energy needs are being met at the moment.

MS JONES: So, we are not projecting any -

MS DUNDERDALE: There is no projected shortage, certainly, in terms of the Island. In terms of industrial development, that will depend on what energy supplies are available to it. That assessment will be undertaken by companies or the industry looking to expand into the Province, either in Labrador or on the Island.

MR. KIELEY: Hydro is responsible for forecasting supply and demand. If there is a

forecasted need, if additional industrial development comes on, they are able to plan for that particular supply. At this point in time, they are able to plan for that supply.

MS JONES: With the closure of the Abitibi mill, has that added to the supply projections of the government for energy?

MR. KIELEY: That does provide available capacity for other uses on the Island, yes.

MS JONES: Do you know what that capacity is, right off?

MR. KIELEY: I can get that for you. Off the top of my head, I would not be able to -

MS JONES: Last year the government paid \$10 million, I think, for industrial power because of the closure of Abitibi-Price. Will that need to be done again this year?

MS DUNDERDALE: No. Under the Rate Stabilization Plan, all the industrial users in the Province have their electricity rates - there is a levelling process that goes on so that they are better able to manage their costs. They all take a share of - when costs are accumulated, they are spread out over a certain period of time and each of the industries involved in that plan own a portion of that debt. So, when Abitibi closed in Stephenville, their portion that they would have been responsible for was \$10 million. Under the requirements of the plan, now that Abitibi Stephenville no longer exists, the other industrial users would have had to pick up that \$10 million. So, they would have had to absorb Abitibi's share of the money that was in that pot to be paid down. Government felt that this was onerous on the other industrial partners in the plan and so we paid down the \$10 million in support of the other industries under the Rate Stabilization Plan, and that was a one-time payment.

MS JONES: Okay. So, the agreements have already been worked out between the industrial customers to pick up the \$10 million in cost this year?

MS DUNDERDALE: Well, they still have to pay their own proportional share under the Rate Stabilization Plan, but they do not have to pick up and pay off Abitibi Stephenville's portion of that debt.

MS JONES: Okay, I am not clear.

MS DUNDERDALE: In the smoothing out of power rates, the Rate Stabilization Plan is used to do that, so that everybody can plan so they can manage their rate increases and manage their businesses and the costs and their energy needs in the business in a regulated way. The difference between what they pay every year and what the real cost of electricity is goes into this pot, so to speak. All of the players who are in the RSP are responsible to pay down that debt.

MS JONES: Yes. I do not understand. If they are not -

MS DUNDERDALE: If one of them, for some reason or another, like in the case of Abitibi Stephenville, goes out of business or is unable to meet its obligations in the RSP, the other industrial customers in that plan have to pick up their share of the debt.

MS JONES: Yes, that is what I said.

MS DUNDERDALE: Pick up Abitibi's share?

MS JONES: Yes.

MS DUNDERDALE: Yes. So that would have meant that the other industrial customers involved in the RSP last year would have had to pay down their own debt, their own part of the plan, plus they would have had to pick up the

\$10 million owed by Abitibi Stephenville.

MS JONES: Yes, and I understand that did not happen last year.

MS DUNDERDALE: Because we paid the \$10 million.

MS JONES: That is right, but it is going to happen this year?

MS DUNDERDALE: No it is not, because Abitibi is no longer in the plan.

MS JONES: Okay. So that amount of electricity comes out of that formula?

MS DUNDERDALE: No, they are not using electricity. It is the difference between what they pay and what they owe that goes into this pot.

MS JONES: Okay.

MS DUNDERDALE: They are not operating, so they are not accumulating.

MS JONES: Okay, I missed a step there. Sorry. Thank you. I have that now.

Do you know if there are any plans for electrical rate increases over the next couple of years?

MS DUNDERDALE: From Newfoundland and Labrador Hydro?

MS JONES: Yes.

MS DUNDERDALE: They were preparing for a rate increase application, and through negotiations and so on, we actually ended up in most sectors with no change or with a decrease in some areas.

MS JONES: Yes. I knew they had an application, but then they withdrew the

application.

MS DUNDERDALE: Yes. They did an announcement on that. It was because of negotiations that they were able to deal with different groups involved - that they were able to withdraw the increase and maintain, and some support from government as well.

MS JONES: Does the government have any intentions of moving forward with the developments of the Island Pond hydro resource?

MR. KIELEY: Island Pond resource?

MS JONES: The hydro resource.

MR. KIELEY: Any immediate plans?

MS JONES: Yes.

MR. KIELEY: Again, that would be in the purview of where hydro is going. There is no immediate plans at this point in time to proceed with that. It would be part of Hydro's future supply planning.

MS JONES: I guess any movement on small-scale hydro projects will depend upon the Energy Plan, will it?

MR. KIELEY: Yes.

MS JONES: You do not want me to ask you about the Metis wind project.

MS DUNDERDALE: Sure, I would be happy enough to answer it.

MS JONES: I do not think I am going to get into that tonight, minister, because I have too many other questions here now.

MS DUNDERDALE: That is fine.

MS JONES: One thing I do want to ask you is with regard to the emissions from the Holyrood generating station. I know there was some debate around using scrubbers on that system to help reduce emissions and then they changed the grade of crude they were using in the -

MS DUNDERDALE: We did reduce the sulphur. We are down to 1 per cent in sulphur fuel.

MS JONES: Yes, (inaudible) in emissions. What is happening there now? I know recently there was some petition from the residents in that area to government members.

MS DUNDERDALE: It is a concern to citizens in the area. It is certainly a concern to Newfoundland and Labrador Hydro and it is a concern to the government of the Province. Holyrood is always on the top of our priority list. It is always part of our discussions around energy. It is a piece of our Energy Plan. There are a number of solutions being considered. The scrubbers have not been eliminated. The significant investments of late have been the reduction in the sulphur fuel, we are down to 1 per cent. The two wind projects on the Island were designed specifically to reduce the amount of fuel being burnt in Holyrood and longer term solutions will be addressed in the Energy Plan. All of the solutions, including scrubbers, are going to take some time if we start it tomorrow.

MS JONES: What is the cost of using scrubbers on those stacks?

MS DUNDERDALE: I cannot tell you right off the top of my head right now what the cost of using scrubbers were and is, but we can certainly find that information for you. The installation piece of it, to get them properly installed, the time line is somewhere around 2015. It would take significant time. The costs are significant, as well as the amount of time it will take to get them in place.

MS JONES: Yes. I ask because I remember reading it in a study, maybe about a year ago, that was done by either Newfoundland and Labrador Hydro or a firm consulted by them to do some evaluation on that work.

MS DUNDERDALE: There is significant work being -

MS JONES: Yes. I seem to forget what the cost figure was attached to each one of those, but if you can get it for me.

MS DUNDERDALE: Yes. I cannot recall right off the top of my head but certainly scrubbers are under consideration, as well as a number of other options.

MS JONES: Yes. When we were talking about Abitibi there, just to get back for a second, what is happening in Grand Falls now? Have they kind of moved forward with a plan or are they still doing their evaluation?

MS DUNDERDALE: My understanding is they have developed a plan. It has been accepted by the union, by management and by their parent company. Now, they have set about implementation.

MS JONES: Okay.

Recently, as you know, there has been a rebate for domestic users of diesel generated power in Labrador. Actually, very welcomed news by people up there, as you know. I guess one of the concerns that I have with regard to that is the power consumption piece because I am quite familiar with diesel operated power, having lived in one of those communities all of my life. I also know that many of them cannot handle much larger capacity than they are already producing. I am just wondering how government is going to manage that aspect of it? Because the rates will be substantially cheaper and it will be much cheaper to operate your

home through electric heat than it will be through oil-fired heating systems.

MS DUNDERDALE: That managed within that program because the lower rate is within the lifeline block.

MS JONES: Okay. It is capped at the lifeline block, is it? The reason I ask is because when I had the briefing with Newfoundland and Labrador Hydro they were not clear on whether it was going to be maintained within the lifeline block or not.

MS DUNDERDALE: It is certainly my understanding that it is going to be maintained within the lifeline block.

MS JONES: Okay. The lifeline block and that service is categorized into three separate categories. I guess you would not know what block they were going to use, would you? It is 700, 800 to 900,000 kilowatts and then at 1,000 kilowatts.

MS DUNDERDALE: It is 1,000.

MS JONES: At 1,000, is it?

MS DUNDERDALE: Yes.

MS JONES: Okay.

MS DUNDERDALE: That is our understanding but those details, as Chris said, are being worked out by Hydro, but it is my understanding that it is 1,000.

MS JONES: Was any consideration given to offering the Labrador grid rate to commercial users as well?

MS DUNDERDALE: All of that would have been considered. Most of this was developed in - well, there were some discussions, certainly, in terms of the development in the energy plan; a

major part of the discussion was under the Northern Strategic Plan. All of those things certainly would have been in the discussion piece.

MS JONES: That is a huge concern for us, especially when you are talking about trying to create business and opportunity in rural communities. Right now, commercial users in that area are paying up to nineteen cents a kilowatt hour, whereas other businesses under the Labrador grid system would be paying under five cents a kilowatt hour; some of them as low as one-point-seven cents a kilowatt for industry related activity.

I just want to encourage government to look at that very seriously, for a couple of reasons. One, we certainly feel that there are enough royalties coming out of Labrador to start putting back something to commercial operators. I think that once you look up the figures for me under the Voisey's Bay royalty this year, that you will see it is in excess of over \$100 million. I would think a subsidy to commercial operators that are on a diesel system would probably only cost the government somewhere around \$2 million to \$2.5 million. That is why I am wondering if the evaluation was done or not, because I am making a guess based on what their consumption would be and what the population is up there and what percentage of that would be business. So, based on the domestic subsidy of \$1.6 million, I would think that it would probably be at least \$1 million more annually. You would not have those figures, would you?

MS DUNDERDALE: No.

MS JONES: Okay. I think Keith Deering used to be the Director for Forestry in Labrador?

MS DUNDERDALE: He was.

MS JONES: I think that he would be able to

relate to the difficulty it is for industry. The forest industry was one of those areas that we had tremendous problems with because of the price they had to pay to access power to be able to develop any kind of secondary processing operations. Even if it was just a sawmill, the rates were very high. If you are going to encourage any kind of industry development in areas like that, you really need to address the price of power right now that they are having to pay.

My next question is with regard to power rates in Labrador West. Over the past three years there have been increases. I think that the power rates in Labrador West have been increased by about 150 per cent to bring them up to a rate with the Labrador grid rate. Can you tell me how much revenue went to the government as a result of those increases, or to Newfoundland and Labrador Hydro, I guess?

MS DUNDERDALE: I would not have that information with me.

MR. KIELEY: Well, basically, it all comes down to how the costs are allocated. Because Labrador West became part of the interconnected system, I would not necessarily say there was any additional revenue there. It is in terms of how the costs are allocated with respect to the rate setting.

MS JONES: I do not understand. If they increased the rates in an area where you have probably 7,000 or 8,000 people by 150 per cent over three years, there would have to be some new revenues, wouldn't there?

MR. KIELEY: Well, it comes down to how the rate setting system is developed within the Labrador system. It comes down to how costs are - because they were not part of the interconnected system before and it is being phased in, in terms of being part of the interconnected rate setting system for Labrador,

it is how the costs to deliver that power within Labrador, allocated amongst everybody in Labrador. I do not have specific numbers in terms of what particular portion of that will be related to the rate of return that Hydro would generate from that, but, basically, it has to do with how the cost of providing power to Labrador is getting allocated to the entire of Labrador.

MS JONES: Yes. Can you get that information for me?

MR. KIELEY: We will get you some information -

MS JONES: Not the cost of providing it to all of Labrador but what the revenue would have been coming out of Labrador West at the end of the increase; three years after to what it was three years before.

MR. KIELEY: What additional revenue would Hydro or the government get? I will get that for you because, like I said, I think the answer would come into how the system works with respect to how the costs are distributed amongst the users of electricity in Labrador. I can get that for you.

MS JONES: Yes, okay. Also, have there been any discussions with the Iron Ore Company of Canada regarding a new contract for Hydro power?

MS DUNDERDALE: Yes.

MS JONES: Okay. And, how are these discussions going?

MS DUNDERDALE: My understanding is, at the last meeting IOC was asked to go back and develop a proposal. That proposal has not been received, to my knowledge, to date.

MS JONES: How long ago was that?

MS DUNDERDALE: Several months ago. IOC's contract is not up until 2014.

MS JONES: I just understand from discussions I have had with them, that they felt it was necessary to have a new contract in order to look at future expansion within the company. I would guess that it is more pressing for them in terms of planning for their ten-year developments or expansions in Labrador. I guess my next question is: Do you see this issue getting sorted out, or a contract negotiated within the next year?

MS DUNDERDALE: We are waiting for the proposal from IOC.

MR. KIELEY: To add to that, too, minister, part of the whole energy plan process too, is one of the issues we need to deal with in Labrador is dealing with industrial rates generally in Labrador and how would they be used going forward. That is a general issue we need to deal with in terms of trying to advance other developments and industrial developments in Labrador.

MS JONES: Do you want to give me an update on the Lower Churchill Development Project? I know where it is in its environmental stage.

MS DUNDERDALE: Yes. It has been approved for environmental assessment provincially. We are waiting for approval of environmental assessment federally. There have been a number of contracts recently let by Newfoundland Hydro on financing and engineering. So, work is progressing well.

Applications have been made for transmission through Quebec under the various processes that are available to us. As well, applications have been made in New Brunswick, and we continue to talk with a number of potential customers in Canada and in the United States.

MS JONES: Okay. Did you say you are continuing to have discussions with Quebec as well?

MS DUNDERDALE: There are discussions with Quebec and Newfoundland Hydro around the access piece. There are no formal negotiations with Quebec as a customer of our power at this point in time.

MS JONES: Okay. Only New Brunswick and -

MS DUNDERDALE: Well, there are any number of discussions with different provinces and a number of North Eastern States.

MS JONES: What is the status of your application to Hydro TransEnergie? That is the company, Hydro Quebec or whatever you call it, with regard to the transmission of -

MS DUNDERDALE: That process is moving along smoothly. There is a very clear process laid out and we are following that process, moving through it very easily, cordial relations between the regulators in our Province, as well as the regulators in Quebec.

MS JONES: Do you have a time frame on having that completed?

MS DUNDERDALE: Well, it is when the studies are completed as part of the process.

MS JONES: So, there is no time frame there?

MS DUNDERDALE: It is difficult to put a time frame on it. We know that we are first in the queue. There are very specific steps laid out in the process and we are moving through them fairly smoothly.

MS JONES: You talked about an alternate route, the Anglo-Saxon route or through the Maritimes. Have you done any work around that at all?

MS DUNDERDALE: Yes.

MS JONES: Okay. What have you done?

MS DUNDERDALE: Well, we have done work around it to assess what that would mean, what would be involved in that, and that is certainly one of the options that we are considering.

MR. KIELEY: Hydro has been doing a lot of investigations as well, as to how this particular technology is used throughout the world - over in Europe, for example - and doing some studies in terms of how technically it can be done and are looking at the economics of actually doing that as well. So that work is ongoing.

MS JONES: Okay.

MS DUNDERDALE: It is done, and some of it is quite extensive.

MS JONES: Have you done any analysis on what it would cost to build a power line through Southern Labrador?

MS DUNDERDALE: Yes.

MS JONES: What is the cost?

MS DUNDERDALE: I do not have that information with me, but all of those things are under analysis in the development of the Lower Churchill Project. All of that would be taken into consideration and costed so that we understand clearly what the challenges are and where the opportunities are.

MS JONES: Okay. Have you had any recent discussions with the federal government regarding any loan guarantees for the Lower Churchill?

MS DUNDERDALE: I have not had any direct engagement with the federal government on that issue, up to this point.

MS JONES: Have you had any discussions with - I know you have with the Innu - the Labrador Metis Nation regarding any developments related to the Lower Churchill Project?

MS DUNDERDALE: They were part of our energy plan consultation.

MS JONES: Yes, so was everybody in Labrador. I am talking about specific consultations or negotiations of any kind.

MS DUNDERDALE: The Metis or somebody in Labrador.

We will continue, and when we did our series of open houses on this project in Labrador, within the last two months the Metis were given - the Innu, the Metis, and the Combined Councils of Labrador were all given individual briefings.

MS JONES: What time frame are you working with now in terms of a potential start of the Lower Churchill Development Project?

MS DUNDERDALE: Sanctioned in 2009, first power in 2015.

MS JONES: I have some questions around the oil and gas sector. So, I will move on to that now.

Lately, I guess, there have been some comments made in the national papers with regard to potential discussions with Hebron-Ben Nevis again and the Province. Can you give me an update on what the status of any discussions, talks, negotiations, anything that is ongoing with regard to the Hebron-Ben Nevis project?

MS DUNDERDALE: Well, I am not quite sure, Mr. Chair, how that is related to Estimates. However, there are always low-level discussions happening and they continue. We have an open-door policy. We are happy enough to sit with

the developers of Hebron at any time and resume discussions.

MS JONES: I would like to point out, Mr. Chairman, that oil and gas does fall under the minister's department and any questions are relevant, in my opinion.

Could you please provide -

CHAIR: We are dealing with the Estimates but (inaudible).

MS JONES: Yes, and we are dealing with the Energy Estimates right now.

CHAIR: So, you do have questions with respect to the Estimates for it?

MS JONES: Yes, I do, with respect to the oil and gas industry. The same as I did for forestry, mining, hydro power, agriculture.

My next question would be with regard to the Hibernia South project. Are there any ongoing discussions there?

MS DUNDERDALE: Hibernia South has gone back, the companies have gone back, the operator has gone back, to do further work to answer the questions that were identified, and we look forward to a new application for development.

MS JONES: Any time frame around the new application?

MS DUNDERDALE: That is entirely in the hands of HMDC.

MS JONES: What level of interest has been expressed in your Call for Bids?

MS DUNDERDALE: In our last Call for Bids, in the Jeanne d'Arc Basin, we had the second highest bid per hectare for land in that area since

1995. Over a decade, the second highest amount per hectare ever paid for land in the Jeanne d'Arc Basin.

There were land sales on the West Coast of the Island where we got the lowest acceptable bid on three of them, I think, and on the fourth one we got a little higher than that. That was unexpected, given this is largely virgin territory; very little exploration having gone on there. So that would have certainly been within our expectations.

MS JONES: Okay. What about the exploration commitments for this year in the Province? Are they up or down?

MR. KIELEY: The outstanding exploration commitments now are about \$800 million, from what I understand. Chris?

MR. TOBIN: Yes, when you net out the cost of the first well in the Orphan Basin, which have not been determined yet.

MS JONES: How does that measure up with what would have been done last year or two years ago?

MR. KIELEY: Just to be clear, that is not what is going to be spent in this particular year. That is what is outstanding for the next number of years.

MS JONES: Okay. I am glad you clarified that. It makes a big difference.

Do you have the calculations - well, I am sure you do - on the latest royalty from each of the different projects, how much that you are now receiving from each of the producing projects this year and how much you would have received since each of them started producing? We would be going back a few years here. You would have those numbers, wouldn't you?

MR KIELEY: Yes, we would have the numbers with respect to how much royalties we received.

MS JONES: Okay. And you would have the royalties based on each producing field over that period of time, right, up to current?

MR. KIELEY: Yes, we would.

MS JONES: Can you give me those numbers?

MR. KIELEY: I can get back to you on those numbers.

MS JONES: I am going to have a lot of notes coming at me after this.

MR. KIELEY: We will be able to give the accumulative numbers, in any event, of what we have received on the three projects to date.

MS JONES: Yes, but don't you have them broken down on an annual basis?

MR. KIELEY: Yes, we do.

MS JONES: I would prefer to have the ones that are broken down on an annual basis.

MS DUNDERDALE: Mr. Chair, we will see what we have. We will certainly provide as much information as we can with regard to it. There is a significant piece of work associated with it. It may take us some time to put that together.

MR. KIELEY: There may be confidentiality issues associated with the individual but those are the types of things we need to determine.

MS JONES: I think it is pretty much reported though ever year in their annual reports, but I just thought you might have it all together as a package so it would make it a lot easier.

MS DUNDERDALE: (Inaudible) information that we are free to share with you and we have on hand, we are prepared to do that.

MS JONES: Okay.

MS DUNDERDALE: It is difficult for us to say without reviewing the agreements and so on, what we will be able to provide but whatever we can provide you can have.

Would you also like to know how much they are making? Could we include that in your information as well?

MS JONES: Yes, sure, go ahead.

MS DUNDERDALE: Good.

MS JONES: That would be great. More than you are making, I am sure.

MS DUNDERDALE: Significantly.

MS JONES: What is happening with White Rose? Are they going to be constructing a new GBS or a FPSO for the White Rose expansion?

MS DUNDERDALE: The application for the White Rose expansion has not been approved yet. All of that will be matters for negotiation.

MS JONES: Okay. Are you anticipating any delays or stoppages in any of the offshore projects this year or next year?

MS DUNDERDALE: No.

MS JONES: The next question is with regard to the 8.5 per cent share of Hibernia that is being held by the Government of Canada. Has there been any discussions about transferring those share agreements to the Province?

MS DUNDERDALE: It is a standing request with the federal government, which they have

not complied.

MS JONES: So, there have been discussions or requests made to -

MS DUNDERDALE: The Premier has had discussions with the federal government around the 8.5 per cent interest, and the federal government has not agreed to either give us that interest or sell us that interest at this point in time.

MS JONES: I am just going to take a second to go through the rest of my notes here. I had a lot of questions but I am looking at the time, so I am just going to take some of them out. If you will just give me a minute. I do not know if any of the other Committee members wanted to ask any questions, Mr. Chairman, in the meantime.

Before I move away from this though, I do want to ask about the natural gas developments. What has been happening with natural gas? Are there any developments that are being looked at now or being finalized? Are there any timelines being placed around doing any of these developments at all?

MS DUNDERDALE: Well, companies are always assessing their assets and for some companies, natural gas - there are six TCF off the Island and four off Labrador, and people who hold these assets are, I would imagine, always assessing the exploitation of them. We are in the process of developing a natural gas royalty regime. We have that out now to some of the industry for feedback. We hope to be able to announce a natural gas royalty regime in the very near future. That will provide clarity that the industry is looking for and we hope will spur some development. There has not been dedicated exploration in the region for gas. Most of the gas that has been discovered has been accidental. We see huge potential for natural gas discovery in the Province and that will bode well for future development.

MS JONES: Are these companies looking at any particular method of processing natural gas in the Province?

MS DUNDERDALE: Well, a number of companies that we talk to, all things are under consideration. All ways of transporting gas, through pipelines, CNG, LNG and so on, are all under active consideration and analysis.

MS JONES: Okay. I am just going to move on to some questions with regard to the fabrication sites and then I will be able to conclude. So, it should not be much longer.

First of all, have you identified any work right now for the Bull Arm Site or the Marystown Shipyard?

MS DUNDERDALE: Well, we would not be involved in identifying work for the Marystown Shipyard. It is a private held facility. We are engaged in the lobby for Marystown Shipyard with regard to the frigate program. The Premier, the Minister of Intergovernmental Affairs, and myself have all lobbied federally various ministers in support of that project. We are also in regular discussions with Kiewit around securing projects for the yard, as well as other challenges that they have to deal with there and trying to find ways that we can be supportive.

In terms of Bull Arm, the new board is in place. They are doing, presently, an environmental scan to see the state of the fabrication industry worldwide and where the opportunities might be for Bull Arm. That is part of their strategic planning for a go-forward plan for Bull Arm.

MS JONES: What is it they are doing there now?

MS DUNDERDALE: The board meets on a regular basis. They are doing strategic planning, visioning planning around the Bull Arm Corporation. We have put together a

tremendous board there. There is tremendous expertise there in terms of the oil and gas industry and the fabrication piece of that industry worldwide. They bring all of that to the table. They are presently developing a piece of work that allows them to understand more fully the state, as I said, of the fabrication industry; who is ready for expansion; where projects are; the kind of work that might be available for Bull Arm. That information then will guide them in their selection of a CEO for the site and for their own business attraction efforts.

MS JONES: Is government looking at providing any funding for a graving dock at Marystown Shipyard?

MS DUNDERDALE: As I said, we are in regular contact with Kiewit and in that discussion there is talk about the particular challenges they have in doing the work there. There may or may not be a proposal come out of those discussions. There is no particular plan under discussion at the moment. We fully understand what the challenges are with regard to the Kiewit operations in Marystown in terms of securing work for the yard, and we are in a discussion with them as to how those challenges might be best met.

MS JONES: Thank you, Mr. Chairman.

I would like to thank the minister and her officials for their time this evening and for the answers they have provided. I have noted some of the information that you guys have committed to forward to me. Hopefully, I will be able to receive that in the next few days or whenever it is prepared. Other than that, I have no further questions.

Thank you.

CHAIR: Thank you very much.

Any further questions from the Committee?

Shall 1.1.01 carry?

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Carried.

On motion, subhead 1.1.01 carried.

CHAIR: I will ask the Clerk now to call the remaining subheads.

CLERK: 1.2.01 to 5.1.06 inclusive.

CHAIR: Shall subheads 1.2.01 to 5.1.06 inclusive carry?

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Carried.

On motion, subheads 1.2.01 through 5.1.06 carried.

CHAIR: Shall the totals carry?

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Carried.

On motion, Department of Natural Resources, total heads, carried.

CHAIR: Shall I report the 2007-2008 Estimates for the Department of Natural Resources carried

without amendment?

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Carried.

On motion, Department of Natural Resources Estimates carried without amendment.

CHAIR: We have two sets of minutes from previous meetings. I ask for a motion to adopt these minutes?

MR. YOUNG: (Inaudible).

CHAIR: Moved by Mr. Young, seconded by Mr. Baker, that the minutes of the Department of Innovation, Trade and Rural Development and the Department of Business be carried as circulated.

All those in favour, 'Aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Motion carried.

On motion, minutes adopted as circulated.

CHAIR: At this point in time I would like to thank the minister and her officials for their co-operation and participation. I thank the Members of the Committee and the House of Assembly staff as well. This is our last meeting, so I will probably report tomorrow.

On that, I will ask for a motion to adjourn.

MR. BAKER: (Inaudible).

May 8, 2007

RESOURCE COMMITTEE

CHAIR: Moved by Mr. Baker that this meeting adjourn.

Thank you very much.

On motion, Committee adjourned.