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Resources**

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Department of Natural Resources

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Honourable Ross Wiseman, MHA

RESOURCE COMMITTEE

Department of Natural Resources

Chair: David Brazil, MHA

Vice-Chair: Jim Bennett, MHA

Members:

Eli Cross, MHA
Dwight Ball, MHA
Lorraine Michael, MHA
Tracey Perry, MHA
Keith Russell, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Department of Natural Resources

Hon. Tom Marshall, MHA, Minister
Charles Bown, Deputy Minister, Energy
Keith Deering, Assistant Deputy Minister, Agrifoods
Tracy English, Associate Deputy Minister, Energy
Jim Evans, Chief Executive Officer, Forestry and Agrifoods
Vaughn Granter, Parliamentary Assistant
Philip Ivimey, Departmental Controller
Diana Quinton, Director of Communications
Alex Smith, Director, Mineral Development
Larry Wells, Executive Assistant

Also Present

Tony Cornect, MHA
Paul Lane, MHA
Glenn Littlejohn, MHA
Kevin Pollard, MHA
Peter Miles, Official Opposition Office
Ivan Morgan, Researcher, NDP Office

Pursuant to Standing Order 68, Tony Cornect, MHA for Port au Port, substitutes for Eli Cross, MHA for Bonavista North, for part of the meeting.

Pursuant to Standing Order 68, Paul Lane, MHA for Mount Pearl South, substitutes for Keith Russell, MHA for Lake Melville.

Pursuant to Standing Order 68, Glenn Littlejohn, MHA for Port de Grave, substitutes for Tracey Perry, MHA for Fortune Bay – Cape La Hune, for part of the meeting.

The Committee met at 9:00 a.m. in the Assembly Chamber.

CHAIR (Brazil): I would like to have everyone's attention. I would like to welcome the Committee members back, the minister, the Parliamentary Secretary, and his staff.

Before we do a formal introduction, I want to do a little bit of housekeeping. I would like to have a motion to adopt the minutes from the Resource Committee of April 25, for the Department of Innovation, Business and Rural Development.

Moved by the Member for Bonavista North.

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

Motion carried.

On motion, minutes adopted as circulated.

CHAIR: I would also like a motion to have a Vice-Chair put forward.

AN HON. MEMBER: (Inaudible).

CHAIR: The Member for Humber Valley.

All those in favour, 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: All those against, 'nay'.

The Vice-Chair is Dwight Ball.

We will move into our formal introductions. I will start with Dwight.

MR. BALL: Dwight Ball, the District of Humber Valley.

MR. MILES: Peter Miles, Opposition Office.

MS MICHAEL: Lorraine Michael, Signal Hill – Quidi Vidi.

MR. MORGAN: Ivan Morgan, NDP Caucus.

MR. LANE: Paul Lane, Mount Pearl South.

MS PERRY: Tracey Perry, Fortune Bay – Cape La Hune.

MR. CROSS: Eli Cross, Bonavista North.

MR. POLLARD: Kevin Pollard, MHA, Baie Verte – Springdale.

CHAIR: Minister.

MR. MARSHALL: Tom Marshall, Minister of Natural Resources.

MR. EVANS: Jim Evans, CEO, Forestry and Agrifoods Agency.

MR. DEERING: Keith Deering, Assistant Deputy Minister with the Agrifoods Development Branch, Department of Natural Resources.

MR. BOWN: Charles Bown, Deputy Minister, Department of Natural Resources.

MR. GRANTER: Vaughn Granter, MHA, Humber West, and Parliamentary Secretary to the minister.

MR. IVIMEY: Philip Ivimey, Departmental Controller.

MS ENGLISH: Tracy English, Associate Deputy Minister, Natural Resources, Energy.

MR. SMITH: Alex Smith, Director of Mineral Development, Department of Natural Resources.

MR. WELLS: Larry Wells, Executive Assistant to the minister.

CHAIR: Okay.

Thank you.

Now that we are all familiar with each other, just a little housekeeping on the protocol, because there are some new members here - and for the minister. What I will do is, I will start with the Opposition and give twelve to fifteen minutes. We will start with subheading 1.1.01.

At any given point if you are getting close to finishing off on a particular heading, I will give you a few extra minutes, if it is required. If not, then to keep the conversation and train of thought going, we will switch back and forth between the parties.

I do ask, Minister, if you are going to ask one of your staff to answer a question that they identify themselves so that the Broadcast Centre can identify them when they are recording, so just look to see that your microphone is on, if we could do that. At the beginning, Mr. Minister, I will give you a few minutes if you want to do just a quick intro of the department.

We will start with heading 1.1.01 adoption.

Minister.

MR. MARSHALL: Okay, thank you. Good morning, everyone.

You have met the team. When I was appointed to this position three-and-a-half months ago, I was told by the departmental secretary and by one of my predecessors that given the size of the department it would take nine months before you will feel comfortable in this role. Since I have only been there three-and-a-half months, I

am only going to answer one-third of the questions and let the experts answer the others.

Just maybe to save some time or to help you in your questioning, in terms of job losses there were twenty-one people in Forestry and Agrifoods. The way we are going to treat this today that Forestry and Agrifoods is like one department, and then Mines and Energy will be a second department. We are going to do Forestry and Agrifoods first because that is the way it is set out in the Estimates. Then we will switch, we will change the front bench and bring up the Mines and Energy people.

There were twenty-one people affected. In Forestry, there were sixteen people not recalled. These are people working on silviculture. Five were in Goose Bay, Labrador, and eleven were in Bay d'Espoir. They have bumping rights.

In Agrifoods, there were five people affected. Three are seasonal. They would be at the Deadman's Bay cranberry farm. That farm is going to be sold, and it is hoping that they will get positions with the ultimate buyer. The other thing in Agrifoods is that there are two seasonal mechanics who were laid off at the Holyrood depot, and they have received redundancy packages and are bridged to retirement.

In addition to those twenty-one, there are thirty-eight positions that were vacant in Forestry and Agrifoods. Those positions are eliminated, but there were no bodies affected. There were vacancies; they were not filled. So, the positions are eliminated, but nobody lost their job as a result of that.

The other thing I should say upfront is that during ministers' statements today - Mr. Ball asked me last week about the settlement with Fortis on the Exploits River Hydro Partnership, and I said it would be very soon. That is now done, so I will be making a Ministerial Statement on that today.

I can say that Nalcor Energy and Fortis reached an agreement on financial compensation arising from the expropriation. You will recall that was a partnership, 51 per cent owned by Fortis and

49 per cent owned by Abitibi. That partnership owned hydro assets in Grand Falls and in Bishop's Falls. The partnership had gotten its financing from a consortium of insurance companies led by Sun Life, and that is where they got the financing to finance the project. Then the partnership entered into an agreement with Newfoundland Hydro to sell the power.

That hydro project was expropriated as part of the Abitibi expropriation, 2008. Abitibi, of course, their claim was dealt with, with the federal government and the NAFTA claim, so they were settled. The hydro assets are now owned by the Government of Newfoundland and Labrador. Nalcor is operating those under a licence from the Government of Newfoundland and Labrador. The power is still, of course, sold to Hydro.

Nalcor assumed the debt. At the time they took it over, they have been making the payments onto the debt, and partial payments were made to Fortis. So, Abitibi was dealt with under the NAFTA claim, we have now reached an agreement with the lenders, which is basically that we will be taking over the debt on the project, and a settlement has been reached in the amount of \$18.4 million – no, a correction - \$22.5 million, with Fortis, but payments had been made.

The payment that will go will be \$18.4 million to Fortis for their interest in the partnership. I will make a further statement on that today. That is in these Estimates, so when we come to them, there is one item that is \$20 million; included in that is the \$18.4 million.

With that, we can go ahead.

CHAIR: Okay. Mr. Ball, we will turn it over to you.

MR. BALL: If it is okay, maybe we will just start with – before I ask a question, what I will do is just make reference to the subheadings, the numbers. I know it probably makes it a little bit easier to follow along.

For my purposes, I will start the questioning at 1.2.01, which is Executive Support, and 01, which is Salaries. I see there was close to \$500,000 more in last year spent as opposed to in last year's Budget. Can we get some idea on why the increase in Salaries over last year?

MR. MARSHALL: The variance there is due to salary payments, severance, overtime, and holiday pay associated with the retirement of several employees in that division. It included the former Chief Executive Officer of the Forestry and Agrifoods Agency, Mr. Len Moores; also, the former ADM of Royalties and Benefits; and also, a secretary to the assistant deputy minister. The variances also include salary payments to a former deputy minister who left the department during the year.

MR. BALL: Moving right along, in 1.2.02, the same question under Salaries: Will these be positions that are now as a result of the Budget decision to go from \$1 million down to \$909,000?

MR. MARSHALL: Yes, there are three positions involved there totalling \$130,300. One was a Financial Officer, that was a vacant position, and there were two temporary Clerk IIIs.

I am going to ask Phil Ivimey, who is the Controller. I do not know if that is a Clerk II and a Clerk III, or whether it is two Clerk IIIs.

MR. IVIMEY: It is two Clerk IIIs. There was a Financial Officer position and two Clerk III positions that were eliminated through the Budget process.

MR. BALL: Okay, thank you.

In the next category, in the Capital side, Administrative Support, 1.2.03.06 Purchased Services, we spent \$940,100. There was no budget line for that. I am just wondering what that capital investment or purchase was?

MR. MARSHALL: I am not sure.

MR. BALL: Okay.

MR. MARSHALL: Is it 06, Purchased Services?

MR. BALL: Yes.

MR. MARSHALL: You said there was no budget. There is a budget of \$66,200.

OFFICIAL: (Inaudible).

MR. MARSHALL: I am sorry, I have the wrong one.

I will do my best to explain it. Keith is here, and he will help.

This is 1.2.03. Is that correct?

MR. BALL: Yes.

MR. MARSHALL: The General Administration, Capital?

MR. BALL: Yes.

MR. MARSHALL: I think if you look at the budget item on the right-hand side, the total was \$4,053,900. That was made up of two items. I am going to ask Keith Deering to correct me if I go awry here.

That was made up of two items. There was \$500,000 there for the replacement of vehicles for the year. The rest of it, \$3,533,900 was to build a lab, a foreign animal disease laboratory in the provincial agriculture building on Brookfield Road. It was all put in at budget time in Property, Furnishings and Equipment, and some of that should have been allocated to the – it was all put in the \$500,000 for the car and the rest of the money for the lab, which was a 60-40 federal-provincial project.

During the year, apart from the \$500,000 for the cars, the money was allocated. As you can see, \$44,700 was for engineering design. Then for engineering work, \$940,100 was put there. That came out of the \$3.533 million that was put there.

The \$20 million consists of \$1.35 million for the lab, because there were savings for the lab this year and those savings have been re-profiled for next year. There is \$1.4 million of the lab money going into the Budget for 2013-2014. You see under the Budget for 2013-2014, the Estimates say \$1,900,000. That is \$500,000 for vehicles, plus the \$1.4 million savings from the lab building this year for next year.

In the \$20 million for 2012-2013, you have \$500,000 for vehicles, you have about \$1.35 million for the lab, and you have \$18.250 million which was the money that was transferred into this account to cover the Fortis acquisition.

MR. BALL: The Fortis acquisition?

MR. MARSHALL: Yes.

MR. BALL: Okay. It is still not clear, except for \$500,000 in vehicles on the \$940,000, because the lab was mentioned twice. The \$1.4 million for the lab was mentioned twice. So if we could just get a breakdown of the \$940,000 as a line item. We know it is \$500,000 for vehicles, you say –

MR. MARSHALL: No, that \$940,000 is for engineering.

MR. BALL: The \$940,000 is for engineering.

MR. MARSHALL: Right; and the \$44,700 is for design work.

MR. BALL: Okay.

MR. MARSHALL: In other words, in the \$3.533 million that was originally budgeted, that should have been broken down into design, engineering, and then the rest for infrastructure. That is what they attempted to do.

MR. BALL: Okay.

MR. MARSHALL: Yet, there were savings this year. In other words, they did not spend the money this year so they put that off to 2013-

2014. When I say this year, I mean 2012-2013. They put it off to 2013-2014.

MR. BALL: What is the status of the lab now? The engineering is done. Is it going to be built? What is the plan for the lab?

MR. MARSHALL: Go ahead, Keith.

MR. DEERING: The lab was started about three years ago, actually. That is when we first had an announcement on the lab. It is a federal-provincial cost-shared project. We have completed Phase I, or it will be completed within a couple of weeks.

Phase II, which is the foreign animal disease part, the tender has been awarded and is due to be started as soon as the weather conditions allow. The full project is projected to be completed this year.

MR. BALL: Okay. What was the total project cost in all phases?

MR. DEERING: The total project cost, initially, was projected to be about \$3.5 million.

MR. BALL: It is \$940,000 for engineering?

MR. DEERING: Some of that \$940,000 was construction work that took place this year.

MR. BALL: Okay.

MR. DEERING: Originally, the project was projected to be completed by this year but there were some delays with land title and things like that, because the place where the lab is being constructed is on federal property on Brookfield Road.

MR. BALL: Okay.

MR. DEERING: So we had a negotiation with the federal government in order to secure the land.

MR. BALL: The other question would be: Since this was an announcement that was made three years ago, why wouldn't this have been a

line item last year? Why would you have not had \$940,000 in last year's budget for the engineering?

MR. IVIMEY: Normally, when we budget for the capital expenditures and these capital projects, usually depending on the timing and how far out you are, it is hard to get a good idea of how much to budget exactly for design, for engineering, or for construction, especially if the tenders have not been let. We usually have a good idea of the overall cost of the project; hence, the \$3.5 million that was budgeted in MO 07.

Then as the project progresses throughout the year, we will transfer that funding to those appropriate subheads for Professional Services or Purchased Services that would then relate to the engineering or the design work, or as those expenditures incur. Usually when we are doing our budget, especially on a capital project of that size and that magnitude that far out, it is kind of difficult to determine exactly the correct amounts to budget in those subheads for the breakdown of the design and engineering. It is usually budgeted.

I believe if you look at other departments in terms of the capital projects and expenditures that is the same way that they budget as well. It is usually budgeted in the one line object and then if funds are needed in the other subheads, it is transferred during the year.

MR. BALL: In essence, what you are saying your \$4 million line item under Property, Furnishings and Equipment would have covered all that?

MR. IVIMEY: That is correct. The full \$4 million is the \$500,000 for the vehicles and then the \$3.5 million for the lab.

MR. BALL: Okay, thank you.

Just to the next – I am not sure what the clock is.

CHAIR: You can keep going; you still have time.

MR. BALL: Back to the Fortis thing, moving to the next line there, line item 07 and the \$18.5 million for Fortis. The evaluation on Fortis or that business: Could give us some history on that? Who determined the value of the Fortis purchase?

MR. MARSHALL: Nalcor did the negotiations on behalf of the government. I can give you some additional information if you like. The project was commissioned originally in 2003. The average annual energy is between 155 and 160 gigawatt hours. The settlement date, of course, was recently. The asset value was \$22.5 million. Payments have been made of \$5 million. There were accrued interest and other costs, so the settlement amount is \$18.25 million, plus the assumption of \$54 million in debt.

MR. BALL: Just for clarification, if it is a Government of Newfoundland and Labrador property, why would Nalcor do the evaluation?

MR. MARSHALL: We relied on their expertise in terms of doing the negotiation. They did the original negotiation with Enel. That was the Star Lake partnership that was negotiated some time ago. Based on their experience doing that, they did this as well.

MR. BALL: Was there a price for that to Nalcor? Did we pay Nalcor for that evaluation?

MR. MARSHALL: Charles, maybe you could help them.

MR. BOWN: No, Nalcor undertakes that at their own expense. Nalcor also consulted with the department and the Department of Finance in the conclusion of these negotiations as well.

MR. BALL: There was no outside team?

MR. BOWN: Nalcor –

MR. BALL: Who did Nalcor engage to do the evaluation – somebody had to satisfy Fortis that the amount was the appropriate amount. I guess the question would be: Who was engaged, which

group was it: PricewaterhouseCoopers – who did Nalcor engage; do we know?

MR. BOWN: Nalcor hired an independent evaluator and the name escapes me for the moment, but they did have an independent evaluation done.

MR. BALL: Okay.

CHAIR: Thank you, Mr. Ball.

Ms Michael.

MS MICHAEL: Thank you very much.

Maybe we could go just a little bit further with that because I want to be sure I am perfectly clear on this. With the evaluation that was done, would Fortis have been involved or was it done by Nalcor and then negotiated? Or was it a co-negotiation going on the whole time with regard to the determination of the assets? I am not clear on that.

MR. MARSHALL: The acquisition price was negotiated and, of course, there were a difference of opinions, different positions taken in the course of negotiation, but eventually they did come to an agreement on evaluation.

MS MICHAEL: Could we be clear, because I had other things on my mind – I was listening to you, but I did not get every word you said in your pre-comment, Tom. Could you just give us then once again so I am perfectly clear what exactly then the asset covers, what the asset is?

MR. MARSHALL: The asset was owned by a partnership. The partnership was owned 51 per cent by Fortis and 49 per cent by Abitibi. Government took the whole thing. What the settlement is, is that we agreed on an evaluation of \$22.5 million being the value of Fortis' interest in those assets – because Abitibi had been paid as part of their settlement, their NAFTA settlement.

As to acquire the interest of Fortis in the partnership, plus there was a debt owed to a consortium of lenders led by Sun Life, and from

the day we took it over, we made payments on that debt. It was really \$60 million, and it is now down to \$54 million. So we had assumed that debt. The power is still sold, of course, to Newfoundland Hydro. ‘

MS MICHAEL: Okay.

I think you said in your pre-statement it is now owned by the government, but Nalcor is going to be doing the management in the name of the government. Is that correct? I just want to be sure I have the information correct.

MR. MARSHALL: That is correct. They have a licence to operate.

MS MICHAEL: Right.

MR. MARSHALL: The expropriation was done by the government so the title is vested in the government. The Abitibi Act was amended, you may recall, to ensure that the innocent parties, if it were, would be justly compensated for what was taken from them.

MS MICHAEL: Okay.

Then, from here on in, this would show up on our books in terms of the determination of net debt and all of that business as an asset of government.

MR. MARSHALL: Yes, the next step will be whether that asset will be transferred over to Hydro, or Nalcor, or whether it will stay with the government. That decision is still to be made.

MS MICHAEL: Still has to be made?

MR. MARSHALL: Yes.

MS MICHAEL: Okay.

When do you expect that kind of decision to get made, and would we be notified of that?

MR. MARSHALL: You would be notified. I guess we are doing this step-by-step, the expropriation. Enel was done first; that was an Italian company that also had a partnership with

Abitibi, the Star lake partnership. That was done first. Fortis agreed to wait until that was completed. We have now completed Fortis, and that just closed. When you asked me the question in the House, it was about to happen. I said pretty soon, rather than stay tuned.

The next step now will be to make the determination of what we do with that asset. Does the government retain ownership or will government sell it to Nalcor or transfer it to Hydro? That is the next step.

MS MICHAEL: Okay.

MR. MARSHALL: One day, when I least expect it, Charles will walk in and say we are ready to go.

MS MICHAEL: Okay.

I think that is helpful.

MR. MARSHALL: Charles, do you have anything to add?

MS MICHAEL: By that last comment, I cannot resist it; are you saying that the decision is actually in Nalcor's hands to say whether or not they would like to buy it, or they are just ready to sit down and talk?

MR. MARSHALL: Nalcor will talk to the department and then the department will make a recommendation to the government as to what we think is in the best interest of the Province.

MS MICHAEL: Okay. Thank you very much.

All right, that was what, 1.2.03? We can move on then, 2.1.01. There is not a big variance in Salaries in 01, but there is a slight one: \$87,000 less.

MR. MARSHALL: That was for vacancies within the division throughout the year.

MS MICHAEL: Okay.

Could I come back to something you said, I think, in your opening when you talked about

the positions in Forestry and Agrifoods? You gave us the breakdown of the twenty-one positions where jobs were lost, but you then said there were thirty-eight vacant positions that were eliminated. That seems like a lot.

I am wondering, could we have a breakdown of what these positions were, the thirty-eight positions that are now gone? Basically, that means fifty-nine positions now are gone in that department.

MR. MARSHALL: That is correct.

MS MICHAEL: That seems a lot, Tom. Could we have a breakdown of the thirty-eight? If not, could we get it after?

MR. MARSHALL: I have a breakdown here. As I said, I think twenty-one were actual people who will not have jobs. They were all seasonal. The rest were vacancies that were not filled in the department, and therefore were eliminated in the Budget process. I think we have sixteen of those in Corner Brook, one is in Clarenville, and one is in St. John's; there were three positions in Deadman's Bay, which I mentioned before; the two at Holyrood I mentioned before; and eleven at Bay d'Espoir and Goose Bay I mentioned before. We are looking at eighteen, but that is not the total. That is not thirty-eight.

MR. EVANS: I will give you the breakdown, as follows. In Forestry, two full-time positions, and these are vacant, funded positions; it was a Librarian position in Corner Brook and a Cartographic Technician.

From the temporary and seasonal, there was a Forester II in the Eastern region, four Conservation Officers, seven Labourers, and a Clerk in the Insect and Disease department. There were twenty seasonal vacant silviculture positions throughout the Province; the Eastern region, Western, and Labrador. They were vacant funded positions.

On the Agri-foods side, there was an Agriculturist II in Corner Brook, a Program Coordinator in Clarenville, and an Agricultural

Lab Chemist in St. John's. The remainder were the bodies at five other positions in Agrifoods.

MS MICHAEL: Okay. Thank you, that is helpful. Actually, they will be the answers to questions I have later down the road, which means I may not have the questions in terms of the variance in Salaries in some of the other headings. Yes, they will be accounted for there. Thank you very much.

Still under 2.1.01, under Purchased Services, last year \$457,000 approximately was not spent out of last year's budget. This year the Estimate is back up to more or less what it was last year. Were there plans for something last year that did not happen? Why are we back up to \$2.1 million this year?

MR. MARSHALL: With respect to Purchased Services, the drop this year in 2012-2013 from budget to revised was due to funds allocated by forest industry and forest engineering contracts not proceeding during the year. Savings were available as a result of a slowed pace of forest industry development, and the deferral of industry development projects until the next fiscal year.

With respect to next year, 2013-2014, although we are in next year now, we are seeing an increase. The increase there, there is an additional \$75,000 related to forest research and innovation. That was approved as part of Budget 2011-2012, which approved an additional \$500,000 for forestry research and innovation. The money was to be phased-in over a three-year period. That bump was the allocation for this year.

MS MICHAEL: Okay. I actually just realized I would like to – let me check now to be sure. Yes, I would like to come back to 1.2.03. I try to do things in order, but I realized there was one thing I wanted to find out there.

In 1.2.03, the federal revenue, I may have missed it, but the estimate for the federal revenue was \$2.1 million, but the revised was approximately \$1.5 million. Why that variance? Was it something that was expected from the

federal government that fell through or was it just that it was related to a program that did not happen? Then this year, there is nothing that is happening that involves federal revenue, apparently.

MR. MARSHALL: The money this year for the lab, we are back to the lab again; the payment this year is going to be 100 per cent financed by us. It is provincial government so there will be no federal revenue this year.

Philip, do you have anything to add to that?

MR. IVIMEY: The reason that the revenue was less last year than what was anticipated was because the expenditures on the lab itself were less than anticipated this year. So like the minister mentioned earlier, it was approximately \$1.4 million that was not spent on the lab this year due to delays that were then put forth until 2012-2014. So because the expenditures were less, then the revenue that we are going to receive from the federal government related to the expenditures would be less as well, because the project is a 60-40 split project between the federal government and the Province.

MS MICHAEL: It looks like now that the work is going to be finished in this year's Budget we are not getting that federal money. Is that correct?

MR. IVIMEY: That is correct. The federal funding was for a three-year period, so that three-year period has expired. The remaining expenditures for 2013-2014, which is the \$1.4 million, will be full provincial dollars.

MS MICHAEL: So we lost approximately \$640,000 because of the work not all happening within the three years, basically.

MR. IVIMEY: Yes, I do not know if Keith can speak to that a little bit better than I could.

MS MICHAEL: Well, the \$640,000 we did not receive from the federal revenue and we are not going to get it, so we are out \$640,000 with regard to the lab that could have come from the federal government, is what it looks like.

MR. DEERING: You are correct. Initially, under the AgriFlexibility Agreement, the funds prescribed for this particular project were supposed to have been spent within three years. Because of initial delays with the project the federal government indicated to us they had no flexibility to carry the money forward. So to complete the project we have had to allocate provincial dollars this year in order to finish it.

MS MICHAEL: Again, it may have been said before and I missed it, but what were the key reasons for that slow beginning?

MR. DEERING: Initially, because the project is being built on federal property on Brookfield Road, we had to negotiate a settlement of the footprint itself for the lab with the federal government. It took a lot longer than we expected. There were several delays with the legal folks from the federal side, and, at the end of the day, it took us about a year to conclude that negotiation.

MS MICHAEL: Then they punished us because of it.

I can feel your frustration on that one, by the way. I hope you are frustrated by it; I am. I am not blaming you for it at all. That is frustrating.

MR. MARSHALL: It is their land, too.

MS MICHAEL: Yes, their land, and they slowly negotiate it and then we lose out \$640 million, so they gain.

Okay then, let us come back to 2.1.01. Under Grants and Subsidies, if we could have an explanation. We started out with a budget last year of \$819,000, the revision was \$651,600, and this year we are down to \$344,000 approximately. We are obviously giving out less money regularly here. What are the types of things that are no longer getting grants and subsidies under this heading?

MR. MARSHALL: Maybe I should have said it earlier – I mean, the overall picture in the budget, and I think everybody knows it, is that we are trying to reduce our spending to get down

to what we anticipate our revenue is going to be. We are trying to get down to living within our means.

What we tried to do in the department was to do it in a way that we could minimize, to the greatest extent possible, any elimination of employees. There were a number of areas, which we call expenditure reduction, and when you ask the question, we are going to come to this. For example, insect control, silviculture, the Aboriginal agreement, and grants and subsidies had been reduced on the Forestry side in terms of spending.

On the Agrifoods side, there is the elimination of the Holyrood depot, the sale of the Deadman's Bay cranberry site, the Agriculture and Agrifoods Development Fund will be reduced, limestone sales, and the Farm Industry Review Board are reduced. These are all to try to get expenditures down so there was less negative impact, or adverse impact on hiring.

In this particular one, from \$819,000 to this year – did you ask for this year or are you asking about the new year; last year or this year?

MS MICHAEL: It has gone down consistently from the Estimate to revised and now to \$344,000 this year.

MR. MARSHALL: From last year to this year, it is down \$475,000. There is \$440,000 that will relate to Aboriginal agreements; \$10,000 was a grant that will not be given this year. It was to the Newfoundland and Labrador Forest Products Association; they do not exist any more. There was another grant of \$25,000 to Atlantic WoodWORKS! They are non-existent now. They were grants given in the past that are not being given this year.

MS MICHAEL: With regard to the Aboriginal agreements, you are using the word “agreement”; was that part of a benefit's agreement, or was it a mutually agreed upon thing? Did they have to be consulted in that loss of \$400,000, or was the decision just made?

MR. MARSHALL: As I understand these were agreements that were negotiated by the department, annual agreements, which are negotiated by the department with the Innu and NCC. As part of the duty to consult with forestry projects, as I understand it, applications for permits and things like that are sent to the Aboriginal groups so that they have a chance to look at those in order to give their views.

MS MICHAEL: What would be the implications then of this \$400,000 gone in terms of their involvement in forestry management?

MR. MARSHALL: Well, obviously, depending on how it comes out, with one group there may be no negative implication at all, but I would think that with the two groups with reduced amount of funds, it will affect both of them. We have other means of providing that assistance, such as contract monies to do that. Obviously, unless they receive more monies through other sources, they will have less money from this department for them to accomplish that work. So, they will be negatively impacted in that way.

CHAIR: Ms Michael, could I go back to Mr. Ball, if you are finished that particular section; if not, (inaudible).

MS MICHAEL: Yes, I guess I am. Maybe if I could just add one more thing to it?

CHAIR: Yes, for sure. Go ahead.

MR. MARSHALL: If I could just add to that answer – Jim, do you want to just mention that?

MR. EVANS: Just to add to that a little bit, the amount of activity or forestry activity in Labrador has decreased significantly. So, the amount of money we have in the budget remaining for this year, we feel, is sufficient to cover the activities of both the NCC and the Innu from a monitoring point of view. If we need it again in the future, if activities pick up, we will address it at that time.

MS MICHAEL: Jim, did you say decrease significantly or increase significantly?

MR. EVANS: The forestry activity has decreased significantly.

MS MICHAEL: Decreased, okay.

MR. EVANS: Yes. We have all of our management plans completed.

MS MICHAEL: Right.

MR. EVANS: They were consulted on the management plans. There is no commercial harvesting or very little commercial harvesting at this time.

MS MICHAEL: Okay, that is helpful. Thank you very much.

CHAIR: Okay, Ms Michael.

Mr. Ball.

MR. BALL: Thank you.

Just a question back to the Fortis property again and the purchase of power, I think the minister mentioned that it is now owned by the Government of Newfoundland and Labrador. That power goes to Nalcor then to Hydro I assume, or directly to Hydro. I just wonder what the price would be per kilowatt hour.

MR. BOWN: The price for that power is four cents a kilowatt hour.

MR. BALL: Where does that show up in revenue in this year's budget?

MR. BOWN: That shows up as earnings at Nalcor. It is showing up as retained earnings associated with the acquisition of this property. Nalcor incurs costs associated with running and managing these assets. It collects revenue to pay for the cost of that. If there is any additional revenue, those are held as retained earnings that will be settled when we resolve where these assets lie.

MR. BALL: We pay the money and we still own the assets. I am just wondering: If the revenue is going into Nalcor, it is our expense

right now, why is it staying in Nalcor? I am assuming now that we will transfer this property to Nalcor as quickly as possible.

MR. BOWN: This will be all settled when we decide where these properties are going to sit, whether they will be in Nalcor or whether they will be in the government. Those funds will be allocated appropriately at that time.

MR. BALL: As it exists right now, the debt is ours.

MR. BOWN: Yes.

MR. BALL: We have made the payment because it is in this year's budget. We have assumed the \$54 million in debt and we have no revenue to support that, right?

MR. MARSHALL: Charles can correct me if I am wrong here, but we own the asset. Nalcor is operating the asset on behalf of the government. It is the government's asset, and the government's revenue. Nalcor has a licence to simply operate it.

MR. BALL: Why don't we give them the debt too?

MR. MARSHALL: Pardon me?

MR. BALL: Why don't we give them the debt too?

MR. MARSHALL: As I said earlier, and as Charles said, the decision of where the asset is going to lie, whether it is going to be transferred to Nalcor, or whether it is going to be transferred to Hydro, whether the government will retain ownership, that is to be decided and all the necessary adjustments will then certainly be made.

I think Charles has something to add as well.

MR. BOWN: Mr. Ball, just to be clear, Nalcor is paying all the debt costs.

MR. BALL: Okay.

MR. BOWN: When I said the purpose of the revenue is to cover cost, it includes all the costs of running and managing, including debt and capital. There is no cost to the government.

MR. BALL: Okay. So the only thing Nalcor did not pay for was the \$22.5 million, correct?

MR. BOWN: Correct.

MR. BALL: Thank you.

Okay, moving along. I am assuming every time I see a salary reduction this means that this is part of the Budget decision and there is a reduction in jobs. Is that fair to assume so we can move this along?

MR. MARSHALL: Yes, or expenditure management reduction as well. They were not necessarily loss of jobs, but it is reduction in spending.

MR. BALL: Okay.

I will go to 2.1.02, Operations and Implementation. This would be still under Forest Management, of course, and 04 Supplies, \$827,500. We went through just about \$1.2 million. I just wonder why the increase in cost?

MR. MARSHALL: The variance is due to increased expenditures that were associated with the increased cost of fuel for vehicles. As well as supplies required for the nuisance animal program delivery, things like bear traps, et cetera. For next year – well, next year is going to be the same as last year.

MR. BALL: Not so many nuisance animals this year, I take it.

MR. MARSHALL: Just racoons so far.

MR. BALL: Okay.

I will go back to the Salaries because we seen a significant increase, \$658,000 and change back in the Salaries on that same category, 2.1.02. I am just wondering why the increase in Salaries from the budget to the actual revised category?

MR. MARSHALL: This variance is due to salary payments, severance, overtime, holiday pay associated with the retirement of several employees, their retirements –

MR. BALL: Yes.

MR. MARSHALL: – in forestry regional operations, including the regional director in the Western Region. There was also higher than anticipated overtime, which resulted from emergency responses related to those nuisance animals, such as road kill, black bear, and polar bears.

MR. BALL: Okay.

Under Forest Management, Silviculture Development, I see under Purchased Services, which is line item 06 – I am at 2.1.03, Silviculture Development, Purchased Services - \$6 million in the budget, we spent \$4.3 million, and we are down to \$4.1 million.

MR. MARSHALL: In 2012-2013, we dropped from Budget to revised, from about \$6 million to \$4.3 million. It was savings during the competitive bidding through the public tender process for the silviculture projects. This resulted in projects being delivered for less than it was originally estimated.

Savings were also realized due to the department conducting less pre-commercial projects. Savings were realized due to the fact that Corner Brook Pulp and Paper's silviculture program was substantially less than estimated. That is the drop this year. Did you also ask about next year?

MR. BALL: Yes, sure.

MR. MARSHALL: Okay. Next year, there is an expenditure reduction measure of \$1.9 million and a reduction of \$700,000 relating to removal of funding associated with the Cranberry Development Program, which was a five-year program scheduled to end in 2012-2013.

MR. BALL: Savings in Purchased Services of \$1.9 million of a \$4 million line?

MR. MARSHALL: That is correct.

MR. BALL: Okay. The bidding process, there was savings there. Do you have any idea how much that would have amounted to?

MR. MARSHALL: I am sorry, what was that?

MR. BALL: The bidding process, the silviculture. You say there was a savings because of the bidding process when we go from \$6 million to \$4.3 million. How much would we actually save because of the bidding process?

In silviculture, if you go back to the last Estimates last year, I am going by memory now, I think it was around \$7 million and we actually spent \$4.5 million. Now I see we are down to \$4.1 million. There are two things. One is the bidding process, and where do we see the future of silviculture?

MR. EVANS: Yes, you are correct. The amount of silviculture in recent years has been reduced because of less harvesting on the Island because of the two newsprint mills at Abitibi being closed. Kruger shut down two machines as well, and an overall reduction over the last number of years. The need for the expenditure has been reduced as well.

In addition, the treatment of pre-commercial thinning, which is a very expensive treatment, and we are not getting the results we anticipated. We have taken a view of reducing that significantly as well. So it reduces our cost.

Corner Brook Pulp and Paper, because of their reduced harvesting, their program was less as well. So that was a reduction in their program. Probably three factors there which led to less expenditure there, the reduced expenditure.

MR. BALL: With silviculture right now, from forestry operations, are they involved in a financial way at all or is this something the government actually takes on as part of the Forest Management program?

MR. EVANS: Do you mean the Crown contractors or Corner Brook Pulp and Paper?

MR. BALL: In general. If someone goes in and they harvest the forestry there is a royalty attached to that I understand, but do they have to be part of the silviculture program at all in terms of cost or is that something we pay for as a government?

MR. EVANS: The Crown operators pay a royalty, an average of about \$5.56 per cubic metre. That goes towards the general revenue of the Province. The silviculture cost is borne by the Province under Crown operations.

MR. BALL: Okay. Good.

The next question for me is under Capital, on Resource Roads, 2.1.04. We had \$5,000 in the budget last year, we spent \$45,000. I do not really need an explanation for that at all, that is probably a culvert or something somewhere, but \$650,000 this year for Resource Roads Construction. Do you want to give an explanation of that?

MR. MARSHALL: The difference between the \$5,000 and the \$45,000 was a variance due to unanticipated costs for bridge components and culverts –

MR. BALL: That is what I said.

MR. MARSHALL: - to complete emergency repairs that were required during the year.

The big increase for 2013-2014 of \$650,000, this additional amount was due to reimbursement of \$1.9 million reduction in the roads program that was for 2012-2013 only. There was a reduction last year and the money was put back this year.

MR. BALL: How did we get to the \$650,000, sorry?

MR. EVANS: The \$650,000 is part of the \$1.9 million that came back to our budget this year. It was a one-time reduction in 2012-2013, and the \$1.9 million came back in this year's budget.

That \$650,000 is the supplies portion, I guess, of the \$1.9 million.

MR. BALL: Okay, sorry.

The Supplies that you are talking about, this is resource roads, so is this aggregates or what would that be?

MR. EVANS: It could be bridge components, which are very expensive, culverts, aggregates, or any number of supplies required to construct the roads.

MR. BALL: Is it fair to assume that, line item 04 and 06, you can almost combine those two? Is that what you are saying?

MR. EVANS: Yes, that is correct. It will all go towards building roads, whether it is the contractor or construction aspect, or the purchases required to construct the bridges or culverts.

MR. BALL: Okay.

Forestry Management under Capital again, the next category, 2.1.05 Loans, Advances and Investments, \$50,000 in a loan; any idea where that went?

MR. MARSHALL: Line 08, Loans, Advances and Investments, is that the one?

MR. BALL: Yes.

MR. MARSHALL: This \$50,000 is a payment made to Holson Forest Products in Roddickton. This is required to accommodate an amendment to the existing agreement with that company. The funds will be used for the payment of insurance premiums on the existing wood pellet manufacturing plant at Roddickton.

MR. BALL: The amendment was in the agreement to say that –

MR. MARSHALL: To give an extra \$50,000 so they could pay their insurance premium.

MR. BALL: So we would actually pay the insurance for a company?

MR. MARSHALL: Yes, the pellet plant, which is the largest pellet plant on the Island, is idle at the moment. The company is not in a position to pay its insurance premiums.

The company presently has a proposal. The company, along with others, have presented proposals to government under the Expressions of Interest for the fibre in Central Newfoundland. We are awaiting the outcome of that process; we are now going through all the proposals.

Also, the EOI for Labrador fibre has closed as well and we will be looking at the proposals there. As part of that process, Holson and their future plans will be tied up in that as well.

MR. BALL: If they cannot pay their insurance, I am doubtful there is any loan repayment being paid either, I would assume.

MR. MARSHALL: Sorry?

MR. BALL: I say if they are not in a position to pay their insurance, I doubt there is any repayment on the loan that we gave to Holson.

MR. MARSHALL: That is correct.

MR. BALL: Okay.

MR. EVANS: I guess our intent would be to get them up and operating and profitable, for them to repay the loan.

MR. BALL: Good.

Under Forest Protection, Insect Control, 2.2.01; throughout the Budget we have really seen some variances in Transportation and Communications. I have been somewhat surprised actually when I look at the whole Budget process in general that we have not seen much reduction in Transportation and Communications through all departments, not just this one. In this particular case, with Insect Control, 2.2.01, line item 03, we have seen a

significant change from last year where we had a Budget of \$1.3 million, we spent just under \$600,000, and now we are down less than \$400,000. I am sure you have the explanation for that.

MR. MARSHALL: For 2012-2013, the drop from the budgeted amount of \$1.3 million down to about \$600,000, the Insect Control Program was smaller than anticipated and the reduced survey levels, given a reduction in major forest pest population, therefore less helicopter and aircraft time were required during the year. Last year there was no spray program; there was no need. For 2013-2014, there is an expenditure reduction measure of \$1.4 million, offset by reimbursement of a \$455,500 one-time reduction that was for 2012-2013 only. This year we are not anticipating the need for a spray program.

MR. BALL: Thank you.

I guess just a comment, not a question, but if we see a reduction in silviculture programs – obviously it is not silviculture programs from what I understand. It is just not about the amount of timber that is cut. It is a management program where obviously you would support that asset for a number of years and you do things like silviculture to make sure it is healthy. Now we have seen the reduction into the insect spray program. What happens if we determine the program is required? Would we do it and put money in place, or is it just stay the course for this year and let nature take its course?

MR. MARSHALL: I think there is no anticipation of a need for this year, but obviously if we are wrong and there is a need, then we would have to seek additional funding to carry out that program.

MR. BALL: Okay.

Subhead 2.2.02, again the increase in Salaries, unless it is otherwise, I will assume is all part of the severance packages, the \$500,000 there.

So Transportation and Communications, again, we saw a significant increase of \$2.3 million in that category over last year's budget to what was

actually spent, and we are back to last year's numbers in this year's Estimates. So just an explanation on where the \$2.3 million was spent in Transportation and Communications, and that being under Fire Suppression and Communications.

MR. MARSHALL: This variance was due to funding pressure caused by the fact that last year was a higher than normal fire season. It was an unforeseen increase in forest fires that resulted in above average travel and aircraft requirements. Obviously you cannot predict what the season is going to be like. Do I have the right one?

MR. BALL: Yes.

MR. MARSHALL: Yes. You cannot predict what it is going to be, but last year was higher. I think the amount that we have budgeted for this coming year – I think, Jim, that is historical? Do you have anything to add?

MR. EVANS: Yes, the minister is correct. You may recall, especially in Labrador, the fires we had, and the extra aircraft required, and helicopters, and moving people around. The historical budget of \$1.236 million is generally enough, but as the minister said, you cannot predict the fires so we deal with it as we can and get the money where we can when we need it. Obviously, an emergency situation, so we deal with it.

MR. BALL: Okay.

So, of course, the Purchased Services I am sure is attached to that, under line item 06. I guess with more fires, you need more purchases.

The question, and I may as well raise it now, is one that I was going to raise later. It was with the reduction in the water bomber fleet, and we know that in the last number of years, really, we have been seeing forest fires becoming more and more of a problem for us, especially in Labrador. So I am wondering what the impact that would be on the decision Transportation and Works has made to take that water bomber out of its fleet.

MR. EVANS: Our department worked with Transportation and Works during that whole decision process, and we feel we are adequately prepared with the aircraft that we have. The aircraft that is going to be parked is going to be ready, maintained and ready, if we need it or require it. We will have the aircraft stationed around the various bases in Labrador and on the Island. Unless you get a very odd year like last year – as I said, it was an exceptional year – the five remaining aircraft should be sufficient, as our views are.

MR. BALL: The five remaining would be adequate?

MR. EVANS: Yes.

MR. BALL: The issue, though, that I would question would be the fact that the aircraft is one thing but the fact that the crew is not available and gone is the other thing. Usually when you have a fire you have your full complement of people working anyway. What would you do? Who would actually fly that plane if indeed something like that was to happen? I know that is probably not your question but I am sure it had to be part of the conversation.

MR. EVANS: We did have that discussion with Transportation and Works, and they do have a crew on standby they can call in. My understanding is they are available. That is a common practice throughout the last number of years if we needed them.

MR. BALL: Yes. How readily available is aircraft from other provinces? Quebec, I am sure, would be a consideration.

MR. EVANS: It depends on the fire incidents in other provinces as well, but we are involved in an agreement with the other provinces across the country to share aircraft. We have not had an issue when we required one or –

MR. BALL: Or they require us.

MR. EVANS: Yes, exactly.

MR. BALL: Okay.

CHAIR: Mr. Ball, if you are completed with that section I will go back to Ms Michael.

MR. BALL: Yes, thank you.

CHAIR: Ms Michael.

MS MICHAEL: Okay, thank you very much.

Just to get clarification, Mr. Evans just said that we get money where we can as needed. We have noticed a couple of places where we understand why it is difficult to anticipate how much money we are going to need for fire fighting and that kind of thing.

I noticed, for example, under 2.1.05, Forest Industry Diversification, it allows for Loans, Advances and Investments but we have no money estimated there. It looks like we do not estimate money there; yet, last year \$50,000 was needed. When you say we look for it where we can get it as needed, do you mean within your overall budget you will see if you have a few million there or do you have to go and seek it from general funds?

MR. EVANS: Yes, you are correct. Historically, we have been able to access it internally within our own department. If we need it this year, we will certainly attempt to do that.

I am not sure, Philip, if you want to add to that, but that is our intention, to find what we can internally first.

MS MICHAEL: Okay. If you could not find it internally first then you would have to make a special request to the general funding from Treasury?

MR. MARSHALL: A special warrant, I would imagine.

MS MICHAEL: A special warrant, yes. Okay. Thank you, just for clarification.

I want to ask a few questions, more general questions – specific in one way but general in another; it is not sort of line by line – over some

of the areas where we have just been. I have a couple with regard to Operations and Implementation. You do not need to look at the line items because it is more general. You might want to look at your own; you might have answers within your own line items, obviously.

In 2.1.02, I understand the government did purchase 447,427 hectares of land from Corner Brook Pulp and Paper in previous years. I think the cost amounted to about \$2.7 million. What is government's planned use for the land that it bought from Corner Brook Pulp and Paper?

MR. MARSHALL: That was the land they bought back, I think it was in 1989. Is that it?

MS MICHAEL: I think overall, it is over a period of time isn't it, that the land has been purchased?

MR. EVANS: Any land that was purchased back from Corner Brook Pulp and Paper is treated as Crown land now. If it is harvesting that is undertaken there, it is a Crown operator. Silviculture is owned by the Crown as well.

MS MICHAEL: Do you have anything on paper that shows how that land has been used up to now?

MR. EVANS: We can. I do not have it here available right now. It would be through normal forest management activities. It is subjected to the forest management planning process in harvesting, silviculture, protection, and road building.

MS MICHAEL: Okay. If we wanted further information then we could seek that information from you?

MR. EVANS: Sure.

MS MICHAEL: Okay, thank you very much.

I am interested in knowing if the government or if the department over the last year partnered with the Model Forest on any projects in 2012? Do we have funds that relate to the involvement

with the Model Forest anywhere in the Estimates?

MR. EVANS: Yes, we are a very strong partner with the Model Forest actually and provide funding for various different research projects throughout the year.

Some examples, we have done some research projects in 2012 on carbon loss from soils with the model forest. We have a modelling group, a values group that we provide money to the Model Forest to improve our forest management interaction within departments. It is an ongoing process. We sit on the board and on various management committees, as well. We are a very strong partner and support it.

MS MICHAEL: Okay, thank you.

Another question related in some ways to that, not to the Model Forest, but we have, of course, a Centre for Forest Science and Innovation. Do you have a list – you probably do not have it in front of you. If you do not, we could ask you for it – of the research projects and costs covered by the Centre for Forest Science and Innovation?

MR. EVANS: Yes, I have a list in front of me.

MS MICHAEL: Okay. If it is not too long, do you want to go through it?

MR. EVANS: We spent in 2012-2013, \$474,000 from that account, but you leverage a lot of different money, either from MUN, NSERC, or wherever. The total amount was about \$1.66 million. There are a total of twenty-one projects throughout last year.

MS MICHAEL: Okay. I think we will probably request that list later from you, the list of projects.

With regard to the ongoing work around the mapping of agricultural areas of interest in the Province, how is that going?

MR. DEERING: We have been working cooperatively as a branch with the forestry folks as well, the district managers, as well as Corner

Brook Pulp and Paper. We have ongoing discussions with Corner Brook Pulp and Paper on agriculture areas within their footprint.

From my perspective, we have concluded our work with the Forestry folks, and we have imminent meetings with Corner Brook Pulp and Paper as well. To answer your question, it is progressing very well.

MS MICHAEL: Okay. Do you have an idea of how much land has actually been allocated or that you are heading towards?

MR. DEERING: Our current footprint in agriculture is approximately 25,000 acres in production. Our own assessment, in order to get where we think we need to be to solve the food security question, we need to get to approximately 100,000 acres. We will get there through a variety of means, including more compliance-related work on the existing agricultural land base, as well as the ongoing work to secure a new land base.

MS MICHAEL: Okay, thank you.

Just a few questions around the silviculture; I do understand – I guess this information came out maybe in the last couple of weeks – that there has been a heavy cutback with regard to workers doing replanting in the Bay d’Espoir area. I think you have named quite a number of job losses. What is going to be the implication of cutting back so much on our reforestation?

MR. EVANS: The eleven workers who are not being recalled in Bay d’Espoir – historically, in the last number of years in particular, there has not been sufficient amount of work in that area to carry them through; we have had to bus some up closer to Grand Falls-Windsor to do some of the work. With the reduced harvesting in the Bay d’Espoir area, there has been very minimal requirement to reforest.

MS MICHAEL: Okay. That is because of the closure of Abitibi. Is it related to that?

MR. EVANS: Yes, and the sawmill sector is down as well over the last number of years. So,

generally, the whole harvesting aspect has been reduced, compared to five or six years ago.

MS MICHAEL: Right.

With regard to the West Coast, were funds paid to Corner Brook Pulp and Paper in the past fiscal year with regard to their reforestation program? Did they receive funds from the government for that?

MR. EVANS: Yes, they were reimbursed approximately \$1.8 million.

MS MICHAEL: Do you know how many hectares, in general, that is?

MR. EVANS: In 2012, Corner Brook Pulp and Paper treated about 2,776 hectares.

MS MICHAEL: Okay.

What is anticipated for this year? Is there money there for them again this year with regard to reforestation?

MR. EVANS: We do not have an agreement with Corner Brook Pulp and Paper going forward. We anticipate something, but we do not have anything finalized yet. They have proposals in to treat 2,500 hectares this year.

MS MICHAEL: Okay.

Do you have any money held anywhere for that in anticipation of an agreement?

MR. EVANS: Yes, we have that money in our budget, in the silviculture budget.

MS MICHAEL: Okay.

Can you remember what you are anticipating this year, approximately the same or –

MR. EVANS: It is almost exactly the same, about \$1.84 million I think.

MS MICHAEL: Okay, thank you very much.

I think I had some other questions, but they have been answered.

Under 2.1.05, Forest Industry Diversification – it is a question here that I am asking for one of my colleagues; I want to be sure that I have it there. Apparently there were things under the Forest Industry Diversification. For example, there was an assessment under the fund done for value-added products, one of which was coloured wood siding I understand.

Was any work ever done on that? Were funds ever allocated to somebody to pursue the notion of getting into coloured wood siding?

MR. EVANS: I do not have that information here in front of me. I know through our Forest Industry Fund and our division, we work closely with the value-added sawmillers.

MS MICHAEL: Right.

MR. EVANS: We can get you that information later, if you require it.

MS MICHAEL: Yes, I would like to have that.

MR. EVANS: I know there are people who make siding; I am not sure about the coloured siding. I know one mill was planning to get into coloured siding and they do not have the paint line yet.

MS MICHAEL: Right.

MR. EVANS: I am not sure about the others.

MS MICHAEL: Okay. I think we would like to have that information, please. That would be great.

Why did the Residential Wood Pellet Appliance Rebate program come to an end?

MR. EVANS: That ended last year.

MS MICHAEL: Yes.

MR. EVANS: There was a satisfactory uptake in that program. Generally, it was thought that

we had reached a level that was adequate from the supply we had, the uptake, and the need.

There were some concerns about the price of stoves, the installation costs, and the insurance costs of having it tacked on to the price and government sort of subsidizing that. It seemed like there were some increases that were evident.

MS MICHAEL: My understanding is installation was not covered. Wouldn't that affect maybe some people getting into it? Having some help with installation, wouldn't that have helped a bit? Maybe it would have increased the uptake as well.

MR. EVANS: That is quite possible, yes.

MS MICHAEL: Was an assessment done of that, or just a decision made without a full assessment?

MR. EVANS: We have assessed a number of years – I think it was a three-year program that the rebate was intact. We have that information if you would like it, but it was the decision that was made for various reasons.

MS MICHAEL: Okay, thank you.

All right, I am going to –

MR. MARSHALL: I wonder, before you go on to the next question –

MS MICHAEL: Right.

MR. MARSHALL: – maybe we can bring together – there were some questions on research and development and the forest science and innovation centre, and the whole idea of wood pellets and innovation and the questions earlier about Holson, which owns the largest wood pellet plant in the Province. I think we can tie these all together.

We have this forestry resource that is no longer being used for newsprint in Central, and reduced requirement in Western because of the shutdown of two machines there. What was formerly known as the Centre of Environmental

Excellence at Grenfell College has now been moved and is now part of this forest science and innovation, because the Centre of Environmental Excellence focused on the forest industry.

We have this resource, and we have to invest in research and innovation to come up with a way to use the resource, given the competition out there in the world. I can say it was recently announced that, for example, Dr. Wade Bowers, who was the VP of Research at the Grenfell Campus of Memorial, is now joining the department as the new Assistant Deputy Minister of Forestry. So that will bring that will bring that piece in with the operational excellence that the department already has.

There has been a lot of interest coming from Europe in wood pellets. We have the Holson plant, which is idle right now, but there are opportunities. People are here in the Province right now looking at potential of the supply in Central and the supply in Labrador. A lot of that is driven by the need for pellets and chips in Europe. Obviously, we have to be concerned that we get the maximum value out of our resources, and wood pellets are a low-value product.

I think the proper practice would be not to take a tree and use it for wood pellets. You would take what is left over from the tree to be used as wood pellets. There is higher value in the lumber. Unfortunately, Jim and his officials are advising me that the housing market is starting to come back now in the United States and prices for lumber are good.

That is the highest value to get out of the tree, but then the waste, the bark and the shavings could go to – for example, Corner Brook Pulp and Paper buys a lot of that for their cogeneration plant, but others are interested in it for wood pellets and other products. Hopefully, this all comes together. With research we will generate more innovation.

There will be more opportunities for our forest industry that our sawmillers and the people in the industry, and new entrants can take advantage of it and hopefully come up with new

products and new ideas in different parts of the Province. I know in Deer Lake there is a factory there now, pressure treated lumber. There is another one now in Jamestown that is doing the same. Not only do they have a market in Newfoundland, they also have a foreign market.

When we talk about the wood pellet and the wood pellet industry here – and I know Chris Mitchelmore, from your caucus, is an advocate for a bigger wood pellet industry in the Province, but if we could do that in tandem with finding export markets, I think it would be helpful for both the export and the local industry. I think it is exciting. I think there is potential there but it remains to be seen what is going to happen.

MS MICHAEL: Obviously, we would agree with you, that not just concentrating on wood pellets certainly is an answer, you wanted to look at the lumber industry as well.

My question is, and I am glad to hear you say what you are saying, but how aggressive is the department going to be? Are you just going to sit back and wait and see or are you being aggressive in looking at all of these potentials?

MR. MARSHALL: Out of the Central EOI, there are fourteen proposals that have come in, some local, some European, some North American. The officials are going through those now.

Labrador has just closed, but there have been people coming from all over the world expressing an interest in the fibre. We want to make sure that, hopefully, the one we will end up with is one that will benefit the people of Central Newfoundland, but will also be the one that will be for the best interest of the whole Province. It just will not be shipping out a low-volume project. We will look at it, take a more holistic view and recognize what is here now.

We have wood pellet plants here now. We have large sawmills here now. We have to make sure that they all work together to maximize the value of the resource for the benefit of the people of this Province who own the resource.

MS MICHAEL: Right; thank you.

Well, then, I can make a switch here. Do I still have time?

CHAIR: Are you completed with that section?

MS MICHAEL: I am, yes.

CHAIR: Okay, perfect. I will go back to Mr. Ball.

MS MICHAEL: Okay.

MR. BALL: (Inaudible) and thanks to the minister. When you look at it in a general sense it certainly gets a maximum use of our forest resources, something, as you know, we always support. I would support it personally, and I guess as a party, to say make sure you get a heavy foot and get on the gas because we need to get this moving.

One of the things that we did have a problem with, of course, in Roddickton is what we felt was an incomplete business plan simply because just months after we found out the wharf facilities were not in place to actually do the export. With the conversation you have just had, I am just wondering where we are with the wharf facility? Are there plans for this government to get involved in that type of infrastructure in the Roddickton area or not? It is obviously something that has been identified as one of the missing links.

MR. MARSHALL: I have to choose my words carefully here. The company and its potential partners are having discussions with officials in how to resolve problems they have been experiencing, with the hope that these problems can be addressed in a meaningful way, maybe by the private sector. Those discussions are ongoing.

MR. BALL: Thank you and I appreciate it. Obviously, I do understand the commercial sensitivities around some of those decisions. We will keep looking forward in anticipating a favourable outcome for the people in Roddickton and, indeed, the forestry industry.

One of the things that we can do, though, when you look at an integration and when you look at the customers, some of the customers are really pent up – and it is available right here in the Province. Has there been any consideration with new construction of buildings that we would use wood pellets as a source of energy in our own buildings?

MR. MARSHALL: I am going to let Jim tell you where that is.

MR. EVANS: That was researched two to three years ago. It was not pursued for various reasons, to convert oil-fired government complexes to wood pellets. I can say there has been some interest in recent times and it is being considered again. So it is sort of back in the forefront somewhat.

MR. BALL: Good. I know we are going to be pressed for time but I just want to move it along if you do not mind.

Land Development when it comes to agriculture, and I will go to Capital again, 3.1.03; I see we spent under Property, Furnishings and Equipment, \$1.9 million. We dropped that to just under \$1.3 million last year. I am wondering why the decrease, and why are we back to \$1.9 million this year if we did not need all of the money last year?

MR. MARSHALL: In 3.1.03?

MR. BALL: Yes.

MR. MARSHALL: It is Capital?

MR. BALL: Yes.

MR. MARSHALL: Which one, five, six or seven?

MR. BALL: Seven.

MR. MARSHALL: Are you talking about the drop between what was budgeted and –

MR. BALL: The drop, and then of course, back up again.

MR. MARSHALL: Okay.

There was a removal of an additional \$300,000 that was provided for three years under the fiscal forecast. The funding was transferred from Newfoundland and Labrador Housing in relation to the sale of the former Sprung property.

MR. BALL: Okay.

MR. DEERING: Our Land Development fund is a fund that is set up whereby we actually purchase privately owned agriculture land and we put it back into production through grants to various commercial interests in the agriculture sector.

The reduction this year is simply related to ongoing negotiations that did not get concluded by yearend. We have perhaps a dozen ongoing negotiations at any one point for new transactions and, unfortunately, we were not able to get them all concluded and finished prior to the end of the fiscal year.

MR. BALL: The connection to the Sprung property is what?

MR. DEERING: The connection to Sprung is in 06, Purchased Services.

MR. BALL: Okay.

MR. DEERING: The reduction that you see here is a permanent reduction now of \$300,000, and this was related to property that was developed on the former Sprung property. So, \$300,000 was added to the Land Consolidation budget as a result of that land coming out of agriculture production.

MR. BALL: So the \$700,000 in line item 07 is as a result of incomplete transactions? Is that what you said?

MR. DEERING: Ongoing negotiations that did not get concluded; that is correct.

MR. BALL: Okay.

In terms of agricultural land, like clearing and stuff like that, how does that work now? You would have individual farmers who would apply for a subsidy for land clearing? Is that how it works? What is the value of those subsidies?

MR. DEERING: We have under our Agriculture and Agrifoods Development Fund, AADF, which is a separate line item in this package, for instance, an ongoing development and project with the Dairy Farmers of Newfoundland. For the last five years, we have had \$2 million per year land development package, and this was specifically for clearing and getting land prepared. This year, and for subsequent years, that grant has been reduced to \$750,000 per year.

MR. BALL: For the total line item?

MR. DEERING: Well, for the land development piece with the dairy farmers.

MR. BALL: So it is reduced from \$2 million to \$750,000?

MR. DEERING: That is correct.

That effectively is the scope of that particular one, and this happens to be our largest ongoing arrangement with an agriculture group. We do have opportunities through other funds, in particular the Provincial Agrifoods Assistance Program, to clear land for smaller farmers.

MR. BALL: How much is it per hectare or per acre? What is the subsidy, for both the dairy farmer and the private farmer?

MR. DEERING: The subsidy is in the range of about \$3,000 per acre, which includes land clearing and rock removal.

MR. BALL: Is that for everybody?

MR. DEERING: Yes.

MR. BALL: Thank you.

With the reduction from \$2 million to \$700,000, is that going to be a problem? I know dairy

farmers need a lot of land. Is this a concern for them, that there would be less land available now, or more costly for them to develop land?

MR. DEERING: In previous years, historically we have had a difficult time achieving the full \$2 million grant and so it was partially reduced related to that. As well, given the Budget reduction implications, we found that this was a place we targeted for Budget reductions. The dairy farmers, obviously, would be happier if it was more, but at this point they have not indicated too much dissatisfaction.

MR. BALL: Moving along, 3.2.01, this would be Product and Market Development – Administration cost, Grants and Subsidies, line item 10. We had budgeted \$1.4 million, we only spent \$250,000, and we are back to \$253,000 this year. First of all, can I have a list of where the grants and subsidies would have gone and why the money was not spent?

MR. MARSHALL: I think in 2008 government introduced a five-year development program for the cranberry industry. That program ended last year. So the variance here for next year – this funding will not be there this year because the program is now at an end, and that is about \$1.2 million.

MR. BALL: Yes, but we must have known last year it was going to end and we still budgeted \$1.4 million. I just wonder why we would budget for something like that when we knew it was going to end.

MR. MARSHALL: It was a five-year program. The five years are up.

MR. BALL: No, last year we budgeted \$1.4 million and we only spent \$250,000.

MR. MARSHALL: Oh, I am sorry.

The variance was due to savings identified from the Cranberry Industry Development Program in 2012-2013 as a result of the inability of cranberry farmers, particularly in the Central Region, to complete the work that they had projected, due to complications such as weather

in the 2011 season and severe frost damage in the winter months of 2012. Many farmers had to resort to repairing damaged fields instead of finishing new ones.

MR. BALL: I guess that means they do not plan on doing it this year either then?

MR. MARSHALL: The program is at an end, but what we are looking at is ways through other programs in Agrifoods and possibly through Innovation, Business and Rural Development that there could be funding there to help those who may need assistance to continue to finance their operation.

MR. BALL: It was not part of the Estimates for innovation, trades – have we put the appropriate money that might be required there into that line right now during the discussion with Agrifoods?

MR. MARSHALL: No.

MR. BALL: It would have to occur under a normal –

MR. MARSHALL: It would involve the change to some of their criteria. They have gone, I think, from twenty programs to two. We are now examining whether the agriculture sector here could access some of those programs.

MR. BALL: Okay.

The next one for me would be Agriculture and Agrifoods Development Fund. This would be 3.3.04 and, again, it is Grants and Subsidies. There was \$3 million budgeted, we spent \$1.9 million, and we have \$2.55 million in the budget for this year. Can we get an idea of where those grants and subsidies would have been – how we would have used those and why the variances, of course?

MR. MARSHALL: Between budget and revised, there were smaller land development initiatives from the Dairy Farmers of Newfoundland and Labrador. That was smaller under the AADF, the Agriculture and Agrifoods Development Fund, than was originally

anticipated, and also some reprofiling of funds to the foreign animals disease lab.

With respect to next year, or 2013-2014, there was an expenditure reduction measure of \$1.45 million, offset by the reimbursement of a \$300,000 one-time reduction that was for 2012-2013 only. As well as the reimbursement of \$635,000 that was reprofiled from AADF to administration and support capital to fund the provincial portion of the foreign animal disease labs in 2012-2013.

Keith, maybe you can elaborate on that.

MR. DEERING: As the minister had suggested, we had very limited uptake on the last fiscal year's AADF. In fact the only project that we had funded was the land development piece for the dairy farmers. The balance of that money was allocated to the ongoing construction of the foreign animal disease lab.

This coming year we are basically anticipating that the fund will be fully allocated. We do have a couple of projects which are kind of lined up. We are in the process of completing the necessary approvals to commence those projects. We are anticipating that the full budget will be spent this year.

MR. BALL: The next line item there would be revenue from the Province for \$225,000 last year. Where would that money have come from?

MR. MARSHALL: This was a dividend received as a result of the department's investment in Country Ribbon Inc. some time ago.

MR. BALL: Is that dividend based, just profit only, or is that a loan? Well, obviously, it must be; it is not a loan if it is dividend based.

MR. MARSHALL: It is a dividend to us from - I guess government invested back years ago into Country Ribbon?

MR. DEERING: That is correct. Government is a shareholder in Country Ribbon chicken, and

the dividends are profit based. We have no way to anticipate from year to year if they will come, but last year they provided \$225,000.

MR. BALL: I cannot see any time in the future where Newfoundlanders and Labradorians will not be eating chicken.

If we move along, 3.3.05, of course, the Growing Forward Framework always gets some attention around Budget time. The Grants and Subsidies; can we get a breakdown of the \$5 million in the Grants and Subsidies that were allocated last year?

MR. DEERING: I do have an extensive list of projects that I certainly could provide.

MR. BALL: Is it possible we just get a copy of it rather than go through and list them out today? Is that okay?

MR. DEERING: I think so, because we have probably a couple of hundred projects here.

MR. BALL: Are we okay with that?

MR. MARSHALL: Yes.

MR. BALL: Okay, thanks.

MR. MARSHALL: The Growing Forward program has been renewed this year. It is now Growing Forward 2. I think the federal minister is coming down. We will have a formal announcement. That is some good news this year because it is one of the programs with which we deal with the federal government where they are going to give us more money this year, so we are pleased with that.

MR. BALL: That is good. I hope at the opening of the lab we do not say it is still sixty-fourty though. It is a good program and I know a lot of people take advantage of that. In agriculture, as you know, I believe there are some significant opportunities.

Rather than get into most of the line items again, because I know we are going to be pushed for time, I would like to move along, if it is okay,

and go right over to Mineral Resource Management, which is 4.1.03, and it is Mineral Development.

MR. MARSHALL: Can I just ask you, are we done with Forestry and Agrifoods now? Because we will change the team here.

MR. BALL: A good point.

CHAIR: We will go back to Ms Michael if she has some questions there, and then we will come back to you, Mr. Ball. The minister has some staff there who may be able to exit.

Ms Michael, go ahead.

MS MICHAEL: I will do these and then we can go back to mineral.

A further question with regard to Growing Forward, and just to make one point: Whenever one of us asks for a list of something, can we assume that it will go to both parties when the information comes out?

MR. MARSHALL: Yes.

MS MICHAEL: We too would like the list of – well, I am not going to say programs – all the businesses and et cetera who received money under Growing Forward.

We did note that when the Growing Forward program was scrutinized by the Auditor General, I think there was a concern of giving money out on a first-come basis. I think the Auditor General was talking about strategic investing and strategic investments, so analysing what is coming forward and getting money rather than just giving money on a first-come, first-served basis. So, has there been any discussion about that in the Growing Forward program with regard to who gets money?

MR. DEERING: Yes, we have considered very carefully the recommendations from the Auditor General, and in fact our hope is that the extra money that we have received this year in Growing Forward 2 will hopefully clean up a lot of the queue that we have left of projects that did

not get funded. So my hope is we will not have anybody left out who would be qualified for funding. At the end of the day we use the first-come, first-served as a guideline, but even at year-end where we have money left that we need to get spent before March 31, we sometimes take projects out of the queue that fit strategic criteria, as you have outlined.

MS MICHAEL: Right.

Are there any particular initiatives budgeted to help smaller farms be eligible for funding?

MR. DEERING: The Growing Forward program is sort of restructured into three strategic criteria. Essentially, all small farmers who meet a threshold for farm gate receipts will qualify for funding, but we also have the Provincial Agrifoods Assistance Program, which is targeted at smaller projects as well.

MS MICHAEL: Right.

Under that, talking about the Agrifoods Development Fund, would we be able to get a list of farms that are helped under that, especially from the small farms' perspective?

MR. DEERING: Under AADF?

MS MICHAEL: Yes, right.

MR. DEERING: Well, this year we did not have any projects under AADF except for the dairy farmers land development initiative.

MS MICHAEL: That is going to continue that way?

MR. DEERING: No, this year we will have two projects, well, at least two that the committee has received so far and has considered. Outside of that, Agriculture and Agrifoods Development Fund is designed on bigger projects.

MS MICHAEL: Yes.

Then a general question; some of my questions are a bit more general. What is being done,

then, in the department to have special incentives to help the smaller farms?

MR. DEERING: The Growing Forward piece does have a specific amount of money set aside for new entrants. Outside of that, all small farms who meet a minimum threshold in terms of their farm gate receipts can access funding under that program. In addition to that, the Provincial Agrifoods Assistance Program is also directed at smaller operations.

MS MICHAEL: Okay, great.

Does any of that funding include, for example, training opportunities for people who are starting up farms?

MR. DEERING: Yes, it is. Both Growing Forward and the Provincial Agrifoods Assistance Program have a component for training.

MS MICHAEL: Okay, great. Thank you.

I think we can close the agri-foods now then.

MR. MARSHALL: There are three programs. I get the impression you are focussing on two, but there is the third one.

MS MICHAEL: The third one is?

MR. MARSHALL: Well, there is the Provincial Agrifoods Assistance Program, then there is the Agriculture and Agrifoods Development Fund, and then there is Growing Forward 2.

MS MICHAEL: That is right. Yes, I was aware of those three. Thank you.

CHAIR: Thank you, Ms Michael.

I will go back to Mr. Ball and start on the Mineral Resource Management division.

MR. BALL: I am almost done, actually, with agriculture as well. So there are just a few questions, if I could finish those up before we moved on to Mineral Development. Some of it

deals with animal health and some of the things we have seen, especially a lot of the news items we see when it comes to animal control around the Province.

Is there anywhere we can go in helping some of those communities deal with animal control problems and using our own staff veterinarians and those things? Has there been any thought gone into that at all?

MR. DEERING: We have been, over the last year, undertaking a training program with certain municipalities for enforcement of the animal welfare piece. In addition to that, we do have \$110,000 in grants that we provide to SPCAs at various locations throughout the Province. Outside of those two initiatives, those are the only two places where we provide assistance to municipalities for that purpose.

MR. BALL: Every week there seems to be another issue that pops up in all areas of the Province. It is a significant problem and it is concerning to so many people across the Province right now. We obviously would encourage the department to see if there are ways they could get more involved. It is a short-term problem that has some long-term solutions attached to it, especially in terms of education, spaying and neutering, and those sorts of things. It is very difficult right now, especially for people who are on low income.

Some of the stories we are seeing from a lot of communities are a little horrific. For a small investment, I think, early on you would see – I know we have seen - significant changes have been made by volunteers. I do not need to discuss all the stories; we are all seeing them. For at least multi-year, small investments, we could see some significant changes made for that.

That is probably my last question when it comes to agriculture. The enforcement of the new act, I do not want to read it line by line here, when it comes to the new Animal Health and Protection Act, the involvement of your department, and the enforcement of this, of course the issue in enforcement has become a problem for us. I just

wonder what the plans are for the department in terms of enforcement of the new legislation.

MR. DEERING: The new legislation is divided into three parts. Of course, the RCMP and the RNC always have jurisdiction to enforce all elements of the act. The commercial side of things, our intent is to have forestry officers, conservation officers, to enforce animal welfare legislation, for instance, on fur farms.

When it comes to animal welfare issues, the intent is for the municipalities themselves to undertake that activity. We have been training municipalities over the last year and will continue to do that into this coming fiscal year. As well, there is an opportunity to train SPCA staff to engage in enforcement activity as part of the animal welfare stuff. At this point, the SPCA still have not come forward with a list of candidates to train, but we are working closely with them on developing that.

MR. BALL: One other comment on that is I am sure that municipalities are not required to have inspectors. Of course, this would be a cost to communities right now and many of those, especially smaller communities, do not have the financial resources to do this. I am just wondering if there has been any consideration by government to add support with this piece of legislation so we can get some of those difficult situations under control.

MR. DEERING: It has been considered, but at this point new money has not been allocated for that purpose. As I suggested previously, the RCMP and the RNC do have authority in any jurisdiction throughout the Province to enforce the legislation.

MR. BALL: I thought I heard you say that our forestry enforcement would address the issues with fur farming.

MR. DEERING: Any commercial aspect for farming and ongoing livestock operations.

MR. BALL: Yes. Is that something new for them or since the legislation has been enacted?

MR. DEERING: I guess it is sort of new for them. They have been involved in assisting the Animal Health Division in previous years with things like rabies and any ongoing issue on commercial farms, but we are also undertaking to train forestry officers as well for this purpose. That training is scheduled to roll out in the next month or so.

MR. BALL: Yes. Well, for forestry and agriculture, my questions are done.

CHAIR: Mr. Ball, if you want to jump right into Mineral Resource Management (inaudible) to change over now.

MR. BALL: Yes. I will take a few seconds before you leave, to thank you very much for your prompt replies and we look forward to the correspondence that will come back. Thank you very much. I know it gets challenging from time to time. It almost feels like we are into an inquiry to some degree. It is not meant to be that. It is meant to be a free flow of information. It is quite valuable to us and I really appreciate it.

MS MICHAEL: (Inaudible) you were very helpful today.

CHAIR: From the Committee also.

Just to reiterate; when you do get a chance with the information, it will be distributed to both parties.

OFFICIAL: (Inaudible).

CHAIR: Okay, right there available, perfect.

Thank you.

(Inaudible) I will probably jump back and forth every ten minutes or so to keep the flow going.

MR. BALL: Thank you.

We are back to 4.1.03, which is Mineral Development, Mineral Resource Management, and Grants and Subsidies. Last year we had a budget of \$2.563 million. We kind of hit that

spot on, and this year we have seen a reduction of \$660,000.

Two questions: Where did the grants go last year, or what subsidies were in place? How were we able to achieve over \$600,000 in savings?

MR. MARSHALL: This year there is an expenditure reduction measure of \$660,000, and that is in the Mineral Incentive Program.

I am going to ask Charles Bown, the Deputy Minister, to elaborate.

MR. BOWN: I think we are familiar from years past, that the Mineral Incentive Program is designed to facilitate exploration in the Province. It is separated into grants provided to junior mining companies, and to prospectors and those who are interested in developing natural stone or dimension stone. As part of our expenditure reduction initiative for this year, we have reduced that program by \$660,000.

MR. BALL: We spent all the money last year and now you think you can take \$660,000 out of it, which is obviously an exploration program. What will be the impact, do you think, on that program if there is less money for those?

MR. BOWN: Every year that program is fully subscribed, and in years past. So, in the past ten years that this program has been around, we have gone through budget reduction exercises where we have reduced it and then, when times are better, we have run the budget back up again.

Clearly, the number of companies that will take advantage of this program this year will be less. We are going to keep the same level of prospectors, we are going to keep funding them at the same level, but the amount of companies that will be able to participate will be less. Again, we will still be fully subscribed this year.

MR. BALL: Okay.

What do you think the impact will be, though, on exploration? Obviously, you will see less.

MR. BOWN: By and large, exploration is going to take place. If there is good prospectivity or if the markets are good, exploitation will still take place. Yes, this does facilitate some additional exploration. We would not expect to see any kind of significant impact. In years previous where we have had reductions in the program, we have not seen significant reductions in exploration as a result.

MR. BALL: Okay.

To the Energy side, on your Energy Policy, 5.1.01, under Grants and Subsidies we spent about \$500,000 more than we budgeted for last year and we see an increase of about \$1 million this year. What is the activity that is going on in the Grants and Subsidies in 5.1.01?

MR. MARSHALL: This is funding that is provided for subsidies to the isolated diesel powered communities. The year 2012-2013, we had to come up with an additional \$450,000 during the year, beyond the amount that had been budgeted, to facilitate diesel subsidies in these isolated communities as part of the Northern Strategic Plan. That was the cost this year.

For 2013-2014, the estimate – there is an expenditure reduction exercise there of \$60,700, an additional \$920,000 is provided related to the legal obligation of the CF(L)Co trust agreement, as well as an additional \$600,000 related to the increase subsidies anticipated this year for those communities on the Labrador Coast that are powered by diesel.

MR. BALL: Two things – the price, I guess, is not the issue; it is just more consumption?

MR. MARSHALL: Yes.

MR. BALL: Okay. The CF(L)Co trust agreement, \$920,000: Can we get just a brief explanation of that?

MR. MARSHALL: A number of years ago the Department of Justice undertook a review of legal opinions that the government has received under section 92(a) of the Constitution. As a

result of that review, there was an opinion from a law firm in Montreal that talked about a good faith argument. This is a court case that we filed on the Upper Churchill based on some changes in civil law coming out of Germany and France. We commenced that action some time ago, and it is set to proceed in a trial court in Quebec this year.

The argument is based on a doctrine that people involved in long-term contracts, when negotiating the contract and also in enforcing the contract, have a duty of fairness to each other. Where you have a long-term contract and there has been a change in the circumstances from what the parties to the contract originally anticipated, that the contract should be changed.

The court case is asking the Quebec courts to change the contract between CF(L)Co and Hydro-Quebec. Not to cancel the contract, but to renegotiate the terms, and that if the parties will not do so, that the courts do it on behalf of the parties.

MR. BALL: Good luck. We need it.

The next one would be 5.1.02, Petroleum Development. Line item 10, Grants and Subsidies again, \$5,000 allocated last year, \$5,000 spent, and we have \$1 million in this year's budget.

MR. MARSHALL: There is \$1 million there for the Geoscience Initiative. This is a new initiative approved in Budget 2013-2014 to continue to support geoscience research.

MR. BALL: What kind of research is that?

MR. MARSHALL: Is it seismic?

MR. BOWN: One of the key success factors in promoting increased exploration activity in our offshore is to get companies attracted to the area. Drilling is our objective. What we are attempting to do is to attract new companies to our offshore by providing them with geoscience that they would not otherwise had access to because it is proprietary to the companies, or the

Offshore Petroleum Board is unable to release it because again it is secure under the Accord Acts.

What we have been doing is acquiring geoscience data, doing our own analysis and interpretation, and releasing that. One example of that you would have seen is the three new basins discovered offshore in Labrador; this is a continuation, and we are going to be doing some additional geoscience acquisition and some geoscience interpretation this year.

MR. BALL: Okay.

What do we do with the information then? Do we just give that to companies as they come looking for it; is that the idea? Or something that we use as we develop the perspectives so we can actually go and promote it?

MR. BOWN: One of the important factors behind the continuation of mining exploration in the Province has been open geo files. We have our own geologists who go out and do their walk around and do their own analysis of mineral prospectivity in the Province, do their research. We promote that on the department's Web site, geologists come to the department, and we provide them with all the information we have.

We are doing the same thing here. So, we are doing our own analysis, we are interpreting the data, to a point – you could spend millions of dollars at this; we are going to take it to a certain level where we can attract their interest and then release it to them.

Where we pay for the geoscience, we actually get revenue recovery. If we contract someone to acquire that for us, when they sell that or license that data, we get some of those funds back as well. So, we get some cost recovery.

MR. BALL: I am still not quite clear on the prospecting grants. Just as an example – because obviously that concerns you when you see reductions of this size that would be like 25 per cent or so – how many people would have actually took advantage of that in terms of different companies or groups?

MR. BOWN: Sorry, what was the number for that one again?

MR. BALL: It is actually going back to 4.1.03 again, and it is the prospecting program that we talked about. We have seen a reduction. All the money was spent last year. Charles, you mentioned that all of it will be used again this year. I am just wondering, how many people are actually taking advantage in terms of the numbers of people? I am just trying to get an idea of what the scope of this is.

MR. BOWN: Under the Junior Exploration Program we would have had twenty-three companies participating last year. Under the Prospectors Program we would have had ninety-four prospectors.

We still expect to have the same level of prospectors participating. Quite likely, depending on how we roll this out, our intention right now for the junior companies is to try and fund as many programs as possible, albeit at a lower level.

MR. MARSHALL: One thing I will add, if I may – and Charles can correct me here – is that the prospectors part of this program, there are three parts of it. There is the prospector's assistance, there is the junior company exploration, and there is natural stone. I believe the prospector's piece will be kept whole.

MR. BOWN: Yes.

MR. MARSHALL: There will be no reduction there. It is just the junior exploration will be reduced.

MR. BALL: Just the junior?

MR. MARSHALL: Yes, I do not think natural stone – I do not think there is anything there.

MR. BOWN: A small reduction.

MR. BALL: In natural stone?

MR. BOWN: A small reduction in natural stone. We do not have the same level of uptake

for dimension stone as we have had in the past. If you recall, we had a couple of dimension stone quarries in the Province that were quite active at one point, but actually we do not have any right now.

CHAIR: Mr. Ball, can I go back and forth just to keep the flow going?

MR. BALL: Yes, sure.

CHAIR: Ms Michael.

MS MICHAEL: Okay, thank you very much.

Continuing on then, just a couple of line items left and then I will have some general questions. In 5.1.04, and we are looking at 05 Professional Services. Last year budgeted –

MR. MARSHALL: Page 72.

MS MICHAEL: Okay?

MR. MARSHALL: Yes.

MS MICHAEL: Last year budgeted at \$806,000, revised to \$551,000, and now this year Estimates is basically \$334,000. Can we have an idea of why that is going down? Explaining what the professional services are under this would help us understand the changes that have happened since last year.

MR. MARSHALL: Okay. Well this is funding for external professional services and specialized legal and accounting advice, things like that. The budget amount was \$806,200, and what was actually spent in 2012-2013 was \$551,100. This is due to less than anticipated requirements with respect to legal and consultant fees for benefits negotiation.

The department's strategic energy advisor, that was Wood Mackenzie in New York, as well as project audits were initiated later in the fiscal year by Grant Thornton. The audits started later due to project operator schedules. That was the reason for the drop this year, in 2012-2013. The budget amount for 2013-2014, of course, is

\$333,900. This is an expenditure reduction measure of \$400,800.

There is a reversal of \$176,800 from Professional Services to Salaries that was approved for 2012-2013 only, to allow for two contractual positions. Also, there is a removal of \$248,300 from Professional Services for 2013-2014; again, trading off Professional Services funding to create four permanent positions in order to help more effectively and efficiently resource the audit function within the Royalties and Benefits Division.

What is happening in Royalties and Benefits, we have all these audits to do and each year there is more and more with the new fields. We have had to put extra resources in the budget this year to deal with that.

MS MICHAEL: That is helpful because that was going to be my follow-up question when I first heard you answering, wouldn't it be wise to have people in-house doing this work? That is what you are now doing; as it is growing you are realizing that.

MR. MARSHALL: We do, and we have new permanent positions, four new permanent positions, and the team is an outstanding team doing that work. They are very pleased with their resources for this year.

MS MICHAEL: Right and that relates to the salaries going up in that division as well.

MR. MARSHALL: They tell me they enjoy their work immensely and that they have good work-life balance.

MS MICHAEL: Well that is nice to hear.

MR. MARSHALL: So I am delighted to hear.

MS MICHAEL: Yes, I would like to have some of that, too.

MR. MARSHALL: They are dealing with an awful lot of money that is owed to the taxpayers of this Province.

MS MICHAEL: Would this new staff now be located within the department itself or in Nalcor?

MR. MARSHALL: In the department.

MS MICHAEL: In the department itself. Okay, great, thank you. I think that is a wise move, I have to say.

Coming to 5.1.05 – no, just one other thing, this may be related. Under 06, Royalties and Benefits, I note that Purchased Services, \$100,000 has been cut in that line approximately from last year's budget. It is \$100,000 less.

MR. MARSHALL: Yes, that is an expenditure reduction measure by \$100,000.

MS MICHAEL: That you are just imposing on yourselves as part of the Budget process?

MR. MARSHALL: We tried to take as much there so we could avoid losing people.

MS MICHAEL: Right. Yes, okay. Thank you.

Now we can go to 5.1.05. We used to have a fair bit of money here in Energy Initiatives. Now the Grants and Subsidies under Energy Initiatives have gone completely. What has been lost here and what are the implications?

MR. MARSHALL: Okay. Well, the variance there for 2013 is the removal of the funding associated with the provincial Energy Plan, as the plan is now complete as for the fiscal forecast.

I am going to ask Charles to elaborate on that.

MR. BOWN: Initially, we had \$35 million identified for Energy Plan initiatives. We had done that over seven years. Once we had ceased that, we would not be allocating specific funding for an Energy Plan going forward. Rather, we would be bringing forward specific initiatives at Budget time to put them in the correct allocations in the Budget. It would either be one time or multiple year funding. We are no longer doing the Energy Plan block funding, but rather

we will be coming forward with specific budget initiatives inside the Budget itself.

MS MICHAEL: Are you saying then that we have to look elsewhere to look for energy initiatives, or if there are particular conservation or innovation initiatives, they would show up under this head when they are in there? Does having nothing in there mean that this year there is no money going into energy efficiency conservation and innovation initiatives?

MR. BOWN: One example of what we did this year is that the \$1 million shows up in petroleum development for geoscience as opposed to seeing it in here. The EnerGuide program that we did offer through the department has now ended, coincident with the federal government program ending.

We do not have any money in our budget this year for energy efficiency programs. Rather, we offer policy research and advice associated with energy efficiency, similar to the Build Better Buildings Policy that we released.

MS MICHAEL: I am definitely not happy. I understand that a federal government program ended, et cetera, but I think we are really lacking in the Province right now with regard to issues around energy conservation. I really am quite concerned about that. I think the average person who wants to get involved in energy conservation is not looking for policy; they are looking for help in being able to do that. So, I really fear that we are going to see negative implications right now, a negative impact because of the lack of money that is going into initiatives around conservation.

MR. BOWN: I would note that the majority, almost all of the funding for energy efficiency initiatives, now comes through Newfoundland and Labrador Hydro and Newfoundland Power, and the policy advice and suggestions are coming from the Department of Natural Resources and the Climate Change Office, as opposed to direct funding from the departments.

MS MICHAEL: Right, and I guess a policy issue, that is not your concern; you do not create

the overall policy, but I think our government should be taking more responsibility with regard to this, not just leaving it to the two power companies, but I have made my statement.

Subhead 5.1.06; obviously, this is the money that goes to Nalcor, and I will not get into discussions on that. We say what we have to say about that in the House of Assembly. That is my point there.

I see a head that does not exist, and I think it means six. Okay, that is it. That is all I have there. I do have general questions around minerals I can start with.

CHAIR: Okay, well I will go back to Mr. Ball so he can finish off and maybe we could have some general dialogue.

MS MICHAEL: In case he has line questions, sure.

CHAIR: Mr. Ball.

MR. BALL: I am done with the line items, too, now, and I am ready to move into some – except for one. There was a company in the news back a few months ago now, and I guess the allegation was around going back to the data, the seismic data. I think, if we can remember in the news, a company by the name of GSI were making allegations that they owned the data and this data was being shopped around by government. There were claims made on their behalf that this was actually, I believe – I do not have all the information on this, but I think their claim was that they actually owned the data and there were concerns then that this data was being shopped around by government. So, I am just wondering where the government is on that right now.

MR. BOWN: Right now GSI has brought this matter to court, an action both against the Attorney General and the C-NLOPB with the point that, again, as you said, the proprietary data had been released.

MR. BALL: So it is in the court.

MR. BOWN: It is in the court.

MR. BALL: Okay.

If I could just get an update on Julienne Lake right now, and where things are with the Julienne Lake deposit, expressions of interest, how many we have currently working with, and when the decision was to be made?

MR. MARSHALL: The Julienne Lake deposit represents a large undeveloped iron deposit that has the potential to provide significant economic and employment benefits to the people of the Province. This was property that I think was at one time owned by a company of John C. Doyle and because of failure to meet certain commitments, the property reverted back to the Crown. What government has been doing is it has hired consultants for the purposes of helping us determine the value of the asset, and the extent and the quality of the minerals.

In this year's Budget there was a decrease of \$200,000 in Professional Services that are associated with the commercial consultants we have engaged to help us in the disposal process, including participation in negotiations of the final agreement with the successful proponent. Budget 2012 had approved \$500,000 of which \$100,000 was used and \$200,000 was carried forward to 2013-2014. We are still in that process now.

Charles, would you like to add additional information?

MR. BOWN: As the minister said, we did hire a consultant to move this process forward. We went out with an Expression of Interest that was public. We did receive a very good response to that and as a result of that response, we have gone back to six select companies of those initial thirteen to provide us with a detailed bid on the property. So the money the minister referred to, the \$200,000 for this year, would be used for the consultant to aid in the bid evaluation, but also to provide government with advice on the next steps going forward.

MR. BALL: I guess you are into the process now, so when would you be in a position to select the bidder? Is there a timeline on that?

MR. MARSHALL: We are not in the position as yet to determine which of the bids will provide the people of the Province the maximum value. Initially, there is a short-term approach where you simply sell what you have for a certain sum of money. There is a long-term approach where you take a royalty and get an interest over many years to come and that would maximize the value to the Province, but that decision has not been made as yet.

MR. BALL: Is this a project that we would consider taking an equity position in?

MR. MARSHALL: We own it now. We actually own the land and the minerals now. We could take a royalty. That is one way of doing it. The other way is simply selling out for cash now. The proposals that are in are being evaluated; there are a number of them.

MR. BALL: Six is it, you said?

MR. MARSHALL: There was more than that, but six have been identified as the likely successful ones.

MR. BALL: Screened out.

MR. MARSHALL: We have told the smaller ones that if they want to continue and make a second proposal to the Province, they are not going to be ruled out just because they are small.

MR. BALL: Okay, so there is no one ruled out. How many did we receive?

MR. MARSHALL: Thirteen.

MR. BALL: Thirteen, yes. All right, so there is really no timeline on this project at all? That would be from the bidders though. They would be concerned about timelines, would they not? They would need to know there is a target.

MR. MARSHALL: There was the first stage where they bid. The ones that were thought to

be the strongest were identified. The ones that were thought would provide the best benefit to the Province were identified, but we did not rule the others out.

MR. BALL: Okay.

MR. MARSHALL: Rather than dismiss them, we are saying to you we do not think you are going to be able to pull this off, but if you want to continue to try and go in the next phase, which is the second phase, then we are not ruling you out.

MR. BALL: Yes, okay. So it is early days.

MR. MARSHALL: Phase I is done; we are now waiting for the proposals in Phase II. Dwight, if we last talked about it more than three weeks ago, it takes a while to remember.

MR. BALL: That is okay. We understand. I think you are doing a great job, with three months on the job.

MR. MARSHALL: Three-and-a-half.

MR. BALL: Three-and-a-half on the job, and I can understand even just going through this why it would be nine months at least to get up-to-date and to speed on all of the things that are going on in that department.

The Iron Ore Company of Canada, I am just wondering where we are now. Are there negotiations with a new royalty regime with the Iron Ore Company of Canada right now, or I guess we still live with the royalty regime that is in place and has been in place for a number of years?

MR. BOWN: That is correct. The royalties associated with the iron ore mine in Canada is in legislation. It is the Labrador Mining and Exploration Act.

MR. MARSHALL: I think that goes back to the 1930s.

MR. BALL: Yes.

Is that something we would ever see at least revisiting at some point?

MR. MARSHALL: I think it is up in 2015, is it, or parts of it?

OFFICIAL: (inaudible).

MR. MARSHALL: There are certain hydro rates they pay that are coming to an end.

MR. BALL: Yes, the industrial rate.

MR. MARSHALL: Also there is low royalties, and I thought that was coming to an end as well.

OFFICIAL: No.

MR. BALL: Is it the same royalty regime for all iron ore companies – is it IOC, do they pay the same, let us say, as Wabush Mines or –

MR. BOWN: Wabush is under a different piece of legislation, it is the Nalco-Javelin (Mineral Lands) Act, and the royalty rate is different, but not that much different. It is similar, but it is not the same.

MR. BALL: So there would be a different royalty regime in place for different mining companies, is that what I am hearing?

MR. BOWN: I will just clarify. For IOC and for Wabush, the legacy mines, they are under their own legislation, so the project agreements, for the want of a better term, are in legislation. For companies such as Labrador Iron Mines, Alderon, Century, or Tata and New Millennium, they would be under the current Mining Act.

MR. BALL: Okay.

So if there was a change in ownership, would that be impacted at all? Is there an opportunity there for us to change the royalty regime? Or would they just buy the arrangement as well?

MR. BOWN: That property has changed hands a number of times –

MR. BALL: I know.

MR. BOWN: So that contract survives sales.

MR. BALL: Okay, successor rights.

MR. BOWN: Yes.

MR. BALL: I guess as a general question again, and I will just move it along here now – and this goes back to this whole issue that has been in the news a bit, not a lot of attention – I did see some things posted last week on this at Muskrat Falls, and the issue around the North Spur again.

I know SNC-Lavalin were supposed to put some professionals on site there. I am just wondering if there is an update on that in any sense, where we are with that, what is it going to take to take this out of the news so that people can be satisfied that the work can be done without that being an issue.

MR. BOWN: This has been a known issue for some time to the degree that – and forgive me if I get my dates wrong, but I believe it was in the 1980s when studies were being done at site then that was recognized that if wells were drilled in the upper side of the North Spur that would pump water out, then that would lower the water table inside the North Spur and that would provide all the stability that would be required to be able to develop the project.

That engineering analysis still holds true, that has been updated. I cannot give you the specific updates because I have not been inside the engineering studies. I have been advised that that work still continues on, but nothing has changed from the analysis that showed that even with the inundation, or when they flood, that any rise in water level would impact the stability of the North Spur, given the mitigation measures that have been put in place.

MR. BALL: I actually had the opportunity on a clear day to fly by there, on Saturday, and that was a massive slide; I could not believe it. When you look at the scar on the – really, that is when it came home to me is when I saw the magnitude of it, when you just look at it from the airplane, and it is quite the slide there is no doubt.

I guess we have to at this point trust the engineers. I was a little surprised to see that person was not put in place until February, with all the preplanning that has been done; but again, engineering for what it is, we have to trust I guess the work that they are doing right now.

The Fortis settlement, we have dealt with. I am just wondering – the recall power right now: What do we have available to us for recall power in Labrador?

MR. BOWN: Again, it depends on the time of year. If I were to give you the lowest amount, pick the winter when the demand would be highest, I think it is approximately between eighty and ninety megawatts. Again, it depends on usage at the mines.

MR. BALL: That would be the lowest amount?

MR. BOWN: That would be the lowest amount. That would get upwards of 200 in the summer.

MR. BALL: Okay, available?

MR. BOWN: Yes.

MR. BALL: What do we do with that power then?

MR. BOWN: That power is sold by Nalcor into whichever market is looking for it. We have wielding rights through Quebec and it is sold into New York.

MR. BALL: That is through the Emera arrangement is it?

MR. BOWN: Yes, well actually Nalcor sells some of its own power now as well. Even during the time when it was contracted with Emera to sell power, it made some of its own arrangements as well. It sold power to New Brunswick Power. Not all the arrangements went through Emera.

MR. BALL: Yes.

This is just a general question again. I am just wondering: As Nalcor and the affiliates of

Nalcor continue to expand and obviously becoming a pretty big company, has there been any consideration by government to really look at the governance model within Nalcor? Given the fact that we have the same board of directors on Newfoundland Hydro, and the same board of directors on Nalcor, when you look at the corporate governance models this is really unusual.

I am just wondering from the minister's opinion, if there been any thought at all given to switching up the different boards at Nalcor so that actually you get the expertise for instance on the Hydro board where the expertise should be, then as we develop other affiliates like our Bull Arm site and on and on it goes through Nalcor. Has there been any discussion or thought gone into just putting a different governance model there with Nalcor?

MR. MARSHALL: No, our discussion of governance and the governance models has lately been around the issue of the funding of the Muskrat Falls Project and the guarantee coming out of that. The federal government guaranteed they had views on the structure.

The structure as you know is going to involve subsidiary companies of Nalcor. There is going to be a Muskrat Falls subsidiary or a Muskrat Falls-Labrador transmission asset subsidiary, and then there is a separate limited partnership which is Nalcor and Emera will own the LIL, Labrador-Island Link. Coming out of the guarantee and the funding is that these subsidiaries are going to set up funding trusts. Our focus has been on that.

Your question about how Nalcor and the other subsidiaries of Nalcor like the Upper Churchill fabrication and Hydro, their boards, that has not been part of our discussion. I do have a meeting coming up with Ed Martin to discuss SNC-Lavalin, among other things, and I certainly will take that up with him.

MR. BALL: Okay.

MR. MARSHALL: Charles, do you –?

OFFICIAL: (Inaudible).

MR. BALL: Just a quick question going back to an earlier discussion that we had there about some of the court challenges in Quebec right now: How many court challenges do we have ongoing in Quebec right now on the Upper Churchill Project?

MR. MARSHALL: The Upper Churchill, one.

MR. BALL: Just one?

MR. MARSHALL: One on the Upper.

MR. BALL: This was the one that we talked about earlier?

MR. MARSHALL: This is the one they held the good faith –

MR. BALL: The 92(a) challenge or whatever it was.

MR. MARSHALL: Yes, that is asking to renegotiate or for the court to change the terms of the Upper Churchill contract.

MR. BALL: Yes.

MR. MARSHALL: We also have a number of applications, or Nalcor has, where they have applied for the right to wheel power through Quebec. That has been rejected by the Régie. I understand there is an appeal to another division of the Régie now that is going to court. So that is two, and I believe there is another request Nalcor made to the Régie as well. I do not know the status of that or if that has gone to court yet or not.

MR. BALL: Okay.

I am just wondering about the question in a general sense on fracking. It has obviously been the discussion of a lot of public debate. I am just wondering if you had your trip to Saskatchewan yet. Do you still plan to go?

MR. MARSHALL: Definitely. The oil and gas industry has brought such wealth and

employment to the people of the Province. As someone from the Western part of the Province, I think we always hoped that there might be a similar industry on the West Coast which we thought would be on land.

There have been people searching for oil and gas on the West Coast of Newfoundland since 1867. That is when the first well was drilled. I think government records indicate that there had been correspondence about it from people of the Province from the 1840s. The first well was drilled in 1867, the year of Canadian Confederation, but there has never been any oil or gas discovered in commercial quantities on the West Coast. The geology is very complex.

I think we would look forward to economic development but only – only – if it is done in a framework that protects the environment and it is done in a framework that protects public health and safety. Can you give a guarantee? You cannot. Someone could get on a plane; well, we cannot guarantee nothing is going to happen. The odds are it will not.

It is new to us. It has been happening in the US in a major way. It has been happening in Western Canada. What is called fracking has been going on for six decades, but the changes in technology are mainly in directional drilling and in multi-stage fracturing. That is what is new. It is providing tremendous wealth in the North Dakota region of the United States. They are saying that it is going to be a game changer in terms of American energy security by maybe 2030. I also recently read that there are other areas as well: Eagle Ford down in Texas and the Marcellus in Pennsylvania. There was a lot of talk of an area in Ohio but that has not worked; it is not there.

I would caution people here, people talking about thousands of wells, it may not be here. There is one company that has indicated an intention to do this on the West Coast. It is a company called Black Spruce. They have indicated intention of drilling four wells, but it is subject to regulatory approval. There is an approval process, a rigorous approval process, they will have to go through to determine if they

can receive a permit. They have to obey the rules just like everybody else.

We are also looking at regulations in other parts of the world, and in other parts of the country. Canadian regulations are more robust than what we see in the US. We are looking at New Brunswick's regulations; they are supposed to be the strictest in the country.

We have regulations, Environment has regulations, and the C-NLOPB has regulations. They all have to be complied with, with these onshore and offshore wells. All three regulatory agencies, the regulations have to be met. Environment, C-NLOPB, and Natural Resources, we can make it a term of the licence any regulation we wish, whether it is in our regulations or not.

We want to make sure if this is to go ahead, that the environment is protected and public health and safety is protected. I want to go out to Western Canada and I want to stand on the ground and watch it happen. I want to try to get a feel for the site to find out for myself. I have been getting so many e-mails and I have been on YouTube so often looking at the simulations. Some of them do not tell you everything. If you are against the fracturing, you do not show when the well is drilled that there are casings put in to protect the aquifers. They leave it out.

MR. BALL: Yes.

MR. MARSHALL: Industry, when they argue in favour of the fracturing, does not give you the full information either in terms of what is going in there. What is the makeup; what is the cocktail, the makeup of the chemicals? I would like to find out for myself and bring that information back.

MR. BALL: I agree.

CHAIR: Mr. Ball I will give you (inaudible) –

MR. BALL: Yes, one last question.

CHAIR: – and then I will go to Ms Michael to finish up.

MR. BALL: Yes, one last question, and it relates back to some of our oil. I do not use oil and gas anymore because I do not believe we have a gas industry right now. Hopefully one of these days we will.

From the offshore oil projects, can we get an update on where we are with Mizzen and Statoil's involvement? What do we expect to see offshore Newfoundland on that project?

MR. MARSHALL: Well, Mizzen has a significant discovery licence. It is my understanding they are going to drill two appraisal wells this year. I think they have estimated at this point there are 200 million to 300 million barrels. I think they want to drill appraisal wells just to try to get an idea of the size of the field. Beyond that, Charles?

MR. BOWN: Actually, this is going to be a very good year for exploration. We will have four exploration rigs offshore this year. We are going to have two vessels: one vessel that we have never seen here before, and one vessel that is going to be returning, the *Stena Carron*.

Our objective again for looking at the long-term future for the Province and ensuring that we have sufficient revenue, that we can keep our oil and gas industry going. Having four wells a year is going to be a really good year for us.

We are very excited about the prospect of Statoil having a couple of wells. Chevron is going to go back into the Orphan Basin. Suncor is going to drill a well this year as well in a new property.

MR. BALL: Good; all right.

CHAIR: Thank you Mr. Ball.

Ms Michael, I will give you the last ten minutes or so before we ask for motions or whatever you need.

MS MICHAEL: I think I had more questions than ten minutes worth, but I will see what I can do.

Sticking with oil, I will try to be very direct. Maybe the answers can be very direct; this one is, actually. With regard to the schedule for oil royalty payments, where are things in that schedule?

MR. MARSHALL: In terms of the audits?

MS MICHAEL: Yes.

MR. MARSHALL: We are behind. Do you have the exact numbers?

MR. BOWN: As I reported here I think in a couple of years, every year – and I was ready for this one.

MS MICHAEL: Yes, because you always get the question.

MR. BOWN: I think we were audited by the Auditor General in 2008 and were given specific recommendations. We have been audited every year since. We put in place a plan in 2008 that was recommended by the Auditor General. We have followed to that plan.

We experience a lot of attrition in our auditors because their skill set is highly sought after, but even through that we have kept a plan. We are doing the 2007 audits now. That is still on our catch-up schedule, and hiring four new auditors this year is going to help us advance that plan.

As the minister said in his comments earlier, the more of these we do – we have more projects coming. We are doing Hebron already. We are doing the White Rose South extension already, because they come in to us for auditing even before they start –

MS MICHAEL: Right.

MR. BOWN: – but the more audits we do, the more queries we get coming back. So it is not a case of work starts to fall off. Actually, work is starting to build. That is why we needed additional resources.

MS MICHAEL: You have had some vacancies develop? I know you are continually having vacancies.

MR. BOWN: We have continual vacancies. Again, these folks have skill sets that even other departments highly crave.

MS MICHAEL: Okay. I would like to come back to the issue of the Iron Ore Company royalties. I understand, we do know there is a dispute going on between IOC and the government with regard to, not the amount of royalties but what should royalties be paid on by IOC, and there is an arbitration board set up. I think the third person has been appointed now.

I think Robert Wells has been appointed as a third person on that arbitration panel. Is that correct? I think the other two were Rick Dawe and Vic Young. You have a panel to arbitrate the dispute with regard to the royalties paid by IOC.

MR. BOWN: I apologize, I am not familiar – oh, you are, okay.

MR. MARSHALL: I remember that the – I cannot remember which one it is for, whether it is offshore or whether it is minerals. You are saying it is IOC?

MS MICHAEL: Yes, it is IOC.

MR. MARSHALL: We will get that information –

MR. BOWN: I apologize, I am not familiar, but if you have some additional information.

MR. MARSHALL: Do you have any additional information there?

MS MICHAEL: Yes, that there is a dispute between – the central issue being between IOC and the government is whether there are certain business activities of IOC that they should be paying royalty on or not, and an arbitration panel has been set up. I thought you were going to say you could not answer it because maybe it is before the courts.

MR. MARSHALL: No, I know the approval of the arbitrator came before me –

MS MICHAEL: Right.

MR. MARSHALL: – but I am wondering if this is Department of Finance as opposed to Natural Resources, because if it is –

MS MICHAEL: Okay, you think they are the ones who are dealing with it.

MR. MARSHALL: We keep talking about royalties for the mining industry, but it is really a tax.

MS MICHAEL: Right.

MR. MARSHALL: It is called a tax. It is probably really a royalty, but the act is a tax. I am just wondering if I saw this when I was in Finance.

MS MICHAEL: Okay, you may have seen it when you were in Finance then. You can check it out, and we will check it out as well.

MR. MARSHALL: I will check it and I will let you know.

MS MICHAEL: We would like to know how this is moving forward now that we have the third person chosen. The third person was the mutually agreed upon one, and Robert Wells apparently is that person. We wanted to know where things were going with this arbitration. If you would check and we will check with Finance as well.

I asked a question in the Finance Estimates and they have sent me to you. I do not think you are the one to answer it. I think it is Finance that should be answering, but I will tell you what it was.

As we know, in this year's Budget the revenue from mining royalties has really gone down. One of the things that we were told – and this was actually when we were in the lock-up with Finance people, and they gave us information that I could not get confirmed in the Estimates

with Finance. They said it is a mining question, but I do not think it is.

What we were told was that there is going to be a real drop in what Vale pays with regard to mining royalties this year. I do not know if it is the only one, but a big reason for it is that with the beginning of operations in Long Harbour, they are going to be eligible for an accelerated depreciation.

MR. MARSHALL: Yes.

MS MICHAEL: That is going to affect them to the point that they are going to get such a credit that they will not actually have to pay royalties on Voisey's Bay. Is that correct?

MR. MARSHALL: It is. You are right.

MS MICHAEL: It is. That is exactly how it works.

MR. MARSHALL: It is a Finance question because that is where I got it.

MS MICHAEL: That is where you got it from is from Finance. They were having a hard time confirming that with me. They said: well, you know, it is a mining thing. I thought no, I do not think so, it is a taxation issue. I am correct in that?

MR. MARSHALL: You are. It is very similar to royalties in the sense they get to write off their costs against paying the royalties.

MS MICHAEL: Right.

MR. MARSHALL: That is what is going to happen here with expansions.

MS MICHAEL: That is right, because what we were told was the Long Harbour write down is basically going to cover all of their taxes on the Labrador operations this year. Do you know if that is going to happen again after this year? I guess it could, couldn't it?

MR. MARSHALL: With expansions.

MS MICHAEL: If every year they are going to get the accelerated depreciation –

MR. MARSHALL: Then the redevelopment of the underground mine as well.

MS MICHAEL: Right, okay. That is something for us to look into. At least I have the information correct. That is what I wanted to be sure about. Thank you.

A couple of updates, if you could, Tom, it would be great. Like the St. Lawrence fluorspar mine for example. I understand with a new preliminary feasibility study it is going to be a lot more expensive than had been anticipated initially.

The capital costs are going up from \$98 million to \$154 million. Operating costs have also climbed from \$208 per metric ton to \$231 per metric ton, and you have ongoing capital costs. There has been a real jump. Are we still expecting that this one is going to move ahead?

MR. MARSHALL: Alex.

MR. SMITH: St. Lawrence fluorspar did come back with an updated feasibility study that showed it was economic; however, publicly they are stating that a business decision has not yet been made.

MS MICHAEL: Okay.

MR. SMITH: We are optimistic. Other than that, there is not much we can say.

MS MICHAEL: Okay. They have not really given a decision yet.

Could we also have an update on the Alderon mine? It seems to be moving along pretty quickly. I know that down the road there is the concern for power, but if this is moving as quickly as it looks like, they are certainly going to be onboard before Muskrat Falls is. What is the arrangement for power for the project as it starts up?

MR. BOWN: We have had discussions with Alderon. Actually, more so Nalcor and Newfoundland and Labrador Hydro have been discussing with Alderon.

MS MICHAEL: Right.

MR. BOWN: Currently, they are still in environmental assessment. The project is proceeding through that process.

MS MICHAEL: Yes.

MR. BOWN: The initial phase of that project is going to require sixty to seventy megawatts of power. There will be sufficient power available from the recall block within that time frame prior to Muskrat Falls coming on-line.

MS MICHAEL: Right.

MR. BOWN: The discussions about the timing and transmission of that power are currently being held between Alderon and Nalcor.

MS MICHAEL: Okay, thank you.

I think they did have proposals in their EIS that they submitted under the environmental assessment process. I presume they are holding to whatever is in that, but you do not know?

MR. BOWN: Proposals regarding –?

MS MICHAEL: With regard to where they were going to get power in the first years prior to Muskrat Falls. I think they did indicate where they would be looking for power from. I guess it was from Nalcor. That is what is happening now is those negotiations.

MR. BOWN: That is correct. There is sufficient power available from the recall block and they are having those discussions with Nalcor.

MS MICHAEL: Right. Okay, thank you.

With regard to the Office of Climate Change, Energy Efficiency and Emissions, we had a five-year plan that had been put out with a \$28

million strategy and I think we would be in year two of the climate change plan now. Can we get an update on what is happening around that?

MR. MARSHALL: That is the Department of Environment that speaks to that – Minister Hedderson.

MS MICHAEL: Okay, not here. Great, thank you.

OFFICIAL: (Inaudible).

MS MICHAEL: Pardon?

OFFICIAL: (Inaudible).

MS MICHAEL: Yes.

Okay, I think I have another one here that is also an environmental question, so I will leave that.

With regard to Muskrat Falls and what is happening there right now, the work that is going on – I am presuming it would be under this department – can we get an update with regard to the hiring that is going on in terms of numbers of people from Labrador, numbers with regard to Aboriginal people, also Island people, et cetera, and people from outside, because there is certainly a lot of noise of people being unhappy?

MR. MARSHALL: Yes, there is, and we have been following – Gilbert Bennett came in and just briefed me on what was happening there, and of course what is happening is they are ramping up now. I think the living accommodations area is now complete –

MS MICHAEL: Yes.

MR. MARSHALL: The latest numbers I saw were for February, and there was about 449 people working on the site. The percentages were the same as they were in March; there had not been any improvement in the percentages. I had the percentages, and I said what they were in the House.

What I am told is that it is ramping up and before you know it, there is going to be 1,000 people there. It is being monitored very carefully. Because we are hearing the same noise you are. Nalcor asked Gilbert to come in and sit down and talk to me about it, and they are going to watch it very carefully and they expect it to change.

Charles?

MR. BOWN: I will just draw a parallel. At Voisey's Bay, we went under the same hiring protocol, the same approach, and the project started the same way. It started slow, but as the project hiring commenced that is when we saw the greater uptake of Aboriginal participation, and now through operations we have a very high level of Aboriginal participation.

MS MICHAEL: What leverage does Nalcor have with regard to the main contractor and the subcontractors with regard to meeting the expectations?

MR. BOWN: The project will be operating under a collective agreement through a special project order, and the order will include within it – so the agreement itself does, and the special project order will have the hiring protocol inside. So, the contractor has to hire from the union halls via the hired protocol.

MS MICHAEL: Right, thank you.

MR. BOWN: The same as Voisey's.

MS MICHAEL: Right, the same as Voisey's.

That one I know well.

MR. BOWN: Yes, me too.

MS MICHAEL: I will do a last question, and you are probably ready for this one because I ask this one every year: Could we have an update on the Ramea wind project?

MR. BOWN: I have to admit I did not prepare for that one.

MR. MARSHALL: I was not here last year (inaudible).

MS MICHAEL: Okay.

MR. BOWN: I will give you what I know, and that is all the project components were commissioned and that they are in the testing – I guess you would call it the research phase.

MS MICHAEL: We are still in the research phase?

MR. BOWN: Yes.

MS MICHAEL: Do you know when the date for the research phase will be finished? Is it a year, two more years? I thought last year I was told two years, but I think I am being told two years all the time so I do not know when they catch up with each other.

MR. BOWN: I do not have that timeline for it right now.

MS MICHAEL: Okay.

I think I will leave it at that. It is almost 12:00 o'clock.

CHAIR: Thank, you Ms Michael.

Mr. Ball, are you good?

MR. BALL: Yes.

CHAIR: Can I have a motion to adopt headings 1.1.01 to 5.1.06?

MR. LANE: So moved.

CHAIR: The Member for Mount Pearl South.

All in favour, signify by saying 'aye'.

SOME HON. MEMBERS: Aye.

CHAIR: Opposed?

Motion carried.

On motion, subheads 1.1.01 through 5.1.06 carried.

Motion carried. We are adjourned.

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

On motion, the Committee adjourned.

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

CHAIR: I would like to thank the Committee and the minister and his staff for an open discussion on answering the questions.

MR. MARSHALL: I would just like to have it clear: What is the documentation that we have now undertaken to provide, so that we know what we have to get you?

CHAIR: Each group could e-mail the minister's EA or staff members just to confirm.

MR. MARSHALL: Has someone written it down on our side?

I just want to make sure that I do not go off and forget something.

MS MICHAEL: What we could do is send an e-mail; I think that is a good idea. Who should we send it to?

OFFICIAL: (Inaudible).

MS MICHAEL: To the DM? Okay, we can send it to Charles.

CHAIR: Once again, I thank the minister and his staff and the Committee.

A motion to adjourn?

MR. LANE: So moved.

CHAIR: So moved.

All in favour, signify by saying 'aye'

SOME HON. MEMBERS: Aye.

CHAIR: Opposed?