

The Progressive Economics Forum » Sask Party Shills for PotashCorp

<http://www.progressive-economics.ca/2011/10/28/potash-shill/>

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Yesterday's strong [earnings report](#) from the Potash Corporation of Saskatchewan confirms what [this blog](#) and [the NDP](#) have been contending: even modestly increasing Saskatchewan's extremely low royalties on hugely profitable potash mines could fund substantially better provincial public services.

The Saskatchewan Party still [refuses](#) to review potash royalties. In a [well-timed column](#), Greg Fingas developed [the theme](#) that this gift to potash companies is the provincial election's most expensive promise.

The Sask Party issued a carefully-worded [press release](#) implying that PotashCorp invested \$590 million in Saskatchewan and paid nearly \$332 million to the provincial government in the third quarter of 2011. Both suggestions are [misleading](#).

While some commentators [wrote](#) that PotashCorp reinvested \$590 million in Saskatchewan, the Sask Party itself stopped short of making that claim since this figure is a worldwide total. The company reports only that "the majority of the \$590 million in capital expenditures" were in potash rather than nitrogen or phosphate.

The Sask Party compares this figure to \$700 million of potash gross margin, at least 90% of which is from Saskatchewan as opposed to New Brunswick. If two-thirds of PotashCorp's investment was in Saskatchewan potash mines, it reinvested something like 63% of its gross margin (i.e. $\$590 \times 0.67 / (\$700 \times 0.9)$), a far cry from the 84% put forward by the Sask Party. In contrast, 100% of every dollar in additional royalties would be reinvested in the province.

The Sask Party went on to claim, "PotashCorp paid another \$332 million in potash royalties and income taxes in the third quarter – the vast majority of which would have been paid in Saskatchewan." This figure is the sum of "provincial mining and other taxes" (\$53 million) and "income taxes" (\$279 million). The \$53 million is Saskatchewan's potash production tax and resource surcharge.

The \$279 million is worldwide corporate income tax, more of which goes to the Canadian federal government than to provincial governments. (Note that the Sask Party wrote "paid in Saskatchewan" not "paid to Saskatchewan.")

PotashCorp [has confirmed](#) that it paid only \$82 million of corporate tax to the Saskatchewan government throughout 2010, less than it paid to Trinidad. Saskatchewan people should get a better return.