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**Proceedings of the Standing Committee on  
Resources**

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Department of Natural Resources

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## **RESOURCE COMMITTEE**

Department of Natural Resources

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Chair: David Brazil, MHA

Vice-Chair: Christopher Mitchelmore, MHA

Members:

Eli Cross, MHA  
Keith Russell, MHA  
Sam Slade, MHA  
Tracey Perry, MHA  
Lorraine Michael, MHA

Clerk of the Committee: Lorna Proudfoot

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Appearing:

### **Department of Natural Resources**

Hon. Derrick Dalley, MHA, Minister  
Wade Bowers, Assistant Deputy Minister, Forestry Services  
Charles Bown, Deputy Minister, Energy  
Keith Deering, Assistant Deputy Minister, Agrifoods  
Tracy English, Associate Deputy Minister, Energy  
Jim Evans, Chief Executive Officer, Forestry & Agrifoods  
Ian Froude, Executive Assistant  
Vaughn Granter, Parliamentary Assistant  
Philip Ivimey, Departmental Controller  
Diana Quinton, Director of Communications  
Alex Smith, Director, Mineral Development  
Larry Wells, Executive Assistant

### **Also Present**

Dwight Ball, MHA  
Peter Miles, Official Opposition Office  
Ivan Morgan, Researcher, NDP Office

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

Pursuant to Standing Order 68, Dwight Ball, MHA for Humber Valley substitutes for Sam Slade, MHA for Carbonear – Harbour Grace.

**CHAIR (Brazil):** Ladies and gentlemen, welcome to the Resource Committee Estimates review for the Department of Natural Resources.

We will start first by asking the Committee to introduce themselves and any officials they may have. Then I will ask the minister and his officials to introduce themselves. I will go through a little bit of housekeeping and then we will get right into the process.

We are going to start with Forest Management; that is the first heading we will go through.

Mr. Ball, I will start with you to do an introduction, please.

**MR. BALL:** Dwight Ball, MHA for Humber Valley.

**MR. MILES:** Peter Miles, Opposition Office.

**MR. MITCHELMORE:** Christopher Mitchelmore, MHA for The Straits – White Bay North.

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

**MR. MORGAN:** Ivan Morgan, Researcher, NDP caucus.

**MR. CROSS:** Eli Cross, MHA for Bonavista North.

**MR. RUSSELL:** Keith Russell, MHA for Lake Melville.

**CHAIR:** Minister.

**MR. DALLEY:** Derrick Dalley, Minister of Natural Resources, Forestry and Agrifoods, and MHA for The Isles of Notre Dame.

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

**MR. DEERING:** Good morning. I am Keith Deering, Assistant Deputy Minister for the Agrifoods Development Branch.

**MR. BOWERS:** Wade Bowers, Assistant Deputy Minister, Forestry Branch.

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

**MR. IVIMEY:** Philip Ivimey, Departmental Controller.

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

**MR. SMITH:** Alex Smith, Director of Mineral Development, Mines Branch.

**MR. GRANTER:** Vaughn Granter, MHA for Humber West, and Parliamentary Secretary to the Minister.

**MS QUINTON:** Diana Quinton, Communications Director.

**MR. FROUDE:** Ian Froude, Executive Assistant to the Minister.

**CHAIR:** Welcome to everybody.

I am just going to do a little bit of housekeeping here. I need a motion to adopt the minutes from the Resource Committee for the Department of Fisheries and Aquaculture, April 14, 2014.

**MR. RUSSELL:** So moved.

**CHAIR:** Moved by the Member for Lake Melville, seconded by the Member for Bonavista North.

All in favour signify by saying ‘aye’.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Opposed.

Motion carried.

On motion, minutes adopted as circulated.

**CHAIR:** I want to note that I do ask, Minister, and particularly your officials, if one of your

officials is making a comment or answering a question, that they identify themselves for Hansard so it is better recorded.

The process that I normally use is I give ten to twelve minutes starting with the Opposition and then the Third Party. If they are getting close to the end of a section, I will ask if that is the case and then I will give a few extra minutes leeway to finish that off. Then, we will come back to the next member to ask any relevant questions.

Before we start, Minister, I am going to ask you if you have opening comments. I am going to call that we would start with Forest Management, and I ask the Clerk to call the subhead.

**CLERK:** Subhead 2.1.01.

**CHAIR:** Okay. We will start on subhead 2.1.01.

Minister, if you have any opening comments regarding that division or the whole department.

**MR. DALLEY:** Thank you, Mr. Chair.

Just a few comments, I think everybody knows the depth, I guess, of this department and the volume of activity in terms of oil and gas, the energy sector, the mining sector, forestry, as well as agrifoods. It is an extremely busy department. We are engaged in a tremendous amount of work across the Province. We are involved in, particularly around resource development, as we know. There are many areas and many questions I am sure that we will get today and certainly commit to them, that if we do not have the answers today we will get them for you.

Outside of that, I think we will just get started and see where it goes. I am certainly looking forward to the questions.

**CHAIR:** Okay, Minister, thank you.

Mr. Ball. We will start on the Forest Management, 2.1.01.

**MR. BALL:** Yes, okay, thank you.

I guess the structure, the organization of the Department of Natural Resources has been this way for a while, but to the minister and to Jim – Jim is actually, your job position would be listed as the Chief Executive Officer of the Forestry and Agrifoods Agency. I know it has been around a while, but I just wanted to get some understanding of the difference as a CEO, what that means in Natural Resources to the role of a deputy minister or an ADM?

**MR. DALLEY:** From my perspective, it is a very similar role. It is just a title that I inherited, obviously, but from my perspective it carries the same role as a deputy minister.

**MR. BALL:** Okay. So when you use the words Forestry and Agrifoods Agency, what is the difference between that and let's say mining or anything else that we would do within the department? The word agency attached to forestry and agrifoods, I am just wondering what the significance of that is.

**MR. EVANS:** I think it is just the structure that was established several years back. I cannot particularly demonstrate the difference between both, but we are under the Department of Natural Resources. Within that department there is a Mines and Energy Branch, Forestry and Agrifoods Agency, but we are all within the Department of Natural Resources. In my view, and my personal opinion, the Forestry and Agrifoods Agency still has the same meaning as a department, but for structural purposes we are within the Department of Natural Resources.

**MR. BALL:** Okay. So within the department, as the position and the authority that comes with the position, would you see yourself as a deputy or an ADM within the organization of Natural Resources?

**MR. EVANS:** It is deputy equivalent. We are at the same level. Deputy is the same as a CEO in my case; I cannot speak for other departments. When I acquired the position, that was the advice I was given.

**MR. BALL:** Okay.

If it is okay with the minister, we could probably start off and go line by line. I do not know how you want to, when I am referring to – I guess

you are going by the same pages or whatever we are using in our briefing books here, that being the Estimates.

In 2.1.01, the first question would be the Salaries, which is the Administration and Program Planning. It is budgeted for \$4.8 million, we spent \$5.1 million, and we are back to \$5 million this. I am just wondering, a couple of hundred thousand dollars there, what the difference would be in that?

**MR. DALLEY:** I think what you will see common in this one and many of the others there was some additional severance paid out last year with the thirteen-week program, I guess, in terms of restructuring within government. So, the difference primarily is around the severance and annual leave that was paid out.

We had retirement of four employees in the Administration and Planning Program, as well as the director of ecosystems, sustainability and research. What you are seeing in a change in numbers is primarily around retirements and severance payout.

**MR. BALL:** With the Employee Benefits of \$61,000 to \$219,000, is that just severance pay for the four who retired or is there more?

**MR. DALLEY:** The Employee Benefits are associated with higher than anticipated Workplace Health, Safety and Compensation Commission – there are payments made to the commission for compensation costs that have been paid to current and former employees. So the benefits that we pay the Workplace Health, Safety and Compensation Commission would come out of that line item there.

**MR. BALL:** Yes, but I guess the question is that you budgeted a little less than \$62,000, which is the same number that we used last year, so the question would be somewhere around what the \$150,000 was about or the \$140,000 – why the extra money?

**MR. DALLEY:** It was higher than anticipated Workplace Health, Safety and Compensation Commission payments.

**MR. BALL:** Okay.

The next one would be in Transportation and Communications where you actually budgeted \$1.397 million, spent \$868,000 and back to the very same number again this year. So the question would be: What is it that you did not do, or why is the number back this year to where it was last year?

**MR. DALLEY:** This particular item here, the difference, I guess, in budgeted and revised is associated with helicopter use. We used it much less than anticipated. You can appreciate the cost of helicopter time. As well, there was a reduction in discretionary travel pretty much across the department, across government last year.

Some of the savings from that budget we moved to Fire Suppression. I can certainly talk about that again later, but we budgeted through Fire Suppression and sometimes we have an unusual year. Last year, we had two difficult fires, but one particular in the Wabush region. So we have been able to transfer funds from one line to another to support Fire Suppression. We are able to do that there as well.

**MR. BALL:** You actually spent less money there.

**MR. DALLEY:** Yes, the money that was actually spent there was as a result of less helicopter use.

**MR. BALL:** Okay.

**MR. DALLEY:** As well, the extra funds we were able to transfer to Fire Suppression.

**MR. BALL:** Thank you.

The next line would be under Purchased Services where you had budgeted for \$2.1 million and spent \$1.4 million and back to \$1.8 million this year.

**MR. DALLEY:** I am sorry, which one?

**MR. BALL:** Sorry, the Purchased Services under 2.1.01 –

**MR. DALLEY:** Yes.

**MR. BALL:** – and some idea of what would actually be purchased in that line item.

**MR. DALLEY:** In that particular line item, we get into doing inventories and assessments of the timber resources. As well, there is some new software that we brought in: softcopy technology. All of that, collectively, resulted in a cost savings, but also within here we get into aerial photography, some silviculture treatment plants. There are multiple things here that we do around the forestry program in terms of seed collections, silviculture research trials, site preparation, rental costs. There are a number of things in this Purchased Services category.

**MR. BALL:** Is there anything significant that you would have purchased that you felt you did not purchase?

**MR. DALLEY:** I guess the revised number is less primarily because of savings associated with the late tendering of the inventory interpretation contracts. So because of that, there were savings. That was late, I guess, because we developed the new technology that we had: softcopy technology. As a result the late tendering then less money went out the door.

**MR. BALL:** That was the late tendering on what, Minister?

**MR. DALLEY:** The inventory interpretation contracts and that is around the assessment of the timber resource.

**MR. BALL:** Will you be doing that this year?

**MR. DALLEY:** Jim.

**MR. EVANS:** Yes, we will. The minister is correct; we delayed tendering the forest inventory contracts. We are moving into a new technology with the softcopy. So, to allow us to get there and be more efficient into the future, we made a decision to delay it this year, but we will continue on again – you will see the revised budget is close to the budget as it was in 2013, so we will be doing that again this year.

**MR. BALL:** Okay.

The next one, 2.1.02, Operations and Implementation, again, the Salaries are about

\$200,000 less but up actually \$300,000 over the revised amount from last year. I am just wondering: A budget of \$7.8 last year, you spent \$8 million and then you are going to \$8.3 million; so where would you spend the extra money this year and, of course, last year? That is about a \$500,000 change in a year.

**MR. DALLEY:** The increase in this year's from budget to revised, again, was due to severance and payouts. We had five retirements in the Operations and Implementation activities. So the five retirements would result in the extra payout of severance.

The increase that you are seeing, there is a \$122,000 increase based on a reduction in 2013-2014 for delayed hiring, vacant positions. So it was not budgeted last year, but it has been added this year. There is also a realignment of salary funds within the Forestry and Agrifoods Agency. It is part of a zero-based salary exercise that we did in 2014-2015. So we have some budgeted salary increases, as per the collective agreement, we have a realignment of salary funds, and \$122,000 has been added as a result of delays in hiring out of 2013-2014.

**MR. BALL:** I do not know if this is the right place to ask this question. I know back a few years ago once the change was made back and some of the wildlife management piece got separated again from Justice and all that, I do not know if there were grievances, but I know there were labour issues associated with that. I know they were a long time being dealt with. Were they ever brought to conclusion at all?

**MR. EVANS:** Yes, they have been. When I came in the role as ADM about three years ago that is one of the first tasks that I had to deal with, and there were some work refusals, I guess, that you are referring to. That has all been resolved through OHS and our communications with our conservation officers. We have standard operating procedures in place, so as a result everything is back to normal. We do not do the wildlife enforcement; that is over to Justice now. We do forestry and agrifoods and some of the other acts we enforce as well and share with other departments.

**MR. BALL:** Okay.

**CHAIR:** Mr. Ball, are you almost finished that section? I will let you go for another few minutes and then we will go to Ms Michael.

**MR. BALL:** I am done with 2.1.02.

**CHAIR:** Are you good on that?

**MR. BALL:** Yes.

**CHAIR:** Okay.

Ms Michael.

**MS MICHAEL:** Thank you very much, Mr. Chair.

I would like to go back to 2.1.01 and ask about the Grants and Subsidies under 2.1.01. Last year the budget and the revised were the same figure, \$344,200, and this year it is up \$250,000. Could we have an idea of what is being added in there, and who gets the Grants and Subsidies under this section?

**MR. DALLEY:** Obviously, the Grants and Subsidies, I do have a list of the groups that get grants: The Canadian Council of Forest Ministries, the Canadian Institute of Forestry, Junior Forest Wardens, Newfoundland Lumber Producers' Association, foreign tech innovations, Resource Information Systems Incorporated, the Labrador Innu, Labrador Metis, as well as miscellaneous grants that are issued under the Centre for Forest Science and Innovation. That is kind of the list of where this block of money will be going.

**MS MICHAEL:** Why is it going up by \$250,000 this year, Minister?

**MR. DALLEY:** We have added an additional \$250,000 related to the Forest Research and Innovation, and that will be annualized to \$500,000 from 2015-2016 onwards. We have added to that, added invest, particularly in the Forestry Research and Innovation.

**MS MICHAEL:** Okay, thank you very much.

I would like to go back to 1.2.01, just one question.

**MR. DALLEY:** Subhead 1.2.01.

**MS MICHAEL:** It is probably quite simple, under Salaries. I know why the revision figure is higher, because that has to do with the severances, I am sure. This year's Salaries, is there a new position added this year, or is that just the normal increase in Salaries?

**MR. DALLEY:** This past year?

**MS MICHAEL:** Over last year's budget, yes. Last year it was \$2,074,200, this year it is \$2,117,900.

**MR. DALLEY:** The increases there are due to budgeted salary increases as per the collective agreement.

**MS MICHAEL:** Okay. I figured that is probably what it was. Thank you very much.

Coming on to 2.1.03; last year in Salaries – this is under Silviculture Development – the revised amount, uncommon to the other sections, was down by \$200,000. It started at the budget line at \$3.4 million, then down to \$3.2 million, and this year it is back up to \$3.4 million again. Could you explain the up and down there in that Salaries line?

**MR. DALLEY:** Sure. The decrease in the revised budget is that we had somewhat fewer hirings, but more importantly, fewer weeks for those hired for the cranberry seeding and planting.

**MS MICHAEL:** Okay.

**MR. DALLEY:** They are done at the Wooddale Tree Nursery. We had fewer weeks this year because of the program.

**MS MICHAEL:** Okay, so it is more or less all related to that. You anticipate then about the same as you anticipated last year?

**MR. DALLEY:** Pretty much the same.

**MS MICHAEL:** Yes.

**MR. DALLEY:** Again, some budgeted salary increases.

**MS MICHAEL:** Right.

**MR. DALLEY:** There is a slight realignment of some salary funds from a zero base.

**MS MICHAEL:** Okay, now this one may be related. Under Purchased Services you underspent by \$653,000 and this year we are back up to the \$4 million again. What was the underspending under the Purchased Services related to?

**MR. DALLEY:** There were cost savings in a competitive bidding process for public tendering of silviculture projects. There are some cost savings there. As well, the department had some savings because we conducted less pre-commercial thinning contracts and tree planting contracts than anticipated. As well, we have a cost-sharing program with Corner Brook Pulp and Paper. They did less work than anticipated as well.

**MS MICHAEL:** What would that cost-sharing program be?

**MR. DALLEY:** It is around the silviculture program and pre-thinning.

**MS MICHAEL:** Okay, right.

**MR. DALLEY:** They do some work, and we do some work with them as well.

**MS MICHAEL:** That is all around silviculture?

**MR. DALLEY:** Yes.

**MS MICHAEL:** Okay. I did want an update on that. That just continues on, that piece of work?

**MR. DALLEY:** Yes, it does.

**MS MICHAEL:** Yes, okay.

**MR. DALLEY:** There are some savings there as well. We had anticipated doing some planting in a prescribed burn area, but because of the weather we did not get to do that.

**MS MICHAEL:** Okay, thank you.

I would just like to ask a couple of general questions with regard to forest management while we are in this section. Could we have an update on the ongoing relationship with the

Model Forest? I know there has been a relationship with them over the years. Where is that at the moment?

**MR. DALLEY:** Sorry, relationship with?

**MS MICHAEL:** With the Model Forest. The government has been in a relationship with the Model Forest. I think there have been funds sometimes given. I am just wondering, is that relationship still going on?

**MR. EVANS:** Yes, the relationship with the Model Forest is still ongoing; however, the federal funding has come to a conclusion. We are in the process of looking at a new structure, maybe bring in another association with the Model Forest to make it stronger, better for the industry, and better for the Province. We are working through that now as we speak actually.

**MS MICHAEL:** Okay. Is that another body that is identified, or you are searching for one?

**MR. EVANS:** No, we have another body identified. We have made contact and they are open to the idea. As I said, it would make the whole forest industry and the sector stronger, which is what we want.

**MS MICHAEL:** Thank you very much.

Going on then – I have a set of pages mixed up here so just give me a second. Thank you.

Under 2.1.04, Resource Roads Construction, the Salaries I think would have the same answer that you have had for salaries with all the others where the revision was higher than the budgeted last year.

**MR. DALLEY:** Somewhat. I will say there were two long-term temporary conservation officers hired under the roads program. That additional was around layout and monitoring of roads, some additional work particularly around the Abitibi roads. That is why there was a slight increase in – well, a significant increase I guess from what was budgeted to the revised.

**MS MICHAEL:** They are short-term positions because they are not in this year's Budget.

**MR. DALLEY:** Yes, they are temporary.



**MS MICHAEL:** Okay, very good. Thank you.

Under Supplies, there was \$200,000 more than anticipated. What would have caused the supplies to be that much more?

**MR. DALLEY:** It was higher than anticipated costs for bridge components, culverts, and that repair work that was needed to be done.

**MS MICHAEL:** Okay. You are anticipating this year that those costs will still be at the \$648,000?

**MR. DALLEY:** Yes, it is kind of a base budget that we work from. From year to year it varies. Last year there was some additional work that needed to be done.

**MS MICHAEL:** Okay, thank you.

Under Purchased Services, there was over \$1 million not spent last year. Is there any special reason? Do you have that much of a variance every year between the budget and the revision?

**MR. DALLEY:** No, the variance was due to some readjustments of priority on resource roads, work that needed to be done there in a year, and a reduced volume on some of the road construction. As well, there were some projects that were done and, because of the early winter, projects did not get completed. So that would result in the change in number.

**MS MICHAEL:** Okay, thank you.

I am just curious, it is a small amount of money, but what would the \$18,600 be under Grants and Subsidies? It is in the same section, 2.1.04, Grants and Subsidies.

**MR. DALLEY:** That would be FERIC, the Forest Engineering Research Institute of Canada, as well as the Canadian Woodlands Forum. We have a membership for that. So FERIC is about \$18,000 and the membership for the Canadian Woodlands Forum is \$600.

**MS MICHAEL:** Okay. I think I remember that now from last year. Thank you.

Back up to Operating Accounts, under Property, Furnishings and Equipment, you obviously had

an expenditure there that was not expected of \$400,000. What was that?

**MR. DALLEY:** What we did there, again, it is a transfer of funds. We had an expenditure, I guess, that was not anticipated. It was a 400-foot steel panel bridge. We were able to transfer money into there and purchase the bridge.

**MS MICHAEL:** Where is that bridge? Do you have that information?

**MR. EVANS:** I do not have the exact answer of where it is, but sometimes we work within this budget, we reduce the actual road construction but buy components of bridges that are required for the roads. So that one may be in inventory or it may be in use. I do not have the answer right now.

**MS MICHAEL:** Okay. Could we have that answer?

**MR. EVANS:** Yes.

**MS MICHAEL:** Thank you very much.

**CHAIR:** Ms Michael, if you are finished with that subhead, we will go back to Mr. Ball.

**MS MICHAEL:** I am, yes.

**CHAIR:** Okay.

Mr. Ball.

**MR. BALL:** I just have a question about the Resource Roads Construction. This is more of a question about the AAC, I guess, last year. What was the total cut last year that you actually expected to have? Was it 2 million cubic metres? Why does that number come to mind?

**MR. DALLEY:** The AAC was around 2.6 million cubic metres.

**MR. BALL:** Okay, 2.6 million cubic metres. How much did you actually cut?

**MR. DALLEY:** I guess we could get a closer number, but it is around 50 per cent.

**OFFICIAL:** It was 40 per cent to 60 per cent over the last two or three years.

**MR. DALLEY:** Over the last two or three years, it is in the range of 40 per cent to 60 per cent. I think last year it was around 50 per cent. Again, we could get a more accurate number, but it is in that range.

**MR. BALL:** Maybe when we get into some general questions we will probably come back to that, if you do not mind, rather than deal with it here.

If you want to move on to 2.1.05, I have a quick question around the Loans, Advances and Investments, \$84,000. Really, that section has been pretty clean now for a while, but \$84,000, I am just wondering what that was for.

**MR. DALLEY:** That was an additional funding that we advanced to Holson Forest Products and an amendment to the existing Forest Industry Diversification Program loan that they have. It was around insurance for their property.

We have come to an agreement with them that it would be the last year. That is what that figure is for. It is around insurance to the Holson property and, obviously, the investment that has been made to that property.

**MR. BALL:** In the future what you are saying, Minister, is that Holson Forest Products will be responsible for their insurance?

**MR. DALLEY:** Yes.

**MR. BALL:** Okay.

The assets that we would have down there as part of the loan, I guess we would have that as security, as a government, would you not?

**MR. DALLEY:** Yes, there would be security. As we know, there is \$10 million involved with Holson. It was \$1 million from the Green Fund, there was \$2 million in a non-repayable grant, and there is \$7 million in terms of a repayable loan.

**MR. BALL:** In that case I am assuming, as an assignment here for the insurance, that if you guys would make sure that government is actually still listed there – I guess my point is it is one thing to insure it; you know then that obviously if anything should happen, you are

going to be assigned the assets. Will you be requesting that the operator now make sure that there is insurance there so that the sum of the assets would still be to the people of the Province?

**MR. DALLEY:** We will. Obviously, the reason why we upped support in this past year was to ensure that it is insured for that protection, not only for the Province but obviously for the owner and the people in the region. It is our hope that we are able to see Holson Forest Products up and running, become viable, and be able to manage not only their insurance but able to employ people and start repayment on the government loans. There is a lot of discussion going on about that with Rentech, as I alluded to earlier this week. We remain optimistic and work with them to see that maybe this can get up and running.

**MR. BALL:** Yes, us too. There is no doubt we want to see that part of the Province going. We want to see that pellet plant going, but I only ask the question simply to make sure that if something unforeseen should happen, the insurance is in place to do it.

**MR. DALLEY:** Sure.

**MR. BALL:** I guess the next question would be in Forest Protection, Insect Control, 2.2.01. We will go back to the Salaries and I have two questions – maybe you could actually see them coming here anyway. One would be the Salaries: \$730,000, it went down to \$570,000, back to \$736,000, just an explanation of that. While you are at it, the second question would be around Transportation and Communications in the same area there. It was \$382,000 budgeted last year, you spent \$530,000 and back to \$391,000 again this year. That would be it, I think, for me in that section there.

**MR. DALLEY:** Certainly in the Salaries section, there is a fair number under the Insect Control Program. There is a fair number of temporary employees and seasonal. We saw a reduction in the major forest pest populations and as a result of that we have seen reduced survey levels. As a result, we did less hiring. That is the reason for the decline.

We are seeing slight increases primarily due to collective bargaining, collective agreements, budget salary increases.

**MR. BALL:** Last year it was \$730,000 and this year you spent \$570,000 based on what you would anticipate the requirement for insect control. What are the surveys of the research saying about this year? Are you going to require more this year because you are back up to \$736,000?

**MR. DALLEY:** Again, that is our base budgets.

**MR. BALL:** Okay.

**MR. DALLEY:** With respect to insects, I guess it is a constant within a department and how we are doing surveys, testing, and constantly being very vigilant as to what is happening within the forestry with a number of insects. The hemlock looper is an area where we continue to do some work. The spruce budworm is anticipated to be more of a problem in the coming years. So, we continue to do some work around that and manage it in terms of the volume of what we are seeing, and if there is growth. All of that is tied into the insect program. At various times, depending on findings, we may need to do more or less work.

To your other point, to the transportation, the very nature of this type of work is that there is a fair amount of travel, helicopter and fixed wing, because there is a lot of interior work as well. The increase is certainly higher anticipated transportation costs, particularly around helicopter costs, around treatments for the hemlock looper, which we did a program on the Northern Peninsula this year.

**MR. BALL:** I just found it unusual because I figured that was the connection, but when you say you are using less, yet you have to fly more, I just did not see where to connect it, that was all.

**MR. DALLEY:** That was a good question. I asked the same question because we were less in salaries but our transportation costs were much higher. It is primarily due to helicopter costs to treat the hemlock looper on the Northern Peninsula. We did some work in Labrador and

on the Island around the spruce budworm as well.

**MR. BALL:** Yes. Okay.

On to Fire Suppression and Communications, 2.2.02, I think we all know what the answer to the salaries piece was. Just as an example, or to specify it somewhat, the major fire in the Wabush area, I am assuming that is what the salary difference would be there from \$2.5 million up to \$2.8 million. It would be nice to know just for information what that fire would have cost your department in terms of – is that what the salary difference was there?

**MR. DALLEY:** Yes, primarily. This past fire season was somewhat of a normal season based on our numbers. I think it was somewhere around ninety-nine or 101 fires we had. It is a normal season in terms of fires, but obviously the fire in Wabush was extensive.

The suppression cost in Wabush was \$2.35 million overall; I mean different aspects of that cost of course. The severity of that in terms of the cost for suppression, the overtime, all of that was built into, obviously, the increase in the salary figure.

**MR. BALL:** Where do you absorb the cost? If it is \$2.3 million here, obviously it is not from this budget. Where does that cost come from? How do you pay for that?

**MR. DALLEY:** If you notice, I referenced a number of times where throughout the department we have transferred funds. We budget a certain amount, but if we have an unusual year in terms of an extreme fire, like Wabush, then first and foremost we will go through the department line by line where there may be some savings. For example, if it was resource roads that we did not get \$1 million out the door, then we would ask to transfer it over into fire suppression.

That is how we were able to cover it off, basically internal drop balances. We had budgeted, but if we have to go to an extreme budget, then we would have to go back to Treasury Board if we had an unusual event such as Wabush.

**MR. BALL:** Potentially, because of spending money on fire suppression, you could see – well, as you said, Minister, less resource roads built, or obviously less of something else done somewhere.

**MR. DALLEY:** No, because what we do, we will only use that money if it is not being used or if there is a drop balance. We will not transfer it; we will go back to Treasury Board. It is not like we take from other programs and we do not do our work. The commitments are there line by line of what needs to be done, whether it is silviculture, resource roads, or whatever might be the case.

**MR. BALL:** Yes. An overall fire suppression last year, how much would that have cost us? Do you have any idea? We know the Wabush fire was \$2.35 million.

**MR. DALLEY:** It would have been \$6.18 million. That is from Salaries, Transportation, Purchased Services, Property, Furnishings, and Grant and Subsidies all combined.

**MR. BALL:** Yes.

The next question would be around Transportation and Communications. I am guessing that is more of the same. The extreme fire suppression services, was it?

**MR. DALLEY:** Yes, it was.

Again, helicopter use and the high cost associated with that.

**MR. BALL:** Yes. A simple question, \$40,000 here in the Employee Benefits, there was actually nothing in that line. I know it is only a small number, but why would there be nothing there?

**MR. DALLEY:** It is there for conference fees and training but we did not have any expenditures in that area this year.

**MR. BALL:** Okay.

**CHAIR:** That is the finishing of that segment under Forest Management. Are you good on that one?

**MR. BALL:** Yes, I am good there.

**CHAIR:** Back to Ms Michael then to finish off the Forest Management subheads.

**MS MICHAEL:** Thank you very much.

Just to continue, one last question there under 2.2.02, under Grants and Subsidies. It is not a lot of money. I am just curious what the Grants and Subsidies line means in this subhead?

**MR. DALLEY:** The Canadian Interagency Forest Fire Centre. It helps to co-ordinate forest fire support to member agencies in times of fire emergencies. That is \$24,900. As well, there is a membership in the Northeastern Forest Fire Protection Compact, which co-ordinates forest fire support and training to member agencies in Atlantic Canada and the Northeastern States.

It is part of our membership and support with other provinces. In time of desperate need, if we need to share resources or personnel, there are agreements in place. To help co-ordinate all of that, we pay our share to help with that.

**MS MICHAEL:** Fine. Thank you.

Going to 3.1.03.

**CHAIR:** Excuse me, Ms Michael.

**MS MICHAEL:** Yes.

**CHAIR:** I am going to get a motion to adopt that segment there, that subhead, because it is a separate subhead.

**MS MICHAEL:** Okay.

**CHAIR:** I will ask the Clerk to read the subheads that we are going to adopt.

**MS MICHAEL:** Could I ask –

**CHAIR:** I am sorry –

**MR. BALL:** No, because there will be – I understood typically we go through the line by line stuff, and then we would go back and ask questions on other things that are related to the industry.

**CHAIR:** Are all the staff staying for the whole session?

**MR. DALLEY:** I would like to conclude the forestry part and agrifoods before we move on, if that is okay.

**CHAIR:** We will switch to natural resources now.

**MR. BALL:** (Inaudible) a few questions.

**CHAIR:** No, that is fine. Yes, that is good.

**MS MICHAEL:** Well, just let me check because I might have a couple of general questions before they leave, please.

**CHAIR:** Okay, fair enough.

**MS MICHAEL:** I just want to check. With regard to the Resource Roads Construction, how many roads were tendered for construction? We did have a drop in that budget. This was 2.1.04, I am sorry, if you want to refer back to the subhead.

**MR. DALLEY:** I am sorry, 2.1 –?

**MS MICHAEL:** Subhead 2.1.04, Resource Roads Construction. It is a more content question; it is not a line question. How many roads were tendered for construction this year?

**MR. DALLEY:** There was 71.6 kilometres for new construction.

**MS MICHAEL:** Where were they, Minister?

**MR. DALLEY:** I do not have the list, but suffice to say they are probably all over the Province in different areas.

**MS MICHAEL:** Right. Could we have that list? When I say we, I guess I mean both parties receive that list after the fact.

**MR. DALLEY:** Where we looked at constructing new resource roads?

**MS MICHAEL:** Yes, right.

**MR. DALLEY:** Yes, okay.

**MS MICHAEL:** Please.

**MR. BOWERS:** (Inaudible).

**MS MICHAEL:** We cannot hear you yet. Wait now.

**MR. BOWERS:** (Inaudible) was constructed; however, fifty-eight new projects were actually tendered for that work.

**MS MICHAEL:** That was the tendering. Okay. If we could have after the fact a list with details of that, please.

**MR. DALLEY:** Sure.

**MS MICHAEL:** Okay. Thank you very much.

There was a drop of over \$1 million. Did you get less work done than anticipated?

**MR. DALLEY:** In the resource roads?

**MS MICHAEL:** Yes.

**MR. DALLEY:** Yes, less than anticipated in what we were actually able to get done. There was a change in some of the priorities. As well, some of the projects that were tendered did not get completed because of the early winter.

**MS MICHAEL:** Okay.

**MR. DALLEY:** Some work would carry on into the year, but obviously we had a tougher winter.

**MS MICHAEL:** Right. Yes, I think we all remember that early start.

**MR. DALLEY:** Yes.

**MS MICHAEL:** Thank you very much.

I also have a question under 2.1.05. Again, it is a more general question under the Forest Industry Diversification. I am noting that the Auditor General listed some concerns about the fund. I know that the Public Accounts Committee looked into the fund and the AG's reports and found a lot of problems with how the department had administered the funds, and there were issues identified. I think the Growing Forward program had some similar problems

identified by the AG. I just want to know what the department's response is to the AG and what may be happening to improve what he pointed out.

**MR. DALLEY:** Again, we certainly respect the work of the AG and we have provided some responses in detail to the AG. The recommendations, particularly around some of the management documentation, obviously we take that very seriously. So, internally, we have had discussions about that type of oversight and programming. We are into the Growing Forward 2 programs. We have acknowledged the work and we have addressed those issues, and we will continue to do so.

**MS MICHAEL:** Okay.

Usually, I think the AG does make reports on where people have responded to his recommendations, so –

**MR. DALLEY:** Yes, in terms of departmental responses and more clarification, and in some cases the need for extra vigilance or process, and sometimes – I know there are some of the criticisms that this was not done; but, in fact, I think when you look at the AG's report, first and foremost, the accountability and the money and everything else is all in order, which is obviously first and foremost for everybody. Beyond that, some of the processes and the extra attention to some of the details and making sure documents are completed or making sure certain things are put in certain files and things like that, it is very important that we do that. Again, we have addressed some of those issues within the department.

**MS MICHAEL:** Okay, thank you.

This question – you do not really need to look at the subhead – relates to 2.2.02, Fire Suppression, but it is a related question which may or may not involve your department. I know that Transportation and Works is responsible for the water bombers, but does your department play any role at all with regard to, for example, the issues around the appropriate hangar space, that kind of thing? Do you deal with any of that, or is that all under Transportation and Works?

**MR. DALLEY:** It will be all under Transportation and Works.

**MS MICHAEL:** Okay, thank you.

I think that they are all my questions under the two subheads, Mr. Chair.

**CHAIR:** Okay, thank you, Ms. Michael.

I am going to ask the Clerk now to read the subheads.

**MR. BALL:** We have general questions now. That is the line by line items.

**CHAIR:** Okay, fair enough.

**MR. BALL:** I just have a few questions in particular to the forestry industry. One being, obviously you mentioned, Minister, Rentech and potentially tying that in with Holson Forest Products. Not knowing all the details, of course, what is it that would be required from Rentech? We know there is 280,000 cubic metres that has been set aside for the development of a pellet plant in the Central area, but we all know that 280,000 cubic metres is not going to be enough. So what is the request from Rentech, over and above the 280,000 cubic metres that is there, that would be required to make a pellet plant viable in the area?

**MR. DALLEY:** I guess, first off, to make sure we have clarity, Rentech is approaching this – I guess, as we are – in two separate negotiations, if you wish, because the Central fibre and expression of interest is focused on Central and the wood supply out of Central. It is not directly connected to Holson and what is happening on the Northern Peninsula. That is a separate discussion, separate details. So the two are not connected in that way or one dependent on the other one; it is not taking place like that so that you know. There is a separation certainly around the fibre issue, because it has been raised in terms of we are not going to do it if you do not do Holson, or you have to do Holson – so that is not where that is.

With respect to the 280,000 cubic metres, we have made that available through the expression of interest; but beyond that, and a need for more fibre, that is a process that Rentech is engaged in

in terms of working with the existing sawmillers, particularly the larger operators. It is my understanding they are having some discussions and we expect them to.

As we have outlined, there are two principles here that are important. One is that whatever happens, particularly in Central Newfoundland and Central fibre, that it has a positive impact on the economy of the Central region. The other one is that in order for a company to come in and take that fibre, in order for it to be successful and for us to proceed, we wanted to be able to integrate into the exiting forest industry and provide the benefit of long-term sustainability. So part of that, Rentech are required and they are engaged with some of the larger players in the industry who already have significant allocations of wood fibre.

How that exchange and how they set that up, that is all a part of the process here that Rentech are required be involved in.

**MR. BALL:** So they would not be into a point where Rentech would actually – or any company, we do not need to talk about Rentech; I am talking about the management of the resource in Central. We would not be at a point where someone could actually go in and control the fibre. Then eventually say this is a sawlog, let's face it, Sexton needs it because he is only working at a certain capacity in their operation, that the new company coming into Central would actually control where that sawlog would go. I am assuming we are basing all of this on the premise of if it is a sawlog, then it becomes a saw log, not a pellet.

**MR. DALLEY:** Pretty much. We know the value – and I know you know it well. The value is obviously the log, first and foremost, and that is important. Part of our approach to this, to get something that is right, is that we develop the existing fibre, the 280,000 cubic metres, and a company comes in – we want it so that it benefits everybody. Even though right now only half of what has been allocated is being harvested. We are hearing from some of the sawmillers that they do not have enough supply, yet they are not cutting their own allocation.

There are issues around all of that. I think we need to respect and understand the value of these

integrated sawmillers, the importance as employers and as well for the long-term sustainability of the industry. Our focus, as we develop that, is obviously the logs are going to benefit their business. That is why it is required of Rentech to have these discussions.

**MR. BALL:** Which goes back to the other question about the AAC being at 2.6 million cubic metres, I thought you said, and we will eventually harvest around 50 per cent of that. What is the reason for that? If you have an AAC out there of 2.6 million cubic metres, why aren't we better than 50 per cent? The industry obviously needs fibre. People are crying for wood, it seems to me; I hear it all the time. Why aren't we cutting the remaining 50 per cent?

**MR. DALLEY:** That is a good question. I have asked the same question as well, particularly to the operators out there who want more wood yet they are not harvesting their own wood that has been allocated to them. We hear reference to a number of challenges around that. Cost – obviously, they would like to have their wood in their back garden, but everybody cannot do that. You have to move around to the different districts through the Forest Management Plans. There are different challenges associated with that.

I think as well in some of the discussions that I have had, we know that the success of the forest industry is around the exchange of fibre and to recognize that regardless of what you are harvesting, the value is in the log, but then there is also value in another 40 per cent or 50 per cent of what you are cutting outside of the log and where that is going to go. Corner Brook Pulp and Paper right now is the only real outlet, the biggest outlet, for the exchange of fibre.

There is more demand. They want to cut more; they want to exchange more fibre. This is a part, I guess, of where we see the opportunities with Rentech to be able to come in and complement the existing industry and be able to provide some diversity and another avenue to be able to exchange that fibre. We are hopeful, when that is in place, there will be a better set-up and a better opportunity for harvesters.

I don't know if Jim or Wade would like to add something to that.

**MR. BOWERS:** Just one addition. I think the key reason for the surplus of timber at the moment that you alluded to is we are down from three pulp mills to one. So that means we have a surplus. We have had no major insect outbreaks in the last eight to ten years, so we have not had the depletions on the resource that we would normally have. Those are factors.

The key there with Corner Brook Pulp and Paper is that is the only outlet we have for small diameter wood, and there is a limit to what they can take. So those are constraints that the industry is facing right now.

**MR. BALL:** The existing inventory within the AAC of 2.6 million cubic metres, what portion of that would be sawlog material, any idea?

**MR. BOWERS:** It varies region to region. You can have as few sawlogs as 20-80 ratio or a 60-40 ratio of sawlogs. It really depends across the Island on the productivity of the various sites. So it is highly variable.

**MR. BALL:** From watching all this unfold, it seems to me that you are only at 50 per cent of your AAC, yet we still get people out there saying I need more sawlogs, or I need more fibre, or I need more of this and I need more of something else. It just does not seem to me that – it makes sense that you are only cutting 50 per cent. Are you suggesting that the 50 per cent is not big enough to be sawlogs?

**MR. BOWERS:** It is a combination of issues. It is the sawlog component in the stands – that is a component – but it is, as the minister said, largely related to the harvesting capacity as well. We do not have the harvesting capacity that we need to cut as much as we could, so labour issues come into the reasoning as well. We have adequate roads, but we are building lots of capital roads. Sometimes the industry needs to build more spur roads, more landings.

There is a multitude of issues of why we cannot exploit the resource faster and better. They are all constraints around the sector. I should say we are working, though, very aggressively on looking at ways to analyse fibre availability and fibre flow and fibre use, because the transportation issue is one of the key constraints as well.

**MR. DALLEY:** Just to add to that, because I have met with some of the larger operators and I hear their concerns. It is a bit frustrating that they have allocation they are not cutting, but it is an extremely competitive industry as well. They are interdependent. The viability of their operations is around the ability to exchange fibre where you get the value of the logs, and whatever is leftover can go to some value.

I know there is an exchange with Corner Brook Pulp and Paper. In working with them, we recently increased their allocations by 80,000 cubic metres to provide them with more in certain areas – to try and work with them, to try and alleviate some of the transportation challenges, recognizing it is a tough industry, but it is a competitive industry as well. The sawmillers are competing for sawlogs.

The larger picture, when we look at the significant role of Corner Brook Pulp and Paper within the industry, we seen a change with the loss of the other pulp and paper mills. Again, like I said, in the larger picture when we look at the opportunity that a company like Rentech could bring in terms of diversifying, in terms of providing another outlet, we are optimistic that is going to be a benefit to the entire industry, particularly these sawmillers who want more logs but also need that outlet for the other material, the chips and the wastage from the log.

**MR. BALL:** Yes, just one or two more questions. One on Corner Brook Pulp and Paper, of course the significant investment made into Corner Brook Pulp and Paper. How much of that is yet to be transferred?

**MR. DALLEY:** It is \$110 million, and \$85 million will be upfront. They are preparing now, but they have not taken any of the \$85 million yet.

**MR. BALL:** What did you say, they have –?

**MR. DALLEY:** They have not taken any of the \$85 million as of yet. They are still doing a piece of work around that.

**MR. BALL:** There is another in Finance – about \$11.2 million, I think, to be transferred to Corner Brook Pulp and Paper in this year's Finance



Estimates for Corner Brook Pulp and Paper. I think it was around \$11.2 million.

**MR. DALLEY:** I am not sure what the Finance –

**MR. BALL:** Yes. I think in Estimates under Financial Administration there is \$11.2 million. Last year it was \$90 million, remember, set aside? The Finance Estimates say there is \$85 million that got drawn down – someone has it. Then there was another \$11.2 million to be transferred, we were told, to Corner Brook Pulp and Paper.

**MR. EVANS:** I should refer to Finance, but I would assume it is the anticipated amount they would take this fiscal year, the \$85 million plus the \$11 million.

**MR. BALL:** No, it is two different numbers. This is a new \$11.2 million. It is the only \$11.2 million, but this is probably not the proper forum for this discussion, so if you can check it out, Jim.

**MR. DALLEY:** It is \$110 million.

**MR. BALL:** Yes.

**MR. DALLEY:** It is \$85 million, and then the rest will be done over a period of time based on capital investments. It may be the anticipated this year will be the \$11 million out of the remaining \$25 million.

**MR. BALL:** It could be.

**MR. DALLEY:** We could check on that to make sure.

**MR. BALL:** Yes, not a problem.

**MR. DALLEY:** Yes, that is right.

**MR. BALL:** Good. Just a question and I am not so sure where this would go. I see Charles is back there. Charles might know the answer to this.

I know during DarkNL there were some discussions with Corner Brook Pulp and Paper around actually slowing the process down and

buying some power from them. I am just wondering what the cost of that was to Nalcor?

**MR. BOWN:** I am sorry; I do not have that number here with me today.

**MR. BALL:** Okay, thank you.

**MR. BOWN:** I know that was filed with the Public Utilities Board, but I just do not have it with me.

**MR. BALL:** Okay. That is it for me in forestry.

**CHAIR:** Okay.

Are there any other questions from any other members of the Committee?

**MR. MITCHELMORE:** I have a couple of questions.

**CHAIR:** Mr. Mitchelmore.

**MR. MITCHELMORE:** Just around the certification piece, are there any funds to look at providing additional resources for land based or either site or processed-based certification of our forestry resources? I did not see it discussed as we were going through the budgetary line items.

**MR. EVANS:** Yes. As you may be aware, we are pursuing ISO 14001 and contemplating pursuing forest certification in the future. This would be budgeted under our Legislation and Compliance Division under our Forest Management subhead.

Wade, do you have anything to add?

**MR. BOWERS:** No, that is where we are.

**MR. MITCHELMORE:** Okay.

Under your roads capital for forestry roads, have there been any roads that have been decommissioned or are planned to be decommissioned?

**MR. BOWERS:** Yes, we did decommission a number of roads this past year. We decommissioned a number of bridges as well, those that provided safety issues.

**MR. MITCHELMORE:** Right.

**MR. BOWERS:** We have a record of that if you would like to know which roads were constructed and which ones were decommissioned.

**MR. MITCHELMORE:** Yes, I would like to have a list of that information if possible.

Also, you talked a bit about research. How much funds are allocated for research around getting the value of our forestry resources or looking at the fibre allocations and how we can get more value? Which entity is doing those types of research? Is it the department itself? Have you hired consultants? Or is it through the forestry research centre?

**MR. BOWERS:** The bulk of research occurs through the Centre for Forest Science and Innovation, which is one of our divisions under Forest Management. The base budget is around \$1 million and the total budget is around \$1.25 million.

That money is then leveraged through a series of partnerships, primarily with Memorial University, but with other local and national agencies to leverage additional research dollars. In the early phase of that division's existence, which came in three or four years ago, there was a very high leveraging factor at play, about \$6 to \$7 to \$1. Every dollar the government invested, we generated \$6 to \$7 extra.

Every year we are running through anywhere in the range of \$6 million, \$9 million total with the leveraged dollars all aimed at forestry-specific project work. It encompasses quite a range of projects addressing the forest sector, addressing multiple values, not only direct but work on ecosystem productivity, site productivity and those sorts of things, but also multiple values in terms of public perception and a broader span of values.

**MR. MITCHELMORE:** Okay.

In past budgets there have been funds allocated for energy efficiency plans for savings utilizing forestry resources such as a wood pellet rebate program for the installation and utilization of wood pellet stoves or furnaces. I do not see a

budgetary line here for that. Knowing that wood pellets can reduce the cost of heating, whether it is a home or a public building, it is one of the most efficient types of fuel, energy sources.

The only other type of fuel source or energy source in terms of heating that can really compete is natural gas and basically cut wood. Is there any consideration into re-establishing any type of energy rebate plan?

**MR. DALLEY:** Not at this point. As you know, the program was there, it was \$1,000 rebate for wood pellet stoves, it ran for three years, and up to \$1,500 for wood pellet furnaces. It was a hope, obviously, as an introduction to the Province and to help people engage in alternative heat sources. There are three companies that were engaged in wood pellet operations, but currently there is a very small domestic market.

There is potential domestically. I alluded to the other day that if we can get Holson Forest Products back up and running and we can get Rentech here to make the kind of investments that build not only the awareness, but the industrial component as well.

We can address some of the challenges, as a result of that, around a high cost of not only the appliances, but the uncertainty of pellet supply and issues around the installation. I think it is somewhere where we can return back to and start taking a look at it. I agree that there are opportunities out there, but there are other issues that I think need to be addressed. I am hopeful that Rentech can work with Holson and can help address some of the key issues.

So, for the moment there is not, but it is certainly something that could be looked at in the future.

**MR. MITCHELMORE:** The College of the North Atlantic St. Anthony campus had put forward a proposal to have a wood pellet demonstration centre at its site and also to look at heating.

I do not see any funds in your particular budget, but is this something that through one of your research entities or within forestry and agrifoods would look at funding as a pilot project?

**MR. DALLEY:** I guess we are always open to pilot projects. There has been a significant discussion around the industrial component. As I said, the industrial component for Rentech is all around industry in Europe.

I do not know, Wade or Jim, if you want to speak to some of the research that has been done on that or the work that has been done.

**MR. BOWERS:** We had over 500 applications for the rebate program. I do not know if the College of the North Atlantic was included in that, but we are certainly able and willing to look back at it again if there is a specific project. It could come to the Centre for Forest Science and Innovation; that would be the appropriate place.

We are doing work around biorefining, research related to fuels. So the fit is there, but obviously we would have to look at the proposal and assess some of the challenges around that kind of conversion.

**MR. MITCHELMORE:** Does your department try to leverage funding through RDC with the forest innovation centre that is has through Memorial?

**MR. BOWERS:** Yes, we do. That is a prime player, RDC, IBRD as well, and ACOA, all of those.

**MR. MITCHELMORE:** Thank you.

I do not have any other questions under this section.

**CHAIR:** Ms Michael, do you have any general ones?

You are good? Okay.

I will ask the Clerk to call a motion and read the subheads.

**CLERK:** Clause 2.1.01.

**CHAIR:** All inclusive, if we could go to 2.2.02 also.

**CLERK:** Oh, you want to go straight through.

Clauses 2.1.01 to 2.2.02 inclusive.

**CHAIR:** The motion to adopt.

Moved by the Member for Lake Melville; seconded by the Member for Bonavista South.

All those in favour, signify by saying 'aye'.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Opposed, 'nay'.

Motion carried.

On motion, subheads 2.1.01 through 2.2.02 carried.

**CHAIR:** Okay, we are moving to the subhead – I will get the Clerk to read – for Agrifoods Development.

**CLERK:** Clause 3.1.01.

**CHAIR:** Clause 3.1.01.

We will start now with Mr. Ball – Mr. Mitchelmore, will you start?

Okay, Mr. Mitchelmore.

**MR. MITCHELMORE:** Under 3.1.01, Land Resource Stewardship, we see that the salary item has taken a dip in the Estimates this year. Are there positions that were lost, given that salaries have increased and there was a \$1,400 payroll? How many positions were lost in this section?

**MR. DALLEY:** Under 3.1.01?

**MR. MITCHELMORE:** Yes.

**MR. DALLEY:** I see a salary increase.

**MR. MITCHELMORE:** Sorry about that. Okay, I was looking at the previous year actually, Minister.

**MR. DALLEY:** Not a problem. Good.

**MR. MITCHELMORE:** We see that there is the increase. Is the increase additional people or is it just the salary adjustment?

**MR. DALLEY:** No, it is just the severance, leave, and some vacancies. That balanced out so that we are able to cover the severance and annual leave.

**MR. MITCHELMORE:** Okay. What falls under the Professional Services of \$10,300?

**MR. DALLEY:** The fee is for members of the appeal committee and the Chairperson of the advisory committee on the land consolidation program. It is a committee that is in place that does the work around the appeals for land purchases and sales.

**MR. MITCHELMORE:** That is remuneration as well for the committee members?

**MR. DALLEY:** Yes, there is a lawyer there on retainer for that.

**MR. MITCHELMORE:** Okay. In Purchased Services you had budgeted \$66,000, but spent \$95,000. Can you explain what was purchased and why the increase?

**MR. DALLEY:** There are various things that get purchased there. It is around repairs and rentals for vehicles, and laboratory equipment repairs and maintenance. The increase this year is primarily around vehicle repairs and maintenance.

**MR. MITCHELMORE:** Okay. You received \$9,100 in provincial revenue. Can you explain why you received this revenue?

**MR. DALLEY:** Farmers pay for their lab work, like the lab and soil work and testing and so on. We had a lot less than expected this year. That is the revenue stream right there for soil and plant lab fees.

**MR. MITCHELMORE:** Is it because there was less farming activity last year or the compliance requirement was not there?

**MR. DALLEY:** No, I think for the most part it was just – I would assume we had pretty much the same farming activity, but just less requests for some of this work. There is no particular reason for it.

**MR. MITCHELMORE:** Okay. It looks like under 3.1.02, Limestone Sales, for agricultural limestone the costs have been relatively stable for that. We received \$157,600 in revenue for \$411,800 expenditure. Can you explain the limestone piece and what type of economic value it is providing in terms of jobs for the Province?

**MR. DALLEY:** The limestone quarry is in the Cormack region.

**MR. MITCHELMORE:** Yes.

**MR. DALLEY:** Obviously, it is very important to farmers and we certainly encourage it to help improve soils with proper limestone applications. What we do here is we support the specialized land improvement services including the mineral and organic soil resource development. With that basically the cost of the agriculture to the farmers is \$50 a ton plus HST if it is bagged, but if it is bulk, it is \$25 per ton. The real cost, of course, is in transportation.

**MR. MITCHELMORE:** Right.

**MR. DALLEY:** What we do with this fund is support the transportation costs. That is our contribution to the program. It is cost shared with the farmers. We pay for the costs but then farmers are invoiced and they pay back to us, so that is the revenue stream that you are seeing on the cost-shared aspect.

**MR. MITCHELMORE:** Okay, yes. In turn their soil quality is much better so it provides for a better crop. Ultimately, that impacts their sales and helps.

**MR. DALLEY:** No question. I think we all recognize there is tremendous activity in the agriculture industry but there are obviously significant challenges. Particularly in this case with limestone where the primary place is in Cormack and if you have a farm in St. John's or anywhere out in the rural areas, there are significant costs and margins are not high in that business. If we have any way that we can help out, not only help them financially but, obviously, help in terms of the product and the sustainability of their farm lands is very important.

**MR. MITCHELMORE:** Under 3.1.03, Land Development, under the Operating Accounts, Purchased Services. You had budgeted \$200,000 but \$900,000 was spent. Would you be able to explain the variance?

**MR. DALLEY:** Yes. This is around the new roads for farmers into farmland and so on. We always had \$500,000 in this fund. Inadvertently that got changed, so it has been right-sized this year. The \$300,000 was put back in which gave up to \$500,000.

In addition to that, we added \$400,000 for an emergency cost of a new bridge on an agriculture road in the St. Shotts area. The \$500,000 was restored for that budget by adding \$300,000, and then another \$400,000 was added for the emergency cost for a bridge.

**MR. MITCHELMORE:** Because it was an emergency, was that something that would not have gone through a public tender and would have been done through that process?

**MR. DEERING:** Yes, that was tendered.

**MR. MITCHELMORE:** It was tendered?

**MR. DEERING:** Yes.

**MR. MITCHELMORE:** Okay.

Under Property, Furnishings and Equipment you had estimated you would spend almost \$2 million, yet only \$650,000 was spent last year and now we are going to see it jump back up to \$1.65 million. What actually was deferred?

**MR. DALLEY:** Let me see if I can explain this one. The \$300,000 that I just referred to that went back into the roads program – that went back into Purchased Services – came out of that.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** The \$400,000 came out of that to go back into Purchased Services to purchase the bridge.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** A further \$600,000 variance was as a result of the savings for the purchase of

land agreements during the year. Not only was it some savings, but, as well, it was budgeted and some is ongoing and did not get completed, therefore the money was not spent. So the \$300,000, the \$400,000, and the \$600,000, you will see the variance.

**MR. MITCHELMORE:** Can you explain the savings for purchase of land agreements? What type of land agreements are we talking about here?

**MR. DALLEY:** We have a program when private owners, whether it is farm owners or otherwise, want to sell land and it is determined to be good agriculture properties that we will invest and buy those properties at market value. Then that becomes a Crown asset and we will lease that back to farmers. It is a program where not only do we support farmers but we protect the better agricultural lands in the Province.

**MR. MITCHELMORE:** You have somebody who would do an assessment of that? If somebody approached you, you would have somebody who would go and assess the quality of soil to determine if it is actually good for a particular type of crop?

**MR. DALLEY:** We do all that due diligence in terms of the property and what is available. As well, I referenced the board. So that board I referenced would be involved in any appeals around disputes of what we are going to pay or the market value of the property, but internally we would do the work that is required to determine the value of the land and certainly the value in terms of an agricultural piece of property.

**MR. MITCHELMORE:** Great.

Under 3.2.01, Production and Market Development – Administration, this is for the production and marketing activities. Can you explain? Would the marketing piece fall under Professional Services or Purchased Services? What activities were undertaken to market the Agrifoods Branch, or was planned last year and what is planned this year?

**MR. DEERING:** We have sixteen agricultural players that the department participates in. We

send staff and we distribute promotional materials at these events.

As well, through another subhead that you will see a little bit later on in Growing Forward, we have contracts with the Newfoundland and Labrador Federation of Agriculture to do our agriculture in the classroom activities, as well as for their own participation and co-ordination of our main agricultural fair.

**MR. MITCHELMORE:** Okay.

Under the Revenue stream you anticipated to get almost \$500,000, \$454,700 under this division. That did not come forward. It was only \$1,300 that you received. What were you anticipating getting funds from in marketing that did not transpire?

**MR. DALLEY:** That is an error. That amount would have been anticipated revenue from the sale of cranberry plants, but that did not happen last year. Again, that is an error.

**MR. MITCHELMORE:** This line item for revenue under Marketing is related to cranberries, cranberry sales?

**MR. DALLEY:** Yes.

**MR. MITCHELMORE:** Last year you sold \$1,300 in cranberries?

**MR. DALLEY:** No, it is related to cranberries primarily in the larger number, but we also sell seed potatoes. We do the Seed Potato Program at Brookfield Road and we do a lot of growing out in Glenwood. We sell those seeds. We had anticipated somewhere around \$50,000, but last year there were some disease issues, pink rot they call it. We sold less last year.

It is a program where we try, with the specialities we have within the department and the agricultural area, to ensure that we have a good product going out there and working with farmers and what is conducive to our own Newfoundland environment. That is part of that program. We sell the seeds, but last year we did not sell as many as anticipated.

**MR. MITCHELMORE:** Are these programs for cranberries, for seeds, the things that you

mentioned in Brookfield and Glenwood, do they have provincial government employees working there or is it contracted?

**MR. DALLEY:** Yes, we do; provincial government employees.

**MR. MITCHELMORE:** Okay. This year you are anticipating \$55,000 in sales from those operations?

**MR. DALLEY:** Yes. We hope this year to be back to our average number I guess, our normal number for potato seed sales.

**MR. MITCHELMORE:** That is for potato seeds, or is that all inclusive?

**MR. DALLEY:** Only potato seeds.

**MR. MITCHELMORE:** Just for potato seeds?

**MR. DALLEY:** Yes.

**MR. MITCHELMORE:** Can we have a breakdown of the number of employees and the cost associated with these operations?

**MR. DALLEY:** Sure.

**MR. MITCHELMORE:** Okay.

**CHAIR:** Mr. Mitchelmore, are you finished that subhead? I want to go to Ms Michael.

**MR. MITCHELMORE:** Yes, sure.

**CHAIR:** Okay.

Ms Michael.

**MS MICHAEL:** Thank you.

Could I go back to 3.1.03, just the one before? With regard to the sale of agricultural land – or the purchase of it actually, more the purchase on your part rather than the sale. How much was purchased last year? I am presuming the \$650,000 is not just for the purchase of agricultural land?

**MR. DEERING:** Unfortunately, I do not have the exact numbers. We had about thirty negotiations that were in process near the end of

the fiscal year and we had about half of those concluded. I can certainly get you the statistics on how much land was purchased and where it was.

**MS MICHAEL:** That would be great. Would that show us where in the Province the land is? Would we get an idea of where it is happening?

**MR. DEERING:** Yes.

**MS MICHAEL:** Great.

Thank you very much.

Okay, I am just checking where I want to go next.

Subhead 3.3.01 – it is not hard questions, just more of getting clarification. Under Professional Services, it is not a large sum of money; it is \$18,000 that you seem to keep there. What would be the professional services under this section that you would require?

**MR. DALLEY:** It is primarily around supporting workshops, guest speakers, and working with the industry on some of those issues. It did not get spent primarily because there is another program under Growing Forward where we have a contract with the Federation of Agriculture. We help support someone who is hired with the federation to do this kind of work, so funding is going from Going Forward there; hence, it did not get spent there.

**MS MICHAEL:** Okay.

Thank you.

Again, the same subhead, under Grants and Subsidies of \$140,000, what is that money earmarked for?

**MR. DALLEY:** The number of grants to support provincial farm organizations, the provincial 4-H Council, the Federation of Agriculture, some miscellaneous amounts, to the Atlantic Agriculture Hall of Fame, and certainly to support agricultural fairs as well.

**MS MICHAEL:** Okay.

Thank you.

Perhaps we could have that list, Minister.

**MR. DALLEY:** Sure, yes.

**MS MICHAEL:** Thank you very much.

**MR. DALLEY:** No problem.

**MS MICHAEL:** Under 3.3.02, in the area of Transportation and Communications, Supplies, Professional Services, Purchased Services, all of those areas were up. It is not a large amount of money, but was that all related to one thing that was going on or not?

**MR. DALLEY:** It is primarily around more board meetings and some appeal hearings related with the insurance claims.

**MS MICHAEL:** Okay.

Thank you.

Under Grants and Subsidies, you allow \$129,300, last year it was revised down to \$74,100, but you are back up again to the base amount that you seem to maintain there. Could you talk to us about that line as well?

**MR. DALLEY:** It is an insurance program. We have the AgriInsurance program, where farmers will pay premiums, but we contribute to that as well. It goes into a fund. This year the fund was \$129,300, what we anticipated as a budget of claims that would come forward and expected payout. It was less this year, less payout. As a result, it is \$74,100, but we have returned to the base budget of \$129,000.

If you look beyond that and look at the revenue stream, these programs are cost-shared with the feds. We had budgeted \$210,000, but they do not pay until the end of the fiscal year; hence, they ended up paying \$287,400. It is basically on a 60-40 cost share. That is why the numbers have varied for the federal numbers as well and why they have been revised, because we do not get their number until the month after the end of the fiscal year.

**MS MICHAEL:** Okay, thank you.

You have answered two questions there that I had. So that is great.

**MR. DALLEY:** I knew you would have to ask that question as well.

**MS MICHAEL:** Good, jumping ahead.

So basically the Grants and Subsidies are the claims?

**MR. DALLEY:** Yes.

**MS MICHAEL:** Okay.

Thank you very much.

Under 3.3.03, if the list is long could we get the list, or you can give us an idea of what the provincial initiatives are that this money goes towards.

**MR. DALLEY:** This is the Growing Forward 2 program –

**MS MICHAEL:** Okay, I thought maybe it was, yes.

**MR. DALLEY:** – and the Provincial Agrifoods Assistance Program. Correct?

**OFFICIAL:** (Inaudible).

**MR. DALLEY:** I am sorry. That would be just the provincial program, not the Growing Forward 2 program, my mistake.

**MS MICHAEL:** Okay.

**MR. DALLEY:** These programs are around smaller grants in the \$25,000 range. They are extensive and they can be used for pretty much anything to help support farmers, from buying a tractor to land clearing, to buying generators to furnaces, anything that we can do that fits under trying to enhance and support farmers. There is a long list of that, and we can certainly provide you with the list.

**MS MICHAEL:** I note that it says, "...initiatives to ensure continued sustainability and environmentally sound development of the agrifoods industry." Are there criteria that must be followed coming under that whole rubric of

sustainability and environmentally sound initiatives?

**MR. DALLEY:** Yes, there would be. Both for this program and the Growing Forward 2 program, as well as our Agriculture and Agrifoods Development Fund, between the three of those, in terms of criteria, we have been able to fit the larger projects; we have been able to try and work with them on the smaller projects. Margins are tight on some of these operations and small amounts obviously mean a lot to them.

Between the three programs, we cover off pretty much everything that farmers do, right from land clearing right to production and marketing. Between all of that, through the three programs, there are obviously criteria for each one of them. It is very broad and we are able to help them mostly with anything.

**MS MICHAEL:** Right, well let's stay there for a minute. Are we seeing a growth, Minister, with organic farming for example?

**MR. DEERING:** We are certainly seeing a growth in the interest in organic farming. We do not have any official organic farms yet in Newfoundland. They have not been able to achieve the certification and the audits that are necessary. We do have a couple of farmers who feel they could achieve that, but at this point we do not have any. We are seeing a growth in the interest in organic farming, yes.

**MS MICHAEL:** This is a question coming to my mind now because of what you are saying. With the small farmer markets that are growing up around the Province, we all know – many of us now are lucky enough on Saturday mornings to be able to go and get fresh produce here in the Province. I notice it is growing around the Province, not just in the St. John's area. Is there any involvement of the department at all, of the agrifoods division with regard to monitoring those markets or not?

**MR. DEERING:** We have participated in the markets. We have actually provided funds through some of our programs over the years for the establishment of these markets. Sometimes we receive statistics in terms of sales and things like that at markets, but beyond that, that is about the limits of our involvement.



**MS MICHAEL:** Right. I am not pinpointing anybody here; it is just a really general question. Basically, if somebody were to say to me: Well, this is organically grown – there is no certification of anybody in the Province. Unless this is something that is coming from outside that has a tag on it, there is no certification of anybody in the Province with regard to organically grown?

**MR. DEERING:** That is my understanding, yes. In order to achieve official organic qualification you need to be audited and certified. My understanding is that we do not have any farmers in this Province who have achieved that yet.

**MS MICHAEL:** Okay, thank you very much.

Under 3.3.04, again, I guess it is the same thing. I think it has been part of the discussion, but if we could have a list of the grants and subsidies under that one.

**MR. DALLEY:** It is primarily three areas. This is for the larger projects. We have \$750,000 that goes towards dairy land development. There was a program around grain storage with Country Ribbon, it was around \$640,000. As well, Viking Fur has been approved for a project. Something like \$364,000 went out from that this year. We would anticipate more going out in the coming year as they develop their project.

**MS MICHAEL:** Thank you.

Let's talk a bit more. You have alluded to it, the Growing Forward Framework, Growing Forward 2. Are we far enough along to be able to track a bit to get a sense of food security in the Province? As we know, we do not have great food security in terms of what is being produced here. Have goals been set? How do you see it in the department in terms of where we are headed around food security?

**MR. DEERING:** For our larger supply managed commodities, we are more or less self-sufficient. We are self-sufficient in dairy and we export actually some industrial milk. We are self-sufficient in eggs, and we export industrial eggs as well. We are nearly self-sufficient in chicken, and we could very easily be with some

modifications to the processing plant. So, I guess, for the rest of the commodities we are not self-sufficient.

The metric that we measure self-sufficiency in would be in the quantities of land that are available. Most of our focus towards food security is in the area of land development. We have decided that currently the footprint that the agriculture sector occupies in this Province is about 25,000 acres. We feel we need to get to about 100,000 to include sufficient land base to grow the forages and grains required for self-sufficiency for our livestock, as well as vegetables and fruit.

**MS MICHAEL:** Has there been an assessment done to determine, besides the land being available, from a market perspective? I think about the root vegetables, for example, that historically we have always had here in the Province. Would the market sustain root vegetables, for example?

I get disturbed when I see turnips coming from somewhere else or carrots from somewhere else. I shop where I am going to be able to get local ones, but I can choose. I have the ability to choose, but in most cases people do not have the ability to choose. They have to go to the supermarket. It is the only place in their community or in the area, and it is always from outside the Province. Like I say, I get disturbed when I see root vegetables coming in from somewhere else.

Would our market be able to sustain it if more effort were put into that area? When more effort is put in, I will put it that way, because based on what you have said, I am suspecting that may be one of the things you are looking at.

**MR. DEERING:** Absolutely, and of course with primary production there are always economies of scale. For a Newfoundland farmer at a very small scale to compete with a farmer from New Brunswick who may be growing turnips at a very large scale, it is sometimes difficult to compete. Certainly, at moderate to large scales we can definitely compete because most of what you have indicated is coming into Newfoundland from outside the Province and the transportations costs alone is quite high.

**MS MICHAEL:** Exactly.

**MR. DEERING:** There is no doubt in our minds that primary production of fruits and vegetables can easily be sustained, and the growth opportunities are pretty significant.

**MS MICHAEL:** Great, that is good to hear.

One of the upsides of climate change is that we are finding we are now starting to grow things here that we were not able to grow before. So that will add to it, I suspect.

Thank you.

**CHAIR:** Ms Michael, if you are almost finished that subhead I will give you a few more minutes, if not –

**MS MICHAEL:** Yes, just to ask under 3.3.05., if we could have a list of the grants and subsidies?

**MR. DALLEY:** That is not a problem.

**MS MICHAEL:** Thank you very much.

That is fine, Mr. Chair.

**CHAIR:** Okay.

Thank you, Ms Michael.

Mr. Mitchelmore.

**MR. MITCHELMORE:** I want to go back and ask about Agriculture Initiatives, 3.3.03. Does the Provincial Agrifoods Assistance Program fall under that which allows farmland to be developed for new or current entrants?

**MR. DALLEY:** I am sorry, ask that again.

**MR. MITCHELMORE:** I do not see where the Provincial Agrifoods Assistance Program is funded under this. It is called PAAP. Is that something that your department is still funding?

**MR. DALLEY:** The Provincial Agrifoods Assistance Program? Yes, we do. That is the \$2.25 million under Grants and Subsidies, 3.3.03.

**MR. MITCHELMORE:** Okay, so it is not all exclusive. Does that particular program have a certain amount, a dollar figure attached to it for land?

**MR. DALLEY:** For land? No.

**MR. MITCHELMORE:** They deal with land development as well.

**MR. DEERING:** Subhead 3.3.03 is the Provincial Agrifoods Assistance Program. The entire \$2.25 million is allocated to that program. There is no allocated amount specifically set aside for land development specifically.

**MR. MITCHELMORE:** Okay.

**MR. DEERING:** Land development is still included in this program and we have farmers who take advantage of that every year.

**MR. MITCHELMORE:** Do you have any idea as to how much farmland we have in the Province right now?

**MR. DEERING:** My best estimate at this point is about 25,000 acres that has been leased and not all currently in production. We have approximately that amount allocated.

**MR. MITCHELMORE:** Okay.

Under the Growing Forward Framework, 3.3.05, looking down through here when we get to the Grants and Subsidies, we see that last year you had budgeted \$6.2 million basically from the provincial government. This is a program that is cost shared between the Province and the feds, correct? Is it a 60-40 sharing arrangement?

**MR. DEERING:** Yes, that is correct.

**MR. MITCHELMORE:** Okay.

Last year you had spent almost \$5.5 million, so there was \$700,000 that did not get spent. We see when it comes from the federal revenue there was \$500,000 less revenue that could have been tapped into. Is that because there were not sufficient proposals at the table?

**MR. DALLEY:** I will clarify a number here for you. That number \$5.417 million should be

\$5.817 million. There is an additional \$400,000 that at the time that this was done, since then and ongoing, there has been another \$400,000 which would certainly bring the budgets more in line.

The Growing Forward 2 program is a valuable program. It is a 75-25 program with the farmers where we pay the 75 per cent between us and the feds and the farmer pays the 25 per cent. The program is 93 per cent subscribed, but we are in a position to be able to carry over money as well.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** It has been a very successful program. Certainly, the uptake is very, very good.

**MR. MITCHELMORE:** That is good to hear.

I am just wondering where this \$10,000 in provincial revenue, what other department or area this is coming from.

**MR. DALLEY:** I am sorry, which one?

**MR. MITCHELMORE:** Under the Revenue, there is an amount for federal and there is an amount for provincial. The provincial amount is \$10,000 straight across the board. That is under the Growing Forward, 3.3.05.02.

**MR. DALLEY:** I do not see the \$10,000 you are referring to.

**MR. MITCHELMORE:** After the Amount to Voted there is federal revenue and provincial revenue. The provincial revenue is \$10,000. It is the last item before the total.

**MR. DALLEY:** I will ask Keith and see – I do not have it here.

We will have to check and get back to you on that \$10,000.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** Not a problem.

**MR. MITCHELMORE:** Under 3.4.01, under the Animal Health, and this falls into food safety and regulatory, does the staff complement here

work closely with the CFIA? What is the difference, I guess, in terms of what their program direction is doing? Do they do the enforcement and the testing on farms?

**MR. DALLEY:** We have seven vets in this program around the Province. It is primarily veterinarian work, obviously working with farmers in all aspects, I guess, certainly around livestock and poultry; but as well, in terms of public health importance, different diseases, training, monitoring of enforcement, policy development, public education around animal welfare and a number of aspects, I guess, that would fall under Animal Health would come out of this area. The salaries are primarily the seven veterinarians headed by Dr. Whitney.

**MR. MITCHELMORE:** Under the Grants and Subsidies, can you just explain what the approximately \$130,000 is spent on?

**MR. DALLEY:** Sure.

The SPCA gets \$110,000; the Chinook program gets \$15,000, which is a program that provides veterinarian care to isolated areas of Labrador; the Milk Quality Award Program gets \$1,000; and the Newfoundland and Labrador Veterinary Medical Association's annual industry conferences, around \$2,500.

**MR. MITCHELMORE:** I guess for other organizations that provide some form of care for animals and the well-being, would they be able to look at making an application under this to seek funding?

**MR. DALLEY:** They could. There are many different organizations in the Province that are involved in animal welfare to varying degrees. I am just seeing now if I have the total number here. I know it is extensive. I do not have it there.

We focus funding here particularly with the SPCA. They have been around for an extremely long time. We have had a good relationship with them with government, and that is primarily where the funding goes. We have not expanded that funding.

**MR. MITCHELMORE:** Okay.

Under your revenue of \$580,000, where does that revenue come from? Does some of that come through –

**MR. DALLEY:** It is primarily from pharmaceutical sales and veterinarian service fees.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** We fund the veterinarians. It is certainly not cost recovery; but particularly around the pharmaceutical applications around the Province, there is a return through those sales.

**MR. MITCHELMORE:** Under 3.5.01. Research and Development, we look here and we see that the Supplies had increased, basically doubled from \$200,000 to \$420,000. What additional supplies were purchased? Was there a specific project that was undertaken in research?

**MR. DALLEY:** Yes, it was the winter wheat grant program over on the West Coast.

**MR. MITCHELMORE:** Okay.

**MR. DALLEY:** It certainly required a lot more fertilizer than anticipated.

**MR. MITCHELMORE:** I believe there was some release on that, that there were some positive results in that?

**MR. DALLEY:** Very much so. I can get Keith probably to give you a quick synopsis of how successful it has been.

**MR. DEERING:** Yes, the results were quite positive, as you suggested. The yields that we get per acre are quite comparable to other places in the country and a lot more than we had expected.

The potential to expand grain production throughout the Province is quite significant, even on the East Coast, on the Avalon Peninsula. Most of our trials have been taking place on the West Coast, but we did have some on the Avalon and those were quite promising as well.

**MR. MITCHELMORE:** Will we see private investors making the investment in doing winter wheat, or will there potentially be some funding, either through Growing Forward or one of your other initiatives, to help expand that project to farms across the Province?

**MR. DEERING:** Yes, we have already had some interest from private investors. We have had a meeting already this week with somebody who is interested in developing a private land base for grain production. No doubt, the results of the research and the yields are significant enough that it has certainly gotten the attention of all of our livestock producers.

Grain costs have risen significantly over the last few years and in order for dairy producers to remain competitive, they no doubt will have to look at increasing the production of grain so we do not have to import it from provinces.

**MR. MITCHELMORE:** Right.

**MR. DEERING:** As the minister mentioned earlier, we have a five-year agreement with the dairy folks, in particular, for \$750,000 a year under our AADF project. That is aimed primarily at developing new lands for foraging grain production.

**MR. MITCHELMORE:** That is certainly a big issue when it comes to trying to stabilize and keep affordability in the price of milk, to help alleviate production costs and look at making sure that we are not importing. The price of grain is certainly very, very high and we have all see that at the grocery stores as well.

Under the revenue, you had \$1.5 million that came in federally and this year there is none. Did federal funding expire or was the department not successful in –

**MR. DALLEY:** That is the end of the four-year program, the AgriFlex agreement with the feds. The funding had lapsed after four years.

**MR. MITCHELMORE:** So will that have an impact on where we are going forward now in research and development for agrifoods?

**MR. DALLEY:** It will have some impact because there is less funding, and we had a

contribution to that as well, but what we have since engaged in is a discussion with the other Atlantic Provinces and we are looking at going forward with an Atlantic proposal to the federal government around research and development in this particular area. We are in a process of working on that now.

**MR. MITCHELMORE:** That is positive to see partnerships with our Atlantic counterparts.

Is because the federal revenue is not available that there are no Grants and Subsidies this year of \$650,000? What was the \$650,000 spent on last year in Grants and Subsidies?

**MR. DALLEY:** That is the reason, I guess, that there is none there this year.

**MR. MITCHELMORE:** Right.

**MR. DALLEY:** Again, various grants have been released through the \$650,000. We could provide you with a list of where that went.

**MR. MITCHELMORE:** Okay.

I just have a couple of more general questions around this and then if somebody else has some final questions, they could go there. The Auditor General, I guess, raised a number of concerns around the cranberry development program in the Province. I am just wondering: What is happening with that in terms of making sure that program is utilizing the acreage that is there so that we are growing as much cranberries in the Province as possible?

**MR. DALLEY:** Some years ago, in conjunction with interested cranberry farmers, our government put money towards not only some pilot projects, but supporting the development of the cranberry industry. We have had tremendous success. We are up close to around 250,000 acres. By all accounts, it has been tremendously successful in terms of the quality and the volume. We certainly see a viable industry.

We had a program in place and while that program was in place, other programs came in place as well, cost shared with ACOA and involved in the Town of Grand Falls-Windsor. Through all of that, cranberry farmers were able

to avail of funding, but some of the funding was not because some of it was cost shared 50-50, the others were 90-10. There is a blend in programs.

Respecting the AG and the work that was done, money was accounted for, but some of the questions, some of the administration and the process which we acknowledged and have had discussions since – as you know the program lapsed a year ago; however, we did engage and partner with ACOA. There has been a consultant hired and work was done to take a look at the cranberry industry and the potential future of the industry.

We are still optimistic that the industry has a good future. I met with them just two weeks ago. We have been having ongoing discussions with the cranberry industry and continuing to discuss this with the federal government about trying to get another program back in place and try to help them proceed with the general knowledge that we have had success.

We are up to 250,000, but if we are going to really move it forward and make it viable, maybe even get into a secondary processing production facility, we need to get the 500,000 acres. That is acknowledged I think across the industry and by the consultants. We are working with the federal government to see where we can get with that.

**MR. MITCHELMORE:** Okay.

With sheep farming here, we have less than 1,000 sheep in the Province. Is there any initiative or any money that can be availed of in your budget to see if that industry can be expanded? We should have exceptional opportunity in sheep farming, yet the market is dominated by New Zealand.

**MR. DEERING:** We currently have about fifty-eight sheep farmers across the Province and you are right, it is one of the best opportunities that we have. The markets for land are almost insatiable. As the farmer brings his truck to the supermarket, it is barely off the back of the truck and it is all sold.

Our Growing Forward, as well as our Provincial Agrifoods Assistance Program, would provide

assistance to anybody interested in expanding or any new entrants interested in getting into sheep farming.

**MR. MITCHELMORE:** Okay.

The only other question I have was – there was a lot of research done around nutraceuticals, specifically a product like sea buckthorn; I have not seen anything really commercialized – has the research not proven, or is there some sort of limitation where we are not seeing the potential of nutraceuticals being tapped into and what more could be done? The Agrifoods research and development division is being downsized a bit based on lack of federal funding. Is this something that will be moved to maybe RDC with a private investor? How does that move forward, I guess, that piece?

**MR. DEERING:** You are correct; we do have some development in nutraceuticals, in particular sea buckthorn and other products. That type of work still takes place at our facilities in Wooddale and Pynn's Brook and it is funded in the Production and Market Development subhead.

We do have some commercial sale of sea buckthorn, by the way. I have noted that at our agriculture fair in the fall, we have a producer on the West Coast who makes sea buckthorn jam. It is one of the things that folks look for when they come in through the door. He is pretty much sold out in ten minutes flat.

**MR. MITCHELMORE:** We have to promote that.

**MR. DEERING:** It is quite expensive. It is about \$20 a bottle, but it is really good and apparently quite good for you.

**MR. MITCHELMORE:** I do not have any further questions, Mr. Chair.

**CHAIR:** Ms Michael, anything under line items or any general comments?

**MS MICHAEL:** No, just one general question. I think most of the questions I was going to put forward have been dealt with.

**CHAIR:** Yes, sure.

**MS MICHAEL:** The one question: With regard to the mink industry, what is the status there?

**MR. DALLEY:** Mink industry?

**MS MICHAEL:** Mink.

**MR. DALLEY:** Maybe I will get Keith to give you a little more detail.

**MR. DEERING:** Currently in Newfoundland we have about twenty fur producers, about fifteen of which are mink. They have enjoyed some tremendous success over the last few years. No doubt, this year there has been a bit of correction in price for mink. Almost exclusively, the markets are from Chinese buyers. I guess the market has been depressed a little bit this year for a variety of reasons, but it has been historically quite cyclical, the price for mink in particular. We have been forecasting a little bit of a dip, which is happening right now, but we do expect it to come back up again.

We have a new mink operation that has expanded – well, it was an existing mink operation that was purchased by a new farmer with plans to significantly increase the size of it in Cormack. The potential as well for the development of fur and mink in particular is still quite good.

**MS MICHAEL:** Are we still putting money into the Aleutian Disease Management Program?

**MR. DEERING:** No, we are not at this point. From our perspective, we have cleaned up that issue and we do have surveillance to continue to look for issues related to Aleutian.

**MS MICHAEL:** Right.

**MR. DEERING:** As far as we are concerned, the problems that were detected a few years ago have been cleaned up.

**MS MICHAEL:** Okay.

Would you have the employment numbers for this industry, how many people are actually involved in this industry, employed in it?

**MR. DEERING:** For mink?

**MS MICHAEL:** Yes.

**MR. DEERING:** I do not have numbers specifically for mink or for the fur sector generally, but I can certainly try to find that out for you.

**MS MICHAEL:** Please. Thank you.

Thank you, Mr. Chair.

**CHAIR:** Mr. Ball, do you have any general questions?

**MR. BALL:** Yes, I just want to finish up just for a few minutes on the Animal Health, 3.4.01, and get a sense on where we are with the new legislation in place. One question, though, on the Salaries that we have there; I think the minister mentioned that there are a number of vets on staff. How many vets would we have actually on staff within the department?

**MR. DALLEY:** Seven.

**MR. BALL:** Seven?

**MR. DALLEY:** Yes.

**MR. BALL:** I know with the new legislation and when you look at some of the enforcements being done in communities now – I think there was an allocation that was discussed a couple of years ago now about some kind of marketing campaign around the new legislation. Whatever happened to that? Did it get done? I think it was around a \$50,000 cost that was going to go to the SPCA about a marketing campaign. I am not sure if that ever got completed or not.

**MR. EVANS:** Yes, you are correct; I think it was a \$50,000 allocation maybe two years ago. We have since taken that on internally and worked out the issues with the SPCA. I think we are fine with them and they are fine with what we have done. We do not see a need for that right now. We will continue on with our own efforts and have it covered off in that regard.

**MR. BALL:** One of the big questions, Jim, that keeps coming up around the new legislation and enforcement of animal welfare and the training that would have been done within our

communities – any updates on where we are with that, if there is much more work to be done or is it where you need it to be?

**MR. EVANS:** Maybe Keith can follow up after. There are a number of enforcement angles we take on this. The RCMP and the RNC certainly have the authority to enforce it. We have a conservation officers within the department trained for enforcement as well.

As well, a number of municipalities have availed of the training and we have more training planned for a number of municipalities, which we feel we will eventually get out to all of the municipalities where it is required. We feel pretty comfortable where we are. I think it is evident in some of the cases we have seen publicly and some of the charges that have been laid.

Keith, do you want to add anything to that?

**MR. DEERING:** The municipalities that we currently have fully trained include St. John's, Mount Pearl, Wabana, Conception Bay South, Placentia, Gander, and Lab City. As well, partial training has been received by Marystown, Burin, Winterland, Carbonear, Grand Falls-Windsor, Wabush, Deer Lake, and Reidville.

Other communities such as Torbay, Logy Bay-Middle Cove-Outer Cove, Pouch Cove, and Flatrock have currently expressed an interest to engage.

I guess this is one of those things that there will be a continued requirement for ongoing training. As these municipal training officers retire, as RCMP officers retire, we do anticipate having to have constant training offerings for these regulatory agencies.

**MR. BALL:** I know there was some discussion around the SPCA, people who were involved with the SCPA, I guess as a volunteer for the most case there, as them being enforcement officers. Did anything ever become of that? Is that not something that we are going to pursue?

**MR. DEERING:** The original intent when the legislation was proclaimed was that enforcement officers from the SPCA would be identified and trained as well. We have not provided any of

the municipalities or obviously the RCMP or RNC with any funding assistance to undertake this work, nor do we have any funding to be able to allocate to the SPCA, over and above the \$110,000 that we currently give them, for this activity.

So, I guess, they have expressed to us that they are unable to entertain training any enforcement people because they do not have the resources to be able to put them out in the field. I guess, at this point, we feel that the network that we have set up with the police and with the municipalities is serving us quite well.

**MR. BALL:** Okay, that is good.

**CHAIR:** I am going to ask the Clerk to read the subhead for all of the Agrifoods Development headings.

**CLERK:** Subheads 3.1.01 to 3.5.01 inclusive.

**CHAIR:** Motion to adopt?

Moved by the Member for Fortune Bay – Cape La Hune; seconded by the Member for Lake Melville.

All those in favour, signify by saying ‘aye’.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Opposed?

Motion carried.

On motion, subheads 3.1.01 through 3.5.01 carried.

**CHAIR:** Ladies and gentlemen if we could take a ten-minute recess, then we will come back and start right in with the other parts of mineral resource.

### Recess

**CHAIR:** We are going to welcome everybody back. I am going to ask the Clerk to call for the subhead under Mineral Resource Management.

**CLERK:** Clause 4.1.01.

**CHAIR:** Okay.

Mr. Ball, we will start with you.

**MR. BALL:** Yes, okay. For the sake of time – we have only about forty minutes left – I am just going to get through and see if we can move through and get off some of the line by line stuff.

If you look to 4.1.02, it is still line by line but not as deep as we have been before. The federal \$610,000 in revenue there, I am just wondering what that is for? That is 4.1.02 in Mineral Lands. It is a new line.

**MR. DALLEY:** Yes, that is additional revenue from the federal government for compensation paid to companies in relinquishing the mineral rights in the Mealy Mountains National Park. It is an agreement between those companies and the federal government. We will fund that amount and they will reimburse us.

**MR. BALL:** Yes, okay. That is great.

Just a question in a general sense, our royalty rate for minerals and for mining, when was the last time that was updated, the royalty regime?

**MR. BOWN:** The Mining and Mineral Rights Tax was last updated in 2000.

**MR. BALL:** 2000?

**MR. BOWN:** That would be the best guess, 2000, 2001.

**MR. BALL:** Okay.

Under the Energy Policy 5.1.01, for Professional Services we had \$224,800 there last year, we spent \$86,000. There is \$924,800 in the budget for this year. Could you give us an update on what that is?

**MR. DALLEY:** The significant increase this year is for the independent electricity review.

**MR. BALL:** Okay.

**MR. DALLEY:** We have gone to an RFP, so the exact number will not be known until obviously that process is finished.



**MR. BALL:** Okay, that is the independent review.

The Grants and Subsidies there of \$4.2 million last year, you spent the exact amount, and down to \$3.1 million this year. Do you have any idea what the bulk of those were made up from?

**MR. DALLEY:** The grants are primarily around the CF(L)Co good faith case, a trust fund for the good faith case against Hydro-Quebec.

**MR. BALL:** Why would that be a grant?

**MR. DALLEY:** That is where it is parked, in the financing.

**MR. BALL:** Oh, is it?

**MR. DALLEY:** Yes. That is where it comes out of there, out of that line item.

**MR. BALL:** Okay. So, CF(L)Co –

**MR. DALLEY:** CF(L)Co are fighting the case, not the Province. In an agreement with CF(L)Co, there is a trust fund set up that the Province would fund it. That is how the arrangement is made. The funds would go into there but they disperse through CF(L)Co.

**MR. BALL:** They fight who?

**MR. DALLEY:** Pardon?

**MR. BALL:** The good faith case is against whom?

**MR. DALLEY:** Hydro-Quebec.

**MR. BALL:** Hydro-Quebec has veto on CF(L)Co?

**MR. DALLEY:** Yes, but I will get Charles to explain that. We have overcome that. That is the agreement.

**MR. BOWN:** The way this is structured is that while in the shareholders' agreement the Hydro-Quebec directors would have a veto of our non-arm's length transactions, this is a situation where the company itself has decided that a contract that it has with Hydro-Quebec is not fair under the good faith provisions under

Quebec's civil law. In this instance the directors do not have a veto.

That case was brought three years ago. The reason why it goes through a trust is because it removes the implication of a third party contract between CF(L)Co and the lawyers who would be doing this. The way the government funds it is through a grant, through a trust fund.

**MR. BALL:** Okay. So that is less money this year than last year. How is that case moving along?

**MR. DALLEY:** We anticipate getting a decision in that case sometime this year. We also anticipate perhaps, regardless of the outcome, that it will be appealed.

**MR. BALL:** Okay.

Is that the only Grants and Subsidies, CF(L)Co?

**MR. DALLEY:** Yes.

Sorry, the diesel subsidy for Labrador comes out of that as well.

**MR. BALL:** Okay.

**MR. DALLEY:** I think it is around \$2.1 million.

**MR. BALL:** For the diesel subsidy?

**MR. DALLEY:** Yes, \$2.1 million plus \$400,000. It is \$2.5 million in total that will come out of there.

**MR. BALL:** Okay. The diesel subsidy has the lion's share of it?

**MR. DALLEY:** Yes.

**MR. BALL:** Yes, okay.

The next question would be in Petroleum Development 5.1.02. There are a few there, how to get rid of the line items there when you look at Purchased Services. You budgeted for \$62,000, spent \$306,000 and budgeted \$438,000. Of course, Professional Services seemed to be lumped together. Minister, would you mind explaining those two lines, the

Professional Services and the Purchased Services, 5.1.02, Petroleum Development.

**MR. DALLEY:** Charles has some full detail there. Do you want to do that, Charles?

**MR. BOWN:** Under Petroleum Development, \$1 million was provided last year in budget 2013-2104 for geoscience initiatives. When it was provided in the Estimates, you will note that it was in the Grants and Subsidies section. Subsequently, we went back to Treasury Board to have those funds allocated the way that we had wanted them allocated. It was just an error in the way it arrived.

That was allocated then through Transportation and Communications, Supplies, Professional Services, and Purchased Services. That is what you see, those changes throughout for 2013-2014.

**MR. BALL:** That is all related to geoscience work.

**MR. BOWN:** Yes. What you see for 2014-2015 is that proper allocation is in the budget already.

**MR. BALL:** Okay. The \$500,000 that is there this year, what is that for?

**MR. DALLEY:** It is for geoscience.

**MR. BALL:** Oh, it is for geoscience too?

**MR. DALLEY:** Yes.

**MR. BALL:** Just a bigger question again. If you look at 5.1.06 and you look at our Energy Initiatives – I asked this question in Finance and was told to bring it to you, or asked to bring it to you, I should say. The total project costs for Hebron right now, do we have the updated project costs for Hebron?

**MR. DALLEY:** The cost of Hebron?

**MR. BALL:** That is the total budget.

**MR. DALLEY:** As you know, we have an equity share in that. The project is estimated to be \$14 billion. We have a 4.9 per cent share.

Government has funded \$188 million for Nalcor's share of the capital cost obligations.

**MR. BALL:** That is what you funded so far?

**MR. DALLEY:** So far.

**MR. BALL:** We will be taking 5 per cent of the \$14 billion, I am assuming?

**MR. DALLEY:** It is 4.9 per cent.

**MR. BALL:** Yes, 4.9 per cent. We have a significant investment to be made there.

**MR. DALLEY:** We anticipate it to be – Nalcor estimates future capital costs for first oil, which will be 2017, to be \$360 million. It is expected that prior to that, Nalcor will become self-sufficient in oil and gas revenues as well. It will not come directly from government; it will be offset by some of the revenues from the other investments.

**MR. BALL:** Just so I get this right, what you are suggesting is that Nalcor will be requesting, between now and 2017, \$360 million from government for its investment into Hebron? The rest would come from its own sources?

**MR. DALLEY:** No. I do not have the exact amount; I can probably get it. It is anticipated that when they become self-sufficient in terms of the revenue streams from other equity shares in the oil and gas sector, that money will be used to reinvest in the Hebron. Hence, there will be less money needed from the Provincial Treasury of \$360 million. It will be less than \$360 million because once they become self-sufficient they will use that funding to offset the investments into Hebron.

**MR. BALL:** Okay.

What we do not know is what is going to be required from government right now because \$360 million is not 5 per cent of \$14 billion, or 4.9 per cent.

**MR. BOWN:** The \$14 billion is not all facilities capital. Actually a significant portion of that \$14 billion is the actual drilling cost which will occur after it gets on site.

**MR. BALL:** Okay, so we do not have to participate in the drilling costs as part of our 4.9 per cent?

**MR. BOWN:** We will participate in the drilling costs, but that becomes an operating cost then. Nalcor will fund that through its revenues that it will earn from White Rose growth lands and from the Hibernia South Extension. The revenue that they are earning from that production will be used to put towards those costs.

**MR. BALL:** Okay, so based on the project budget as we know it, between now and 2017, what will be required from government for our 4.9 per cent share?

**MR. BOWN:** The exact amount, I cannot tell you. It is based on what the total production is going to be from their investments and what the price of oil is going to be. As they generate their own revenue, it reduces their requirement for equity funding.

**MR. DALLEY:** Nalcor.

**MR. BALL:** Yes, so what would Nalcor's requirement be based on the budget that we have? Forget the oil, forget any revenue from oil.

**MR. DALLEY:** Three hundred and sixty million dollars.

**MR. BALL:** How much?

**MR. BOWN:** Three hundred and sixty million dollars.

**MR. BALL:** Three hundred and sixty million dollars, that is it? Okay.

**MR. BOWN:** That is the information we have been provided.

**MR. BALL:** All right. So the \$552 million that we are going to transfer to Nalcor this year, could we get a breakdown again for that, the Muskrat piece, the Hebron piece?

**MR. DALLEY:** Two hundred and thirty-two million dollars for oil and gas is the Hebron

piece and some others, and \$330 million for Muskrat primarily.

**MR. BALL:** Yes. We already have \$188 million transferred to Hebron already we said?

**MR. BOWN:** I just want to make a small refinement. The \$223 million includes Hebron, but also includes a small portion of some capital costs for White Rose growth lands and for Hibernia South Extension, the drilling of two wells in those.

**MR. BALL:** Can we get a breakdown of that after, how much is for Hebron –

**MR. DALLEY:** In terms of the Hebron investment, where we are?

**MR. BALL:** Yes, the question for me would be an update on the investments that we have already made in those projects because obviously they are working with a budget and they are currently under construction. For me, what I would be looking for, is the current value of the investment or the amounts of investment that we have made already, based on the budgets that we have, and what is outstanding for us to pay both from Nalcor and from the Provincial Treasury.

**MR. DALLEY:** Sure, we can break that down.

**MR. BALL:** That is good. That is it from me for the line items. I do not know, Chris, if you have anything or before we can pass it on here and then we will get to some general questions later.

**MR. MITCHELMORE:** (Inaudible) 5.1.04 under the Professional Services there is a big jump of \$3 million just about under Royalties and Benefits.

**MR. DALLEY:** Sorry, 5.1.04?

**MR. MITCHELMORE:** Yes, Royalties and Benefits under Professional Services. This year you anticipate spending \$3 million or just about, and last year it was only \$300,000. Can you just elaborate on that?

**MR. DALLEY:** Yes. The increase in the amount here is the expected arbitrations and

negotiations that will take place this year. Statoil and Husky are interested in advancing their projects, so we will enter into negotiations with them around benefit plans and royalties. As well, there are a number of negotiations with different companies around dispute resolutions affecting royalty disagreements, audits, and so on.

**MR. MITCHELMORE:** Okay. That is something I believe the Auditor General had also put forward was concerns around the number of audits that were taking place, that there is a certain amount of timeline. There are additional resources put in the budget to do additional audits this year to ensure compliance?

**MR. DALLEY:** Yes. Acknowledging the work of the Auditor General, we were doing some contracting out. We have since hired four auditors, four positions available. I will say it is a challenge to get them, but we are currently still on schedule with our audits. We will certainly acknowledge that it is a challenge without the auditors. We have positions available. We are seeking auditors, but again, the work is ongoing and we are still on schedule to get our audits completed within time.

**MR. MITCHELMORE:** Okay. I am fine with the line items.

**CHAIR:** Okay.

Ms Michael, any line items and then any general questions you may have.

**MS MICHAEL:** Right. I am just checking to make sure. I think all the line items have been covered by my colleagues. I am just checking.

It is a curiosity; in 5.1.05, there was nothing allotted here as revenue from the federal government, yet we seem to get \$139,100. What was that?

**MR. DALLEY:** It is due to a payment from Natural Resources Canada. It is the unspent amount of \$3 million to Western Newfoundland and Labrador aeromag and gravity surveys that was funded under the oil and gas development program.

**MS MICHAEL:** Okay.

**MR. DALLEY:** Just basically a carryover.

**MS MICHAEL:** Right. Okay, thank you very much.

Those are all the line items I think that I have. I am just realizing now, is this – there is nothing that is sort of under the line items, but I would like to know about what is going on with regard to the whole Old Harry oil and gas fields. It seems to be quite quiet publicly, but is there stuff going on behind the surface with regard to the boundary dispute, et cetera?

**MR. BOWN:** In terms of the project itself, it is still in a regulatory process with the C-NLOPB. There is a strategic environmental assessment that is ongoing in that area. The process of moving forward, their application to drill a well is on hold until such time as that process is concluded.

With respect to demarcation of the boundary, two years ago the Government of Canada and the Government of Quebec signed their own accord, similar to our own Atlantic Accord. Inside of that document there is a line that has been drawn to demarcate what the boundary is between the two provinces.

There is no resolution yet of what that boundary is going to be. At issue is that the Government of Quebec and the Government of Canada have not yet brought forward the legislation into their respective Parliament or Quebec Assembly to actually bring into force the accord that they signed. That has to be completed first.

**MS MICHAEL:** Okay. Do you know when exactly the environmental assessment will be completed? I know they had the hearings, but you do not know exactly what stage it is at?

**MR. BOWN:** The date escapes me for the moment, I do note.

**MS MICHAEL:** Okay. I can probably find that actually if I go on-line I think.

**MR. BOWN:** Yes.

**MS MICHAEL:** They may have the process outlined. If not, maybe you could send it to us.

Where this is under the C-NLOPB I am not sure who exactly is –

**MR. BOWN:** You would find it on the board's Web site.

**MS MICHAEL:** Yes, okay, great. Thank you.

I will leave it at that for the moment, Mr. Chair.

**CHAIR:** Okay.

Thank you, Ms Michael.

I will come back to Mr. Ball.

**MR. BALL:** Yes, okay. Thanks.

The announcement out this morning at 10:30 o'clock about Julienne Lake, obviously the iron ore deposit, so just to get an update on where you see this being – you are entering into negotiations with Altius. Is there a schedule in place where you can see this – the question is at what point do you see this being a mine?

**MR. DALLEY:** This has been an ongoing process, as you are probably well aware, with the exploration work and the discovery of a significant deposit at Julienne Lake. We engaged in a process of seeking out interested parties who would want to develop that on behalf of the people of the Province. We went through an internal review, as well as an external consultant who was hired Behre-Dolbear to do a review as well, to work with us on the evaluation of interested parties.

We eventually narrowed it down to one, as was announced today, the Julienne Lake Alliance. It is significant that Altius is a part of that group. They are obviously a significant player in the mining industry in our Province. They have two partners in this as well; it is two Fortune 500 companies from China. They have come with a good package.

Now we are in a process of where we will meet with them and start negotiations around what the benefits will be for the people of the Province. If they are to develop this mine, what would the benefits be? Whether it is smelter royalties, whatever might be the case here in terms of what

revenues we can ensure for the people of the Province then they will engage.

Once we come to an agreement on what we feel is in the best interest of the people of the Province and it works for their company as well, they will engage in about two years of study and work. Then hopefully everything will move forward and we will have a full-blown mine.

**MR. BALL:** Yes. It is a little different concept because of course Julienne Lake was something that the Province owned. What is the value to this Province in this RFP? Is there anything different than we would see just from any other piece of property that has been staked out and become a potential mine? It seems to me there was more value in Julienne Lake than there would be in just some other areas. What is the extra value to Julienne Lake at this point once you start the negotiations?

**MR. DALLEY:** It is hard to put a price on it because of commodity prices and the value. We do know it is expected to be at least twenty-five years mine life and twenty-two tons, which is comparable to where IOC is right now. In terms of the negotiating process and what we look at, obviously what inputs the company are going to make in there in job opportunities.

**MR. BALL:** Yes, okay. No, I was not thinking about from an operation, sorry. I was just thinking about a piece of land, a piece of property that you knew was already an asset because there had been a fair amount of exploration work that had been done on it. The upfront work I guess. What was the value of the upfront work that the Province had done on Julienne Lake or the piece of property that we knew where iron ore existed?

**MR. DALLEY:** It is around \$2.6 million that we had spent. That is to be recovered during the deal as well.

**MR. BALL:** Okay.

**MR. DALLEY:** We will recover our upfront costs. Negotiations will be around how we configure the return in terms of royalties to the Province, in addition to obviously the tax base and so on.

**MR. BALL:** That is good.

The discussions around Wabush Mines now, is there anything different happening now, or is that just still in an idling process? Is there any interest at all out there in Wabush Mines that you know of right now?

**MR. DALLEY:** We are not aware of any interest. They are still in idle mode. They have not indicated in any way to us that they are moving towards closure mode. We have ensured they have updated their rehabilitation and closure plans. We have not seen any interest in coming in and operating a mine.

We continue from a mining sector that it is there and what interest we have. We have discussions and met with a number of companies in Toronto, as you know, and kept kind of throwing this out here and to see what interest there was. Unfortunately, there was not any interest.

We will continue to do what we can there and work with Cliffs, but at the same time the focus as you know – and I know you are keenly interested as well as to what is happening to employees. There are opportunities there and we will continue to work with them in some of the programs.

**MR. BALL:** From a royalty revenue from Wabush Mines, what is the annualized loss there for Wabush Mines?

**MR. DALLEY:** I am going to say \$20 million-something.

**MR. BALL:** Okay.

**MR. DALLEY:** We will check to verify the numbers because it is best to get an accurate number. I think it is in the \$20 million range, but I stand to be corrected on it.

**MR. BALL:** The other question is the Voisey's Bay underground mine, is that on schedule? What is the status of that?

**MR. BOWN:** As part of the development agreement that we signed with Vale was a commitment to complete the necessary studies to advance the underground. As of the last meeting that we had with them very recently,

they reported to us that their studies for advancing the underground are still on schedule.

**MR. BALL:** Okay. What about the projected date for start-up at Long Harbour?

**MR. BOWN:** I think we are still seeing some challenges out there of getting the work done. They are making a significant investment. I think they are going to spend about \$1 billion out there this year to continue to bring that into operation. There will be some processing. The commitment is to process some nickel matte through the facility this year. That will get them processing nickel through a portion of the facility while they complete the backend of the plant, which will be required in order to process concentrate.

**MR. BALL:** Still with mining, the St. Lawrence Fluorspar Mine, we have not heard much about that lately; is there anything new to report there?

**MR. DALLEY:** They have done some reanalysis and some feasibility studies. They are optimistic that this is still going to go forward. They have a new partner recently, with new infusion of funding as well. They remain optimistic that this is going to happen. I spoke with – I cannot remember the guy's name – one of the guys with Canada Fluorspar recently while I was in Toronto and he indicated their new work that they have completed, some new ideas, new things that are happening and he was referencing then the fact that Golden Gate Capital, a US-based equity company, were going to join them. They are optimistic that it is going to go forward.

**MR. BALL:** With new mining now in Labrador – I think of the Kami Project right now – would they operate under the current royalty, or would there be amendments to the current royalty regime for new entrants to the mining market?

**MR. DALLEY:** It operated under the same royalty.

**MR. BALL:** Same ones.

I guess the third line to Lab West, the number that we last heard is what around less than \$300 million. Where are we with that now? Are there

any sharper budgets that have been available for that yet?

**MR. DALLEY:** The line itself, Hydro certainly initiated some regular meetings now with the Kami Project team around the line. I know there are some early tenders for tree clearing and tower steel, vendor pre-qualifications were issued last week, consultation packages have been sent out to the Aboriginal organizations. They are preparing tenders now for the engineering work. That is basically where it is. They are proceeding, moving forward. At this point the number has not changed, to my knowledge.

**MR. BALL:** Okay.

One of the things that came, certainly a fair amount in January, was this third line from obviously Bay d'Espoir area into the Avalon. Where are we to with that now? Is that strictly left to Newfoundland and Labrador Hydro? When do we expect to see something happen on the third line? We know it has to happen; obviously it is part of the completion of Muskrat Falls Project or any other project for that matter. When do you see that happening? Is that something that has to happen between now and 2017?

**MR. DALLEY:** The third line discussion came about in January, as you know, and at the time the full generation, so it would not have been of value to us in January. I think the long-term plan, as has been indicated a number of years ago by Newfoundland and Labrador Hydro as we move forward to the interconnected system, that we would need a couple of things really. One is added generation, maybe a gas turbine around peak time, peak loads, as well as a third line to enhance reliability and availability of power.

That is going to happen. It will happen between now and 2017 we suspect. They have moved forward with the generation, the gas turbine, as they announced last week. Through the application processes and work with the PUB, they will move forward with the third line as well.

**MR. BALL:** Okay.

One of the things that came up briefly yesterday was the water rights challenge in Quebec. Where are we with that right now? Is there any movement at all? What is the next date when we are going to be getting in front of a judge up there?

**MR. DALLEY:** The challenge, as you know, is specifically around the 1969 power contract and the issue around the flow of power around monthly blocks versus highs and lows. That is the challenge; it is in the court right now. It is expected to be heard in the courts by the fall of 2015.

**MR. BALL:** One of the things that came up during DarkNL was this whole idea of taking backup power as a contingency off the Province, obviously the interconnected grid to Nova Scotia. During the discussion, do we have any agreements in place with companies outside of the Province post 2017? What has the discussion been like for the source of contingency power post Muskrat?

**MR. DALLEY:** In the event that there is an emergency in the Province, do we have that recall? Yes, we have that built in.

**MR. BALL:** No, not about recall because we are only in that situation if – obviously the contingency was if Muskrat was not available to us. The contingency was to bring power in from Nova Scotia, or from off the Island. My guess, in order to do that you would need some kind of an arrangement or an agreement with someone outside this Province. Have we had that discussion yet with a company such as Emera or someone else?

**MR. DALLEY:** Basically, in terms of some sort of power purchase agreement, in the event that?

**MR. BALL:** The backup (inaudible).

**MR. DALLEY:** No, I do not think they have had those discussions yet. I can confirm that with Nalcor, but it could conceivably be a bit early in terms of the whole process and where they are. Certainly, it is something that I think –

**MR. BALL:** Well, I disagree it was early, because you are saying it is available to us. That is the problem, right? It might be early, but

when you are out there saying that this is the contingency plan, if your contingency plan is it, well then without it there is no contingency plan.

**MR. DALLEY:** You are right. For a long time we debated about what we were going to do with surplus power and whether there was any need for power.

As you know, there was considerable criticism out there that nobody wants the power, which means there is lots of excess power out there. If you buy into criticism that nobody wants to buy our surplus power and you support that, then the reality is it is because there is plenty of power out there. They do not want to buy ours. So, if you look at it that way, then the power is out there.

I certainly would acknowledge that a couple of aspects here around building Muskrat Falls and the interconnected system and the share of power, 20 per cent of the power to Emera, there are agreements in place that in the event of emergencies how we flow that power and who shares in the flow of power. We have agreements to cover that. Beyond that, in the event of some catastrophic event, we acknowledge that we will need an opportunity to be able to bring that power in.

I think what that really does is highlights the importance of the interconnected system, the importance of being connected. Because we talk about reliability in the Province, that will give us a greater opportunity like we have never had before to be able to access that power. You are right, in terms of we need to go out now and make sure we secure and have those conversations.

**MR. BALL:** Yes, okay.

We only have a few minutes left here. I just want to get an update on fracking, the review on fracking and where that is right now in the Province.

**MR. DALLEY:** A number of things are taking place. Again, I have indicated that I have met with fracking awareness groups, I have met with industry. We have committed that we will do some internal work; it is not quite completed. The internal work is specifically around the

geology of the West Coast, so we can focus on exactly what we are dealing with. That is taking place with some of the experienced people in my department.

As well, we are doing a legislative and jurisdictional scan to see what is happening. I have indicated that we want to focus on our own environment, where our environmental regulations are around these things, what is acceptable in the Province, what needs to change, what is happening in other jurisdictions. When we look at all of that and take a look at the geology, once that is done and finalized and we have some information, at that time we will make a decision about how we are going to proceed.

I have clearly indicated to the people of the Province, we will have some sort of public consultation. Whether that is an independent consultant or it is a panel, that decision we will make. Other than that, we are still bringing together the information on hydraulic fracturing, and we will go to the public with this when we are ready.

**MR. BALL:** Is there a timeline? Do we have a document that identifies timelines or benchmarks or milestones, I guess is the better word, when you can actually see this being completed, and when do you expect to see it completed?

**MR. DALLEY:** I do not have a document with a time frame on it because, again, in terms of time frames it is more important to get it right than to box it in on a time frame; but that said, we are certainly committed and continue to look at this issue around the geology piece, around the legislative and jurisdiction issues and other aspects of hydraulic fracturing, that we want to ensure we have the right information specifically to what is happening on the West Coast or what potentially could happen.

Beyond that, like I said, once we make the decision and the direction we are going to go, we will move forward with that right away when I get the information.

**MR. BALL:** Yes, because the big question around not having a timeline is we have industry and people who actually live in the area now



who obviously will be impacted with a yes or a no to proceed or not to proceed. Really, the longer that this takes, it just leaves an uncertainty. That is my point here, the only reason why I would like to see a decision made on it, I guess, is the big thing.

I have one last question about exploration offshore this year. How much do we anticipate that oil companies will be spending this year? Is there a schedule that we will see in the next few years on the level of exploration offshore?

**MR. DALLEY:** I do not have the number but we can certainly get it. I will tell you, as a result of the new land tenure system that has been brought in we are getting significant more interest in exploration in the offshore. I know that (inaudible) recently used it. We are finding that more companies, more of the larger companies and some that are certainly not even at play right now in our offshore, recognize the land tenure system. They are keenly interested in the seismic work and what is happening.

Many recognize that as the last frontier of opportunities for big oil discovery. I say that because I think it bodes well for industry and investments, but I think it looks great for the Province as well. We are getting very positive feedback and interest. Of course, that is what you want in terms of the exploration to go (inaudible).

**MR. BALL:** It would be nice to get the schedule.

**MR. DALLEY:** We will get you that.

**MR. BALL:** Yes.

**CHAIR:** I think Ms Michael has one question, and then I will come back to Mr. Mitchelmore to finish it off.

**MS MICHAEL:** I would like to just pursue one point a little bit further talking about the smelter in Long Harbour. I think Mr. Bown said that – maybe you did, Minister; I cannot quite remember now – in the near future they will be trying the processing of the nickel matte. I am wondering, is that nickel matte going to be from Voisey's Bay or from outside of this Province?

**MR. DALLEY:** No, it will be from outside.

**MS MICHAEL:** It will be from outside. There is some concern that the nickel from Voisey's Bay may not work. Have you heard that? If that is the case, how are they going to determine that?

**MR. DALLEY:** We have not heard that.

**MS MICHAEL:** You have not heard that?

**MR. DALLEY:** No.

**MS MICHAEL:** Okay. It is something that has been out there for a while so I am surprised that you have not, actually.

**MR. DALLEY:** Well we are in constant discussions with Vale and have met them a number of times. They have not raised the issue of concern about the quality of what is coming out of Voisey's Bay, what their ability to do and expectation that they will do at the plant in Long Harbour.

**MS MICHAEL:** Right.

I think the issue that has been said to me is not so much the quality is that – well, quality in a sense. It is not good, better or bad, it is the type. I am just wondering, that has not been discussed but it is something that has been said to me. That part of the delay is the fear that what they used when they tested in Argentina and what they are building in this smelter, that the nickel from Voisey's Bay may not work.

**MR. DALLEY:** No, I never heard of that. With delays out there, we have had discussions. We have someone who monitors what is happening out there as well in terms of construction and the different pressures there. That is why the delays are there.

As for the type and what they are doing, we have not heard of it. I would suspect if a company is going to spend \$5 billion to process what is coming out of Voisey's Bay, I would suspect they certainly know what they are going to do with it.

**MS MICHAEL:** I hope so.

**MR. DALLEY:** We have not heard anything about that whatsoever.

**MS MICHAEL:** Okay.

**MR. DALLEY:** Mr. Chair, we have some information there on exploration and scheduling. Charles might be able to share that with –

**MS MICHAEL:** I would just like to make one more point about Vale, if I may?

**MR. DALLEY:** Oh, sorry. Yes.

**MS MICHAEL:** Charles did mention the status of the studies with regard to the underground expansion for Voisey's Bay. Do we have any indication yet – or the study may not be at a point where you have had any indication – of what the potential is with regard to the flow study and the potential for hydro power on site?

**MR. BOWN:** You are referring to Mistastin Lake, I believe, was one proposal that was considered?

**MS MICHAEL:** No, I understood that a flow study was being done with regard to Voisey's Bay and their expansion for the potential of having hydro power, not diesel power.

**MR. BOWN:** That is what I was referring to – Mistastin Lake is a potential hydro project. We did have a company come forward and identify that as an opportunity, but that has not been raised with us for some time. Actually, Vale, as part of their underground feasibility study, are looking at all the options that are available to them.

**MS MICHAEL:** Okay, thank you.

**CHAIR:** Thank you, Ms Michael.

Mr. Mitchelmore, in the next few minutes, if you have any follow-up general ones?

**MR. MITCHELMORE:** No, I am eager to hear, though, from Charles about this drilling.

**MR. DALLEY:** He has an update on some –

**CHAIR:** Okay, Minister.

Mr. Bown.

**MR. BOWN:** In terms of exploration coming up for this season, I expect to see three exploration wells. So Husky are planning on drilling two, and most recently Statoil have announced that they have secured a rig to go back to Bay du Nord and drill again.

We are currently forecast to have thirteen geophysical programs ongoing this year. As of last year, from the year previous, the level of activity was 30 per cent over the year previous. We expect the level of activity to be that much higher this year.

**MR. BALL:** Well, Statoil of course being in the Flemish Pass, that area, and Husky – those two would be where they are currently operating –

**MR. BOWN:** Actually, they are in the Northern portion of the Jeanne d'Arc Basin.

**MR. BALL:** Yes, that is what I thought.

The geophysics work would be done – is that around Labrador?

**MR. BOWN:** It is all over.

**MR. BALL:** All over, yes.

**MR. BOWN:** It is everywhere.

**MR. BALL:** Okay.

**CHAIR:** We are all good on that?

**MR. BALL:** Yes.

**CHAIR:** I am going to ask the –

**OFFICIAL:** (Inaudible).

**CHAIR:** Sorry, no, before we go back I will get any final comments at the end of it.

I am going to ask the Clerk for this heading for 4.1.01 to 5.1.06 inclusive.

**CLERK:** Clauses 4.1.01 to 5.1.06 inclusive.

**CHAIR:** Moved by the Member for Bonavista North; seconded by the Member for Fortune Bay – Cape La Hune.

All those in favour, signify by saying ‘aye’.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Opposed?

Motion carried.

On motion, subheads 4.1.01 through 5.1.06 carried.

**CHAIR:** I am going to ask the Clerk to call all inclusive, the total.

**CLERK:** No, we need to go back to 1.

**CHAIR:** We need to adopt the opening –

**CLERK:** Clauses 1.1.01 to 1.2.03.

**CHAIR:** Moved by the Member for Lake Melville; seconded by the Member for Bonavista North.

All those in favour, signify by saying ‘aye’.

**SOME HON. MEMBERS:** Aye.

**CHAIR:** Opposed?

Motion carried.

On motion, subheads 1.1.01 through 1.2.03 carried.

**CHAIR:** We will call for all inclusive, the total.

Subheads 1.1.01 to 5.1.06; I will ask the Clerk to call.

**CLERK:** Clauses 1.1.01 to 5.1.06 inclusive.

**CHAIR:** Moved by the Member for Lake Melville; seconded by the Member for Bonavista North.

All those 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.

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

**CHAIR:** I would like to thank the minister and his officials, and the Committee again. It was a great discussion. I will table any information that has been requested. When the minister gets it, he will share with both parties. I appreciate that.

Could we have a motion to adjourn?

Moved by the Member for Lake Melville.

So moved, and we are adjourned.

Thank you.

On motion, the Committee adjourned.