



Saskatchewan – an evolving province

By definition, evolution is the change in the inherited traits of a population of organisms through successive generations. After a population splits into smaller groups, these groups evolve independently and may eventually diversify into new species, usually stronger than the last. The people of Saskatchewan have, of course, always been considered very educated, but there was another influence stopping the province's growth in the last 50 years. That something, according to the people of Saskatchewan, was socialism.

The topic of socialism was much talked about at the recent Cambridge House International Investment Conference in Saskatoon, Saskatchewan. Tom MacNeill, President and CEO of 49 North Resources Inc. [FNR-TSXV], gave a compelling speech early in the conference and also made mention of the fact that socialism may have been the culprit stunting Saskatchewan's growth in the last 50 years. 49 North is Saskatchewan's first publicly traded resource investment company, which provides diversified exposure to oil and gas, potash, uranium, diamonds, coal, base and precious metals, and rare earth elements.

We wrote about the prospects of investing in Saskatchewan in early 2008. *Saskatchewan – Well Positioned to Withstand Any Potential Downturn in the US* read the title of that earlier article. Although we expected some weakness in the US economy in the months following, few could fathom the magnitude of destruction in the capital markets that was coming. Regardless, Saskatchewan charged ahead.

In the last several years, many new resource discoveries in the province have been made, as well as multiple buyouts in both the private and public capital markets. Athabasca Potash, for example, was recently sold to BHP Billiton [BHP-NYSE]

for \$350 million. Saskatchewan today supplies one-quarter of the world's uranium, is the second largest oil producing province (and may surpass Alberta at some point), is the third largest natural gas producing province, the third largest coal producing province, and has several other accolades to its credit as well.

The province is also home to the world's largest diamond exploration project (**Shore Gold Inc.** [SGF-TSX]) and has the largest rare earth elements find in North America as well (**Great Western Minerals Group Ltd.** [GWG-TSXV]).

These are just a few points on a province that boasted above average employment growth in 2009 of 1.5%, compared to the national average of -1.6%. Saskatchewan is also expected to lead the country with an economic growth rate of 2.9% in 2010.

Although Saskatchewan has made some positive moves to attract investment in the last few years, it was a long road to get where they are today. Let's take a look at the last 50 years or so in Saskatchewan.

The Honourable W. Ross Thatcher, premier of Saskatchewan at the time, addressed the Edison Electric Institute in San Francisco on June 8, 1966. He stated, "Saskatchewan, for 20 years, from 1944 to 1964, had a Socialist government – about the only one in North America, except Castro's in Cuba. In 1944, the Socialists said they would solve the unemployment problem by building government factories. They promised to use the profits to build highways, schools, hospitals and to finance better social welfare measures generally. Over the years they set up 22 so-called Crown corporations. We wish that time permitted us to tell you of the fiasco that followed.

"By the time we had taken over the government, 24 months ago, 12 of the Crown corporations had gone bankrupt

or been disposed of. Others were kept operating by repeated and substantial government grants. During the whole period the Socialists waged war against private business. The making of profits was condemned as an unforgivable sin. What was the result? Investors simply turned their backs on the Socialists. Dozens of oil companies pulled up stakes and moved out. Gas exploration ground to a complete halt. Prospecting – in our vast north became almost non-existent... Twenty years ago the Socialists promised to make Saskatchewan a Mecca for the working man. Instead, we saw the greatest mass exodus of people out of an area since Moses led the Jews out of Egypt. Since the war, 270,000 of our citizens left Saskatchewan to find employment elsewhere."

Thatcher was a liberal and the people of Saskatchewan elected him in 1964, throwing the socialists out. They re-elected him in 1967, and he served until June 1971. Unfortunately, his task was a tough one, the damage was done and the 36 years after Thatcher presented a flip-flop of leaders from the New Democratic Party (NDP), the former CCF socialist democratic party of the mid century, and Progressive Conservative Party. Saskatchewan missed out on a key part of the wealth creation cycle making it a "have-not" province for many, many years. While the province was creating Crown corporations and losing money, provinces like Alberta were creating industry, attractive investment policies, and wealth for its people.

Saskatchewan's population in 1981 was 968,313. Not so coincidentally, the population in 2006 was 968,157 – almost identical! As of January 1, 2010, the province's population was 1,038,018 people. This represents an increase of almost 70,000 people (over 7.2%) from 2006.

This is 70,000 more people contributing to the growth and wealth of Saskatchewan. Something seems to be working.

In 2007, the people of Saskatchewan elected Premier Brad Wall from the Saskatchewan Party, a party which is situated on the centre-right of the political spectrum. The party was established in 1997 by a coalition of former Progressive Conservative and Liberal party members and supporters who sought to remove the Saskatchewan New Democrat Party from power.

With a government focused on attracting local and foreign investment, and policies to stimulate growth in the province, we believe the time to invest in Saskatchewan is now. The royalty structures are sensible and money has been pouring into the province. Mineral exploration has grown from \$30 million to \$0.5 billion since 2004.

Although Saskatchewan's growth may

have been impeded for decades due to poor government policies in the province, we believe yesterday's problems are today's opportunities. ■

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