

Saskatchewan rides commodities boom

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Even the coldest winter in years cannot suppress a heady mood in the Canadian prairie province of Saskatchewan.

For the first time in 18 years, the Roughriders, football team of the province's capital Regina, won the Canadian Football League's Grey Cup.

A commodities-fuelled boom is also lifting spirits in the new year. Though often described as Canada's bread basket, Saskatchewan is the world's biggest producer of uranium and potash (a key fertiliser ingredient), and a growing source of oil.

Today, farming contributes less than oil and gas to Saskatchewan's economy.

The Conference Board of Canada expects the province's economy to have grown by 4.3 per cent in 2007, and predicts continued, if slower, growth for this year.

Saskatchewan has joined Ontario, Alberta and British Columbia as so-called "have" provinces, no longer qualifying for budget subsidies - known as equalisation payments - from the federal treasury.

A decades-long population exodus has reversed, with housing markets in Regina and Saskatoon, the commercial centre, among Canada's hottest this year.

The investment surge has softened Saskatchewan's traditional image as a hotbed of prairie populism.

The province's government still controls the main telephone company, power utility, natural gas supplier and car insurer. But the centre of political gravity shifted to the right in November with the election of the business-friendly Saskatchewan party, ending 16 years of rule by the pragmatically left-of-centre New Democrats.

The new government under premier Brad Wall insists that change will come fast. One early initiative is likely to be a requirement for secret ballots in trade-union ratification votes.

The business community has high hopes for the new government. Paul Hill, a prominent Regina businessman, predicts that "they're going to move in a direction to make Saskatchewan more competitive than any province in the country".

In the 15 years to 2004, the government did not issue a single potash exploration permit. But since then, the area under lease has rocketed from 250,000 to 3m hectares, about the size of Belgium. Newcomers include BHP Billiton, the Anglo-Australian metals giant.

Two sizeable mining projects have been unveiled in recent weeks. Potash Corporation, the biggest potash producer, plans to build a \$1.8bn mine. Areva, the French nuclear group, and a local partner have

given the go-ahead for a \$400m uranium mine. Spending on diamond exploration is expected to reach a record \$90m this year.

The rising oil price has also spurred interest in bitumen-like oil sands in the north-west of the province.

The oil sands deposits are part of the same geological formation as those in neighbouring Alberta. But they are thinner and deeper, making them unsuitable for mining. Instead, the bitumen will have to be recovered by the more costly "in situ" method of injecting steam into wells. The energy and resources department estimates that about 300 oil and gas companies are active in the province.

Energy companies have paid a record C\$250m (US\$250.5m, £126m, €172m) for oil and gas drilling rights on Crown land this year.

"We're not your father's Saskatchewan", says Jim Marshall, chief economist at the Saskatchewan Institute of Public Policy. "It's a different place, and that's not well known."

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