

BOARD OF DIRECTORS PROGRESS REPORT
March 2010

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Message from the Chair

I am very pleased to present this comprehensive report on the activities and progress of the Enterprise Saskatchewan Board to March 31, 2010.

The work of the Board and the agency encompasses every sector and industry comprising the provincial economy. This work and its results are based on innovation, collaboration and partnership with our many stakeholders.

Such qualities could hardly be more timely for the province. By virtue of a robust and remarkably resilient economy, Saskatchewan is emerging from the remnants of the global recession quickly and with versatility, as many forecasters had predicted. These same forecasters are now expecting that our economic growth will be among the fastest in Canada for 2010 and again in 2011. It is a trend we carried into the downturn, and indications are that we have resumed that trend. Our population continues to grow at a pace not seen in half a century. The eyes of the world are seeking us out more and more for business opportunities, with Statistics Canada projecting private and public capital investment will increase to a record \$15 billion in 2010. This will be double what it was six years ago. Eight per cent of that figure is represented by foreign sources, which is particularly significant. Business optimism in Saskatchewan is the highest in the country, and with good reason.



Now, more than ever, we are working to press the Saskatchewan advantage wherever it may be found. The time is exactly right for seizing the initiative with such things as the signing of the New West Partnership this spring with British Columbia and Alberta, creating the largest interprovincial free-trade zone in Canada with nine million people and a combined GDP of over \$550 billion. You will find Enterprise Saskatchewan at the centre of this and other activities, details of which are in the pages that follow.

I want to thank departing board members Mark Frison and Crystal MacLeod for serving on the ES Board. Their contributions and time dedicated to the Board was much appreciated.

Amid the continual changes and evolution of the economic challenges and opportunities met by the province, we will continue as always to fulfill the mandate put forward to us by the Premier.

A handwritten signature in black ink that reads "Ken Cheveldayoff". The signature is written in a cursive, flowing style.

Ken Cheveldayoff
CHAIR

Message from the Vice Chair

As Vice Chair of the Enterprise Saskatchewan Board, it is with pride that I submit this review of our work and accomplishments to March 31, 2010.

Having been appointed as the inaugural Vice Chair of the Board when it was established in 2008, I have been privileged in a number of ways. The past two years have afforded me an opportunity to work with some of the most talented, experienced and visionary individuals in the province who comprise our Board. I have also been fortunate enough to have seen first-hand – and been involved with – the efforts of this agency and its people to not only blunt the impact of the global economic downturn, but to continue building upon Saskatchewan’s many assets to create one of the most attractive and competitive business climates you will find anywhere.



In this respect, credit must be given to the many stakeholder partners of Enterprise Saskatchewan and the dedicated individuals who commit so much of their time, thought and energies to our sector teams and strategic issues councils. The Board, through its recommendations to Cabinet and its endorsement of the efforts of the agency’s personnel, has correspondingly worked very hard to see the labours of these groups bear fruit. This report will detail our successes in this regard, as well as our ongoing activities.

I wish to take this opportunity to thank the many employees and personnel who have contributed to our achievements, including our past CEO Dale Botting. We have introduced new talent to our Board and our entire organization, and we are grateful for their experience and insight as we continue to push the competitive envelope for Saskatchewan at home and abroad.

The Board’s current priorities include the importance of competitive taxes and regulations, labour participation and availability, utility costs and major strategic initiatives such as the New West Partnership. At the heart of these, however, remains the common thread of ensuring that the people and businesses of Saskatchewan – as well as investors from afar – have every opportunity to prosper through a provincial economy that is diverse and oriented for growth.

A handwritten signature in black ink, appearing to read 'Gavin Semple', written in a cursive style.

Gavin Semple
VICE CHAIR

Executive Summary

Between April 1, 2009, and March 31, 2010, the Enterprise Saskatchewan (ES) Board made over 30 recommendations to the Government of Saskatchewan. These recommendations helped to shape economic policy, most significantly in the clear direction the ES Board provided to reduce barriers among western provinces. This direction was acted upon with the signing of the New West Partnership (formerly discussed as the western economic partnership), an agreement among Alberta, British Columbia and Saskatchewan that will create a common market in the three provinces. The New West Partnership opens up new markets for Saskatchewan business and will increase prosperity.

Other highlights of the last year include government policy moving forward in the following areas recommended by the ES Board:

- A tax incentive for value-added mineral production that will see companies establishing in Saskatchewan to add value to our mineral resources.
- A One-Stop Business Registry that will simplify business processes for all businesses.
- Promotional activities like the very successful Saskatchewan Pavilion at the Vancouver Olympics.

Economic competitiveness is a fundamental issue. While the Board recognizes that taxes are not the only factor comprising competitiveness, it is important to be competitive on taxes. The Board has made focused recommendations on corporate taxes, personal income tax rates and on sales tax harmonization. The public discussion generated by the Board's recommendation on a harmonized sales tax has been timely in light of

British Columbia's and Ontario's announcements that they will be harmonizing their sales taxes in July 2010. The Board also heard presentations on the burden of property taxes and has requested more analysis on the relative merits of various tax reductions.

With the upswing in the Canadian and especially the Saskatchewan economy following the global economic downturn, labour participation and availability will again become a constraint on growth. The ES Board recommends that a labour market strategic issues council be instituted and that the government develop a stronger plan for engaging Aboriginal people in the economy. Recommendations were also made with respect to youth.

Utility costs are a significant cost to many businesses. The ES Board has recommended that "impact on competitiveness" be considered in assessments of rate increases, and that an efficiency and effectiveness review of major Crowns be undertaken to minimize future price increases.

This report catalogues the activities of the ES Board over the past year. Officials in ES have assisted the Board and the government to implement the recommendations, although this report does not describe all the actions of ES, only the recommendations of the Board.



Introduction

The 12-member ES Board of Directors consists of leaders from business, labour, First Nations and Métis, municipalities (urban and rural), post-secondary educational institutions, co-operatives, the resource industry and agricultural producers. There is also one member-at-large and, by legislation, the Minister responsible for Enterprise Saskatchewan and another member of Cabinet.

The Board's specific duties are to make strategic recommendations to government to grow the economy, to establish key indicators of economic growth, and to oversee and co-ordinate business attraction efforts.

Under *The Enterprise Saskatchewan Act*, a number of sector teams and strategic issues councils are created. These teams provide a forum for private sector individuals to make recommendations on removing barriers to growth. Often recommendations require legislative or financial decisions from government. The recommendations in the progress report are ones from the ES Board. Many of the recommendations in this report came from sector teams and strategic issues councils and have been supported by the ES Board.

The sector teams and strategic issues councils have advanced a number of issues independent of the ES Board. For example, on the basis of work from the Tourism Sector Team, the Ministry of Environment is now working with outfitters on ways they can purchase longer-term licences. On the basis of recommendations from the Alternative Energies and Environmental Industries Sector Team, funding was provided to conduct a labour force study for the environmental industry.

As importantly, the sector teams and strategic issues councils have allowed officials to better understand the constraints on business, and they have provided a forum for business people to discuss and act on common issues.

A full list of recommendations made by the Enterprise Saskatchewan Board can be found at www.enterprisesask.ca.



Reducing Barriers

Fundamental to the mandate of the ES Board is reducing barriers for Saskatchewan people and businesses. That is why the ES Board was at the forefront of recommending greater co-operation among western provinces.

Prior to meeting with the Alberta and British Columbia cabinets on September 11, 2009, Premier Brad Wall asked the ES Board for opinions about the establishment of the western economic partnership, now known as the New West Partnership (NWP). The NWP will establish the framework for collaboration on innovative ways to bolster the economy of the West and improve competitiveness and productivity. The NWP will encompass four areas:

1. Internal Trade, Investment and Labour Market
2. International Marketing
3. Innovation
4. Procurement

The Board expressed its support for the NWP. The agreement aligns with what the ES Board is promoting by removing barriers to trade and making Saskatchewan businesses more competitive. The agreement is expected to:

- increase opportunities and choice for workers, consumers, investors and business;

- reduce costs for consumers, businesses and governments;
- address the differences in government measures that are creating unnecessary barriers to trade; and
- ensure quality environmental and consumer protection, worker and public safety, and health and labour standards.

RECOMMENDATION:

Through the NWP, implement best practices for regulatory harmonization in the areas of transportation, labour and trade, in consultation with other stakeholders.

RESPONSE:

The governments of Saskatchewan, Alberta and British Columbia signed the NWP in April 2010. To view the NWP agreement, see www.gov.sk.ca/nwp.

A number of sector teams have also made recommendations that would reduce barriers across Western Canada.



Tax Competitiveness

The ES Board has the responsibility under *The Enterprise Saskatchewan Act* to provide advice on tax policies to ensure provincial competitiveness.

In May 2009, the Board re-emphasized its continued support for broad-based corporate and personal tax reductions and for a harmonized sales tax. In July 2009, British Columbia announced that it will follow Ontario and create a single sales tax on July 1, 2010, saying that it was the single most important step the province could take to boost its economy. In the presentation to the ES Board, the Manufacturing Sector Team emphasized the importance of a value-added sales tax to help the manufacturing sector be competitive. The Board believes that manufacturers and other Saskatchewan export-oriented businesses will find it increasingly difficult to compete with businesses in Alberta and the six provinces that will have a harmonized sales tax.

RECOMMENDATION:

Based on changing economic circumstances and competitive new tax policies across Canada, the ES Board recommends accelerating their previous tax recommendations through implementing tax reforms in 2010 resulting in:

- 10 per cent Personal Income tax;
- 10 per cent Corporate Income tax; and
- a harmonized sales tax within the context of a balanced budget.

RESPONSE:

Due to fiscal constraints, the Government of Saskatchewan made no further tax reductions in the 2010-11 Budget. Government will consider personal and corporate income tax reductions during future budget deliberations.

The government has stated that it is not pursuing sales tax harmonization.

The ES Board noted that due to higher assessed values, some businesses had significant property tax increases, even though total education property taxes were reduced by \$103 million in 2009. Property tax rates were reduced for all property owners; however, the three-tier mill rate for commercial property owners means that large businesses are paying a higher rate than other businesses for education property taxes.

RECOMMENDATION:

As the Government of Saskatchewan reviews the second year of the property taxation structure changes, take into account any inequities of the changes and take steps to mitigate the impact on the competitiveness of the three-tier system, and consult with the ES Board of Directors as it goes forward in this review.

RESPONSE:

The Minister of Education met with the ES Board to further discuss their concerns with the three-tier system. The three-tiered structure for education property tax for commercial property owners is expected to be phased out as finances permit.

After hearing presentations from the Saskatoon Chamber of Commerce and the Regina Chamber of Commerce, the Board has requested additional information on the relative value of reductions in property taxes versus reductions in other forms of taxation. It is noted that a number of Saskatchewan business organizations have commissioned the Canada West Foundation to analyze the province's tax system.

The Board recognizes Saskatchewan's new fiscal realities over the last few months. As a result, the Board discussed options for targeted tax incentives to attract investment that would not otherwise be made in Saskatchewan. The Board supports targeted tax incentives for new investment that meets the following criteria:

- Is a significant investment that creates a minimum number of new jobs;
- Helps to build new industry clusters and create opportunities for other small and medium-sized enterprises;
- Does not compete with other established companies in the province.

As a result of ES's work, the Government of Saskatchewan announced the introduction of a five-year Corporate Income Tax Incentive for corporations that process minerals imported into the province to the prime metal stage, which has the potential for a range of positive economic effects.

**Press Release Issued December 12, 2009
by Fortune Minerals Limited (FML)**

Fortune Minerals Limited (the "Company") applauds the Government of Saskatchewan's December 3, 2009 announcement of several new tax incentives to attract new business to the province.... Fortune Minerals recently announced the decision to locate its metallurgical process plant in Saskatchewan and, once in production, this tax incentive, if fully enacted into law, has the potential to enhance the economics of processing metal concentrates in Saskatchewan. During the search for a suitable location for a processing facility, the Company received support from Enterprise Saskatchewan and the Saskatoon Regional Economic Development Authority in locating land in Saskatchewan. Fortune Minerals is further encouraged by the Government of Saskatchewan becoming a strong proponent of the project with support and recognition of the Company's substantial investment to be made and the positive impact it will have in Saskatchewan and local communities.

www.fortuneminerals.com/News/Press-Releases



Labour Market

The ES Board identified the development, retention and attraction of a skilled labour force as being critical to the province's long-term economic growth. While the recent downturn in the economy throughout North America has lessened the short-term pressure for workers, shortages are expected when the economy picks up, demand for Saskatchewan resources increases, and baby boomers start to retire in greater numbers than people entering the labour market.

The Saskatchewan Labour Market Commission (SLMC) presented its report to the ES Board, and it was released July 2, 2009. The report focused on:

- information and communication;
- workforce and workplace enhancement;
- attraction and retention of highly skilled individuals.

The report made 19 high-level recommendations in these areas. ES is working with the Ministry of Advanced Education, Employment and Labour (AEEL) and other ministries to build on SLMC's report in the development of a provincial labour market strategy for release in 2010.

The SLMC ceased operation in 2009. The ES Board recognizes the need for continued advice from stakeholders on labour market issues and recommended that this be done through a new strategic issues council.

▶ **RECOMMENDATION:**

Establish a Labour Market Council subject to further development and consultation on its clear mandate and focus.

▶ **RESPONSE:**

Consultations were held with labour market stakeholders on the mandate of the council and potential members. The Labour Market Council is expected to be established in summer 2010.

The ES Board met with the Minimum Wage Board as part of their consultation process. The Board noted that Saskatchewan's minimum wage was the second highest among provinces. The ES Board advised that the minimum wage be maintained at the current level for 2010.



Aboriginal Economic Development

The ES Board identified the need to increase First Nation and Métis people's participation in the economy, not only as employees, but as business owners. In 2006, the self-employment rate for Aboriginal people was five per cent compared to the 17 per cent average self-employment rate in Saskatchewan.

The Board noted that the Aboriginal Business Directory was not being used to its full potential and that there was an opportunity for more Aboriginal-owned businesses to participate in Crown and government procurement. As a result of the Board discussion, the Aboriginal Business Directory was transferred to ES to update and promote.

The Board also believes there will be more opportunities for First Nations and Métis people to own businesses as current business owners retire. A strategy is needed to ensure that Aboriginal people have the capacity needed to participate fully in the economy.

RECOMMENDATION:

Establish an appropriate action plan to engage the Aboriginal people in the economy; and make a bold statement not to allow jurisdictional issues to get in the way of ensuring full participation of Aboriginal people in our economy.

RESPONSE:

ES commissioned a study to examine options to increase Aboriginal participation in the economy, and is working with the Ministry of First Nations and Métis Relations (FNMR) to develop an action plan. Meetings with the federal government and Aboriginal leaders have been held to identify collaborative opportunities to achieve common objectives for improving the lives of Aboriginal people. The federal and provincial governments are consulting with First Nations leadership to develop initiatives to support the transitioning of people from social assistance to productive employment.

The ES Board recognized that availability of financing is a key constraint for Aboriginal businesses.

RECOMMENDATION:

Cost share the Aboriginal Economic Development Initiative at 50 per cent with First Nations and Métis groups or other funding partners.

RESPONSE:

The 2010-11 Budget announced \$3 million for a new Crown Investments Corporation (CIC) fund for First Nations economic development initiatives. CIC is considering the ES Board recommendation as it develops the new program.



Utility Competitiveness

Utility costs, particularly power, can be a significant cost of doing business for many companies. In December 2008, SaskPower submitted a rate application for a 13 per cent system-wide average rate increase to the Saskatchewan Rate Review Panel (SRRP). The ES Board expressed concern about the economic impact of double-digit rate increases and the impact on Saskatchewan's competitiveness. An 8.5 per cent rate increase was subsequently approved and came into effect in June 2009. In early 2010, SaskPower applied for a further seven per cent increase to come into effect August 1, 2010.

RECOMMENDATION:

Include consideration of the impact of utility rate increases on the economy and industry competitiveness in future Saskatchewan Rate Review Panel mandates, and in the absence of this mandate, that Cabinet consider the impact of rate increases on the economy and industry.

RESPONSE:

Government added the following to the Saskatchewan Rate Review Panel's Terms of Reference for the SaskPower Rate Change Proposal: "consider the effect of the proposed rate change on the competitiveness of the Crown Corporation relative to other jurisdictions." The ES Board had the opportunity to discuss their recommendation with the SRRP at the April 2010 ES Board meeting.

The ES Board noted that the SRRP's 2009 report indicated a trend of year-over-year increases in SaskPower's operations, maintenance and administration expenses, reflecting a rising proportion of employees to the number of customers. The Board agreed with the panel's conclusion in 2009 that this tendency warranted tangible measures to ensure optimal productivity and efficiency.

RECOMMENDATION:

Initiate an efficiency and effectiveness review of all Crown corporations.

RESPONSE:

Crown Investments Corporation (CIC) presented to the ES Board, indicating that most major Crowns currently have ongoing productivity reviews. SaskPower has stated in its 2010 rate application that it will be undertaking an efficiency and effectiveness review in 2010 with external resources.



Sector Teams and Strategic Issues Councils

The Board received presentations and recommendations from many of the sector teams and strategic issues councils over the last year. The Board considered the recommendations and advanced the following recommendations to Cabinet.



Energy Sector

Saskatchewan has abundant energy resources in the form of oil, natural gas, coal, oil sands, oil shale, uranium, water and wind. The province produces 28 per cent of all Canadian energy, second only to Alberta. Saskatchewan is the second largest oil producer in Canada, accounting for 17 per cent of total Canadian oil production. Saskatchewan is the third largest natural gas producer in Canada.

A significant increase in production over the past several years is influenced by advances in technology and continuing strong exploration activity. It is also because Saskatchewan has signalled to the industry that it will not change its royalty structures arbitrarily. The Energy Sector Team highlighted that resource corporations with assets in excess of \$100 million must pay a Corporation Capital Tax (CCT) Resource Surcharge equal to three per cent of the value of

Saskatchewan resource sales, which is not payable in other jurisdictions. The Board agreed that elimination of this tax would increase the competitiveness of the energy sector in the province.

RECOMMENDATION:

Phase out the CCT Resource Surcharge in order that Saskatchewan remain competitive and to harmonize with other jurisdictions, and as an extension of the previous decision to eliminate the general CCT.

RESPONSE:

The Ministry of Energy and Resources and ES are continuing to monitor the competitiveness of the energy sector's total taxes and royalties in light of changes in Alberta. This recommendation is being held for reconsideration when the province's fiscal situation improves.

In keeping with the theme of maintaining competitiveness, the Energy Sector Team expressed support for expediting negotiations with other western provinces in the areas of labour, transportation and trade. In response, the governments of Saskatchewan and Alberta have begun discussions on harmonization of highways regulations, and progress has been made in that area. Discussions around labour certification are also underway.

The Board recognizes the difficulties experienced by the energy sector caused by restrictions for transporting overweight and/or oversize equipment on Sundays in Saskatchewan. Regulations are different in Alberta, thereby creating additional issues for energy companies that operate in both provinces.

► **RECOMMENDATION:**

Provide companies permits to move drilling rigs on Sundays.

► **RESPONSE:**

The governments of Saskatchewan and Alberta are working on increased harmonization of transportation regulation including regulations for over-sized vehicles. Under the NWP, changes to regulations will facilitate the movement of over-sized vehicles such as oil rigs on Sundays.

The ES Board agreed with the Energy Sector Team that a helicopter rescue program could provide better emergency services to the workers who operate in remote locations.

► **RECOMMENDATION:**

Accelerate a helicopter rescue program in partnership with the private sector that builds on existing infrastructures within communities and enhances the existing emergency response sector in rural and remote areas.

► **RESPONSE:**

Although the government committed to a helicopter rescue program in 2007, current fiscal realities have delayed possible implementation. The program will continue to be evaluated in the future as the economic recovery continues in Saskatchewan.

The way that municipal taxes and fees are applied varies from municipality to municipality. Industry perceives that the application of taxes and fees is inequitable and excessive in some cases. The ES Board agreed that a high-level task force was warranted to further investigate these issues and to make recommendations for fair and transparent policies.

► **RECOMMENDATION:**

Initiate a high-level task force, with Saskatchewan Urban Municipalities Association (SUMA), Saskatchewan Association of Rural Municipalities (SARM) and multiple stakeholders to identify issues and develop recommendations for taxation policies and fees that would ensure that Saskatchewan municipalities have fair, transparent and equitable mechanisms for industry and those affected by resource industry development.

► **RESPONSE:**

Government intends to establish an inter-agency task force with the purpose of reporting to the ES Board.

The Energy Sector Team advised that the current compensation levels paid by the Ministry of Agriculture to surface leaseholders of Crown land for the energy industry's access to that land is relatively low and may result in leaseholders hindering access. In Alberta, compensation can be directly negotiated between industry and leaseholders. The Board indicated that it needed further information before it could make a recommendation to change the current compensation structure.

► **RECOMMENDATION:**

Request the Ministry of Agriculture to prepare a more-detailed analysis of incentives for surface leaseholders on Crown land to present to the Board within three months.

► **RESPONSE:**

Agriculture prepared a detailed analysis and met with sector team members to discuss the issue. A survey will be circulated to obtain wider industry perspective of the issue.



Forestry Sector

Saskatchewan's forestry sector has traditionally focused on commodity wood products such as lumber, pulp and paper, and oriented strandboard. The forestry sector has been an important economic force in northern Saskatchewan, generating employment and business opportunities for many First Nations and Métis people.

More recently, international market forces pushed the forestry sector into an economic crisis, with primary forestry and logging's real GDP decreasing from \$39 million in 2004 to \$10.3 million in 2009. The impact of growing competition from emerging countries that have lower operating costs is compounded by the higher value of the Canadian dollar, the Canada-U.S. Softwood Lumber Agreement, as well as the slowdown in the U.S. housing market, which only recently has started to rebound.

The Forestry Sector Team examined opportunities to reduce costs and increase efficiencies that will help companies weather the economic downturn. At the same time, any government actions to provide targeted assistance must consider implications of potential retaliation by Americans citing the Softwood Lumber Agreement, cost and fairness for other sectors.

The Forestry Sector Team identified Highway 903 in northwest Saskatchewan as a strategic corridor for the industry that requires an upgrade. The ES Board agreed with the sector team that road conditions have a big impact on the industry's ability to transport goods in a cost-efficient way.

► **RECOMMENDATION:**

Include Highway 903 as strategic highway infrastructure for the province's northwest, and accelerate the upgrade for completion by October 2011, subject to further cost analysis.

► **RESPONSE:**

Government is consulting with northern communities and businesses to determine the best route for northern highway upgrades.

The Minerals and Energy sector teams supported the Forestry Sector Team in a recommendation to eliminate the fuel tax for stationary equipment and off-road vehicles for all resource sectors. These vehicles do not utilize the transportation network that the fuel tax is targeted to support. The ES Board supported further review towards eliminating this tax.

► **RECOMMENDATION:**

Eliminate fuel tax for all resource sectors using stationary equipment and off-road vehicles, subject to further information and expertise obtained from the ministries of Finance and Energy and Resources, regarding the financial impacts and Western Canada jurisdictional and sectoral comparisons.

RESPONSE:

The province currently has a fuel tax rebate for mineral exploration, and the Forest Sector Team recommended a resource-wide fuel rebate on off-road activities. Amendments to the fuel tax regulations were considered as part of the 2010-2011 Provincial Budget but was not approved due to fiscal constraint. This recommendation will be reconsidered when the fiscal position of the province improves.



Minerals Sector

The minerals sector is comprised of three inter-related components: mineral exploration, mining and value-added activities related to minerals. Mining is one of Saskatchewan's most important industries, and major investments are being planned in potash, uranium, diamonds, gold, rare earth elements, and coal. In 2008, Saskatchewan was Canada's second largest mineral-producing jurisdiction, with production valued at over \$8.6 billion, accounting for over 18.3 per cent of Canada's total output. Saskatchewan produces about 30 per cent of world potash and 21 per cent of world uranium.

The sector has encountered difficulties in raising exploration funding and acquiring skilled labour, as well as addressing issues relevant to First Nations and Métis people.

The Minerals Sector Team identified a need to develop an overall minerals sector marketing strategy. In addition, the team recommended that measures be taken to address minerals sector labour market shortages and the overall public awareness of the industry.

"Saskatchewan has the best operating and fiscal environment in North America right now."

Anthony Marino
Member, Energy Sector Team
President & CEO
Baytex Energy Trust

RECOMMENDATION:

Review current minerals sector promotional activities and bring back a recommendation to the ES Board in three months on an overall strategy, including a discussion on whether the sector would benefit from enhanced collaboration among the stakeholders and whether an augmented budget is warranted.

RESPONSE:

The marketing efforts of the Ministry of Energy and Resources (ER) and ES on mining are targeted at investment attraction and focus on trade show promotion nationally and internationally, as well as support for government investment missions overseas. These investment attraction efforts have been very successful, and as a result of this increased level, there are new pressures on the marketing budgets of both ER and ES. Government will continue to support mineral sector promotional campaigns through co-operation with the industry associations.

► **RECOMMENDATION:**

In collaboration with industry and ministries, lead the development of a plan to address minerals sector labour shortages. This plan should lay out the actions and resources needed to fill the labour shortage gap and could include initiatives such as training, immigration programming, Aboriginal peoples skill development, mobile training units, etc. ES should return to the Board with a recommended course of action within three months.

► **RESPONSE:**

As a result of the ES Board recommendation, the Ministry of Advanced Education, Employment and Labour has developed a strategy for the minerals sector in collaboration with the Saskatchewan Minerals Association Human Resource Council. The Minerals Sector Team feels that their labour issues are being addressed.



Information Technology Sector

Saskatchewan's information technology (IT) sector is estimated to have approximately 330 firms and gross revenues of approximately \$2.5 billion. The IT Sector Team supported a submission to the Canada-Saskatchewan Western Economic Partnership Agreement (WEPA) to develop a new "State of the Industry" report and a strategic plan. ES and Western Economic Diversification approved funding through WEPA, and work is underway to update a report on the size, composition and scope of the advanced technology sector, further articulate issues and develop

a plan to grow the sector. The sector team identified an opportunity for ES to work with stakeholders to enhance Public-Private Partnerships (P3s) to support economic growth and innovation in the province. The team also identified an opportunity to implement best practices in procurement policies and practices in consultation with government, Crowns and agencies to increase growth in the IT sector.

► **RECOMMENDATION:**

Work with private sector companies, ministries, Crowns and agencies to identify areas where the private sector can be engaged in P3s or where private sector delivery of services can be of benefit to the government while supporting economic growth and innovation in the province; and complete a report to the Board of Directors giving recommendations on specific P3s or direct delivery opportunities to be provided to Cabinet for implementation, and that the report be completed by the end of the current fiscal year.

► **RESPONSE:**

ES has worked with a consortium of five organizations in Regina (three government and two private sector) on a project to build a large-scale data centre for primary and disaster recovery in or near Regina. A Request for Proposal (RFP) was sent out by the consortium. Should the project go ahead, the five consortium members would be anchor tenants for the data centre, with another five potential members identified with similar needs.

Taking the work of the IT Sector Team, and placing it in light of the NWP, the ES Board recommended that the opportunities arising from the larger Western Canada market should be explored.

RECOMMENDATION:

Working with Saskatchewan Intergovernmental Affairs, Saskatchewan Trade and Export Partnership (STEP), various business organizations and the Enterprise Regions, develop a program whereby Saskatchewan businesses are made aware of opportunities in markets opened up by the NWP; and prepare an annual report for the ES Board on progress made by government agencies in ensuring that smaller firms have an opportunity to understand the procurement needs of government.

RESPONSE:

Government and STEP are working together to ensure that all businesses and not just STEP members are aware of opportunities. STEP has completed a guide to doing business with other provinces.

obtaining financing due to the high-risk nature of the business. Salaries and costs have increased dramatically in recent years, creating pressures for small companies. Taxes on corporations are still viewed as being uncompetitive by potential investors.

RECOMMENDATION:

Provide funding to a lead co-ordinating agency to support commercialization in the life sciences value-added industry in Saskatchewan.

RESPONSE:

Innovation Saskatchewan will become the leading co-ordinating agency to focus on and support commercialization of new technologies.



Life Sciences Sector

Life sciences deals with the study of living things: microbes, plants, animals and humans. Saskatchewan is home to a vibrant and growing life sciences cluster. It is one of the fastest emerging fields of science-based knowledge and opportunity. Saskatchewan has extensive agricultural strengths, and the research capabilities in the province are world-class. The province accounts for 10 per cent of Canada's life sciences companies, and the sector continues to produce new companies and employment. The life sciences industry experiences challenges in terms of

Biofuels and Bio-Products Sector

Saskatchewan represents one of Canada's largest renewable bio-resource bases and has extensive research and technological support for bio-industries. Saskatchewan is home to five grain-based ethanol plants with an annual capacity of some 342 million litres and a biodiesel plant with an annual capacity of approximately 10 million litres. Saskatchewan is positioned to play a leading role in biofuels and bio-products sector development because of its resources and research strengths.

The biofuels and bio-products industry faces challenges in terms of market access, high cost of biofuels relative to traditional energy sources, and competition from low-cost producers in developing countries.

The ES Board supported the Biofuels and Bio-Products Sector Team's recommendation that the Government of Saskatchewan implement a renewable diesel standard mandate and provide a blender's tax credit.

RECOMMENDATION:

Beginning in 2010, the Government of Saskatchewan should:

- i) implement a renewable diesel standard mandate starting at B2 (2 per cent biodiesel volume inclusion rate) and moving towards B5 as Saskatchewan production develops; and*
- ii) provide a blender's tax credit of 15 cents per litre for blendstock fuel produced and sold in Saskatchewan.*

RESPONSE:

Financial constraints have meant that implementation of this recommendation has been deferred. Government continues to consider options for implementation of the recommendation.



Agri-Value Sector

The agri-value sector encompasses those activities and initiatives that enhance the value of agricultural commodities through secondary processing and/or manufacturing. Saskatchewan's agri-value industry is comparatively small and fragmented, with most of the activity occurring in the meat processing, flour and baking, dairy products, and food ingredient segments.

The agri-value sector has global market challenges in terms of competition, technology use, trade barriers, distance to large markets, and consolidation of the food industry outside of Saskatchewan. The sector also has identified issues with regulatory delays as an impediment to commercialization. Labour market shortages and changing workplace demographics for small and medium-sized companies continue to be issues in the sector.

The Agri-Value Sector Team identified an opportunity to enhance promotion of Saskatchewan-made products to increase consumption and sales.

RECOMMENDATION:

Develop and fund the SaskMade marketing program with the objective the program would increase the sale and consumption of Saskatchewan food products; and that the work be done within the budgets of the Ministry of Agriculture and existing stakeholders.

RESPONSE:

The Ministry of Agriculture continues to support a more targeted approach to marketing, such as the Saskatchewan Agri-Value Initiative (SAVI) program, where individual companies can access cost-shared funds to support their marketing initiatives.



Transportation and Logistics Sector

Transportation and logistics is an industry in its own right, but also impacts growth of other sectors. The transportation and logistics sector continues to change as world markets begin to rebound. Saskatchewan's international airports are seeing record growth in passenger volumes.

The transportation sector is experiencing ongoing labour shortages and reduced profit margins. Increased regulations for crossing the United States border and inconsistent regulations across provinces are also causing difficulties for trucking companies. Emission standards and few primary weight roads in Saskatchewan have also contributed to challenges in this sector.

The Transportation and Logistics Sector Team recommended a more integrated five-year transportation plan including accountability standards for measurable milestones and corrective actions.

"The New West Partnership is just another step in aligning Saskatchewan's trucking industry with Alberta and British Columbia. There are a number of regulations which will be streamlined including the most recent announcement of changes to weight limits. This change will not only improve efficiencies for shippers in the transportation industry but this will also have significant improvements for payload capacity which directly impacts the transportation company on the bottom line."

Steven Balzer, Board Member,
Saskatchewan Trucking Association

RECOMMENDATION:

Optimize the current five-year transportation plan by more fully integrating the various modes of transportation to capture future economic growth opportunity. This should include introducing a requirement for accountability methods for measurable annual milestones and corrective actions.

RESPONSE:

The Ministry of Highways and Infrastructure develops and publishes a rolling five-year capital plan and an annual strategy and action plan that incorporates all modes of transportation with key actions and performance measures. In June 2009, the ministry established a Northern Transportation Advisory Committee with industry and community leaders mandated to develop a comprehensive Northern Transportation Strategy. Government has developed a comprehensive transportation plan.



Entrepreneurship Council

The Entrepreneurship Council was formed to identify actions that reduce or remove barriers to growth for new and established Saskatchewan entrepreneurs. The council also plays a role in laying out a strategic course that will raise the profile of entrepreneurship and strengthen the province's entrepreneurial spirit.

Innovative approaches to products, markets or organizations flow from a strong culture of entrepreneurship. The importance of entrepreneurship is underscored by the fact that in 2009, 139,000 or 32 per cent of Saskatchewan's paid employees worked in small business. Small businesses, including the self-employed, account for more than 30 per cent of the province's GDP.

The council is developing an entrepreneurship strategy focusing on five pillars of support:

- Access to Financing
- Mentorship
- Entrepreneurial Education
- Access to Information
- Competitiveness

The Entrepreneurship Council has made several recommendations that support priorities identified within the broader Entrepreneurship Strategy. The council recognized the difficulty entrepreneurs have in raising capital, including for operating expenses, especially against the backdrop of the credit crunch, and recommended that the Small Business Loans Association (SBLA) program be enhanced to increase availability of financing for entrepreneurs. The SBLA program has been very beneficial to small businesses, especially in rural areas.

RECOMMENDATION:

Increase the SBLA loan limit from \$15,000 to \$20,000 with no change in lending criteria, and eliminate the SBLA cap of \$250,000.

RESPONSE:

Although government recognizes the positive impact of the SBLA program, loan limits were not increased in the 2010-11 Budget due to financial constraints. The SBLA program will be considered again as part of the 2011-12 Budget process.

"Saskatchewan is home to a wealth of entrepreneurial wisdom and strength. Council members connect with entrepreneurs in the province and ask them what they need to create and innovate. In some cases, Council members have stepped up to the plate and taken on an initiative themselves. The Entrepreneurship Council gave us the opportunity to put our collective passion to work."

*Monica Kreuger,
Chair, Entrepreneurship Council
Owner, Global Infobrokers*

The council acknowledged the important role of mentors in helping entrepreneurs reach their potential. However, mentorship opportunities are limited in many areas by Saskatchewan's geographic realities. By creating a virtual mentorship tool, entrepreneurs from all over the province will be better able to connect with mentors and gain perspective and advice that may not be available in their home community.

► **RECOMMENDATION:**

Support the development of a Virtual Mentorship Tool.

► **RESPONSE:**

ES commissioned an independent study to examine the cost and feasibility of a Virtual Mentorship Tool. The study recommended that the project go ahead, and ES is currently in the process of identifying resources and partners to bring this about.

Early exposure to entrepreneurship as a career option is viewed as a key to strengthening the entrepreneurial culture in Saskatchewan. The Commercialization and Research and Development Services Sector Team, the Youth Economic Engagement Council and the Entrepreneurship Council – strongly supported by the ES Board – jointly supported a recommendation to improve entrepreneurship education in the primary and secondary school system.

► **RECOMMENDATION:**

Return in six months to the ES Board with options for implementing an aggressive entrepreneurial education component in the core curriculum.

► **RESPONSE:**

ES and the Ministry of Education met with the Canadian Foundation for Economic Education (CFEE) to discuss options for infusing entrepreneurship skills in the existing curriculum. The CFEE offers a set of materials called Building Futures that are available at no cost. Work will be done to assess these materials and determine whether they address the needs identified by the issues councils.



Youth Economic Engagement

The Youth Economic Engagement Council (YEEC) is composed of nine members who represent various regions of the province, as well as Aboriginal perspectives, and viewpoints from a wide variety of occupations. The YEEC's focus is on identifying actions that will increase youth participation in the workforce, help to retain young people in the province, and increase the rate of youth immigration to Saskatchewan. The YEEC has identified four priority areas of activity:

- Youth Entrepreneurship
- Workforce Development
- Education
- Youth Leadership Development

A youth entrepreneurship awareness marketing campaign was recommended to generate greater enthusiasm among young people for careers as entrepreneurs.

► **RECOMMENDATION:**

Provide support for advertising and promotional activities to raise awareness of successful young entrepreneurs and generate greater enthusiasm for entrepreneurship among Saskatchewan youth.

► **RESPONSE:**

A working group was formed to design an entrepreneurship awareness campaign. Work is underway to develop a marketing template. The campaign will be a three-year project, be mainly online, and will direct viewers to a central website for additional information/services, including video profiles of entrepreneurs.

Young professionals organizations across the province will help to strengthen young people's connection to their communities, increase youth retention, and aid the development of valuable networks for professional growth.

► **RECOMMENDATION:**

Support the building of a provincial network of young professionals and entrepreneurs through a partnership with Saskatchewan Young Professionals and Entrepreneurs (SYPE). It is further recommended that the ES Regional Office staff be utilized to establish young professional networks in their respective regions. Support would be provided in-kind, with potential financial support if budgets allow.

► **RESPONSE:**

Regional Enterprise staff have been assigned to work on expanding SYPE in their respective areas. SYPE chapters are now incorporated in Saskatoon, Regina, Estevan/Weyburn, Prince Albert, North Battleford and Moose Jaw. Swift Current is in the process of identifying local leaders for the project. Yorkton has established a steering committee and will be meeting with SYPE in June to discuss incorporation.

"Encouraging an entrepreneurial spirit among Saskatchewan young people has been a priority for the Enterprise Saskatchewan Youth Economic Engagement Council. We have made progress, and look forward to future work that will ensure Saskatchewan youth are more engaged in all facets of our economy."

Ryan Thompson,
Member, Youth Economic Engagement Council
Manager, Border Line Feeders

Regulatory Modernization Council

The Regulatory Modernization Council (RMC) was established to guide and direct regulatory reform and related business service priorities that will make it easier for businesses to do business and interact with government. The RMC provides advice regarding proposed regulatory and service programs and policies and assists the Board in monitoring progress towards meeting regulatory and service enhancement goals.

The RMC presented a proposal to the ES Board to quickly take steps to advance one-stop registration services. Several other provinces have partnered with the federal government to make it easier for businesses to complete their online registrations with both levels of government through one website.

► **RECOMMENDATION:**

Co-ordinate the efforts of the provincial government and lead the development of an online one-stop business registration and approvals system utilizing the federal business number, and steps to make immediate progress and improvements to advance one-stop registration services.

RESPONSE:

In collaboration with the ministries of Justice, Finance, the Information Technology Office and Information Services Corporation (ISC), ES led the development of a business case that was completed by EDS in June 2009. In March 2010, ISC announced that it is developing an online portal to provide more convenient and cost-effective delivery of services to business. The first phase of the project, the online business registry, will be implemented in early 2011 and will allow registrations with the Corporations Branch, the Workers' Compensation Board, and the Ministry of Finance (Provincial Sales Tax).

The RMC also advanced a regulatory issue identified by mechanical and electrical contractors who have expressed frustration with the inefficiencies of dealing with several government ministries and agencies for permits and inspections.

RECOMMENDATION:

Create a centralized regulatory and inspection agency for mechanical and electrical contractors, with the intent of pursuing a model for all affected industries and regulators as a subsequent phase-in.

RESPONSE:

Effective July 1, 2010, boiler and pressure vessel, elevator and amusement ride licensing and inspection services will move from executive government to a delegated administrative agency, while legislative and regulatory authority will remain with the Ministry of Corrections, Public Safety and Policing (CPSP). This move will allow these services to be provided in a more flexible manner, adapting to industry demand for licensing and inspection services and increasing public safety. ES contracted a consultant to complete a review

of other public safety agencies in Canada, to consult with government agencies responsible for electrical, gas and plumbing permitting and inspections, and with industry, and to make recommendations for next steps. The report has recommended that the new agency be expanded to include electrical, gas and plumbing.

RECOMMENDATION:

Work with municipalities to reduce impediments caused by transportation weight limit variations and various hauling permits and fees among municipalities; and complete a study on the issue by March 31, 2010.

RESPONSE:

ES established a steering committee with the ministries of Municipal Affairs and Highways and Infrastructure, as well as SUMA and SARM to undertake a study to identify issues and provide recommendations. Government will review the recommendations, assess projected costs and benefits, and identify next steps. An inter-agency steering committee has been formed to begin consulting with affected stakeholders.

For more information about Enterprise Saskatchewan Sector Teams and Strategic Issues Councils visit www.enterprisesask.ca



Progress on Previous RMC Recommendations

Progress has been made on some of the earlier recommendations made by the RMC. For instance, the Ministry of Finance released The Taxpayer Service Commitments and Standards Code. This code has been applauded by the business community as an important step in enhancing service. ES will work with other ministries to adopt service standards.

The Ministry of Environment has reported on consultations with business, industry, communities, First Nations and select non-government organizations around its proposal for Results Based Regulations. The proposal has been endorsed by the regulated community, environmental groups (with some caveats) and government. Implementation is currently underway and will require approximately two years. Enhanced environmental protection and regulatory effectiveness are expected to result from this decision.

ES has been working with other ministries to develop a one-stop website for public and stakeholder consultations on regulatory proposals. The “Your Voice – Saskatchewan Regulations” website is almost complete, and regulators have been trained on how to use it. A public launch is expected when the site is fully operational. RMC members participated in a two-day Regulatory Modernization Conference and workshop on October 21 and 22, 2009. ES organized the event to increase regulators’ understanding of the unintended impacts of inefficient regulations and to increase expertise on regulatory best practices. The conference provided more than 150 participants with practical tools, knowledge and best-practice examples of regulatory reform and service improvement opportunities. The keynote speaker was Dr. Malcolm Sparrow, a professor at Harvard’s John F. Kennedy School of Government, and world-renowned speaker on risk management and regulatory best practices.



Looking Ahead

Although there is still uncertainty arising from the after effects of the world financial crisis, Saskatchewan is expected to return to solid growth in the foreseeable future. Over the next year, the ES Board will contribute towards a longer range vision of economic growth and lead the development of a more focused economic strategy. The Board will continue to recommend policies to spur economic growth and address challenges in areas such as infrastructure, labour supply, regulatory modernization, tax competitiveness, water strategy, and entrepreneurship. The Board will strive to play a more active role in ensuring the continuing progress of Saskatchewan's economy.

The ES Board is reviewing its communications and will work with staff to develop a plan for more timely and effective communication with our stakeholders. We are committed to not only hearing from our stakeholders, but also to effectively communicating back.

The Board believes it is important to enhance communications with the Enterprise Regions. Enterprise Regions will be continue to be invited to each Board meeting to present its successes and challenges, and to identify where we can work together more collaboratively.

The Board has listened to our stakeholders who have said there are issues with the number of Sector Teams and have identified a potential benefit from consolidating related teams with similar challenges. The Board expects to meet with all sector teams and issues councils over the coming year.

The ES Board applauds government's efforts to focus on its core business and reduce the footprint of government over the next four years. ES also will look to streamlining its own operations to ensure that its focus remains on growing the economy in the most sustainable fashion.

Enterprise Saskatchewan Board Members (As at Mar 31/10)



The Honourable Ken Cheveldayoff
CHAIR – GOVERNMENT NOMINEE

Minister of Enterprise, Minister Responsible for Trade, and Minister Responsible for SaskEnergy. Minister Cheveldayoff was elected in 2003 as the MLA for Saskatoon Silver Springs, and worked as a senior business advisor, helping individual businesses and industries to grow and expand. Mr. Cheveldayoff attended Carleton University in Ottawa, the University of Saskatchewan and Newport University in Southern California, receiving a B.A. (Honours) in Economics and Political Science in 1988 and a Master of Business Administration in 1996.



Gavin Semple
VICE CHAIR – BUSINESS NOMINEE

Owner and President of Brandt Group of Companies, the largest privately held company in Saskatchewan, employing 1,250 people across Canada. Mr. Semple has served on several boards and also actively supports community organizations such as Evraz Place and Luther College. In 2009, Mr. Semple became the first ever Saskatchewan citizen to be appointed to the Canadian Manufacturers Hall of Fame.



The Honourable June Draude
MEMBER OF THE EXECUTIVE COUNCIL

Minister Responsible for Crown Investments Corporation, Information Technology Office, Information Services Corporation, Saskatchewan Government Insurance, and Public Service Commission. Minister Draude was first elected as the MLA for Kelvington-Wadena in 1995. She has operated a mixed-farming corporation and a playground manufacturing business. She was also instrumental in the startup of a bed and breakfast.



Myrna Bentley
CO-OPERATIVES SECTOR NOMINEE

President and CEO of Concentra Financial Services Inc. She has worked in the co-operative financial system for over 30 years, holding a variety of senior executive positions. Ms. Bentley is an active community volunteer and served on many non-profit boards, winning many awards and recognition for her leadership.



Karen Chad
POST-SECONDARY NOMINEE

Vice-President Research at the University of Saskatchewan (U of S). She is also a faculty member in the U of S College of Kinesiology. With a PhD from the University of Queensland in Australia, Dr. Chad is a prolific researcher and has supervised numerous graduate students. Dr. Chad sits on a number of national boards and has chaired or overseen more than 100 key boards, committees, research programs, and teams.



Bill Cooper
AGRICULTURAL PRODUCERS NOMINEE

Farmer in the Foam Lake area since 1951, and has taught numerous agriculture courses at the University of Saskatchewan. Mr. Cooper has served on several agriculture boards, committees and think tanks, and is an advocate for market-driven solutions to agriculture.



Michael Fougere
URBAN MUNICIPALITY NOMINEE

President of the Saskatchewan Construction Association. Mr. Fougere is currently sitting for his fifth term on Regina City Council and serves on many committees. He previously worked with the provincial government in the area of investment attraction, business development and business immigration.



Craig Lothian
RESOURCE SECTOR NOMINEE

President and CEO of two energy-based companies: Keystone Royalty Corp. and Villanova Energy Corp. Mr. Lothian has over 15 years experience in the oil and gas sector. He has served on several corporate and community boards. He was previously a partner in a Regina law firm. Mr. Lothian is also active in the venture capital sector through Lex Capital Corp.



David Marit
RURAL MUNICIPALITY NOMINEE

President of the Saskatchewan Association of Rural Municipalities (SARM). Mr. Marit has farmed in the Fife Lake area for over 35 years. He has represented SARM on several councils and committees including the Action Committee on the Rural Economy, Agrivison, and Clearing the Path, a process to identify and remove municipal impediments to economic development.



Gary Merasty
ABORIGINAL NOMINEE

Vice President of Corporate Social Responsibility for Cameco Corp. Mr. Merasty has served as Grand Chief of the Prince Albert Grand Council and as a Member of Parliament. Mr. Merasty has experience in governance, policy development and business, in both the Aboriginal and private sectors.



Hugh Wagner
LABOUR NOMINEE

General Secretary of the Grain Services Union. Mr. Wagner has served on a variety of committees, consultative bodies and labour movement forums, including the Saskatchewan Labour Market Commission. Mr. Wagner has worked in the service sector, the construction industry and the Saskatchewan civil service.

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