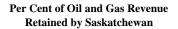
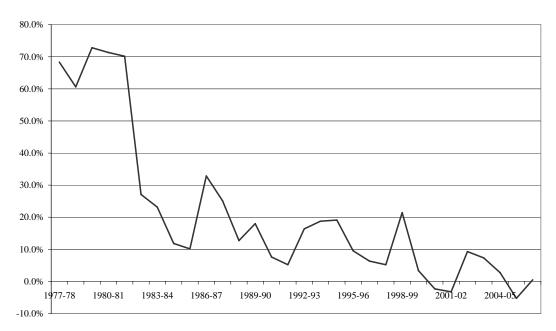
BACKGROUNDER:

- The federal government's equalization formula deprives the people of Saskatchewan from being the primary beneficiary from development of their non-renewable resources. The formula includes a cap that effectively claws back more than \$800 million of Saskatchewan's non-renewable resource revenues each year.
- Instead of letting Saskatchewan people keep more than \$800 million of revenue from our non-renewable resources every year, the cap reduces the benefits to \$226 million in 2007-08 and nil going forward.
- Changes to the Equalization program, first made in 1982, created confiscatory claw back rates on Saskatchewan energy revenues. At times, those claw backs were more than 100 per cent of Saskatchewan's energy revenue.





- The Province of Saskatchewan has persistently pursued a fair agreement with the federal government on equalization. With the avenues to negotiate with the federal government exhausted, the Province has now turned to the Saskatchewan Court of Appeal.
- The Province is turning to the Court of Appeal on two principles equitable treatment with other provinces, and provincial ownership of natural resources.

- The Government of Saskatchewan has referred the following questions to the Saskatchewan Court of Appeal:
 - (1) Is Part 1 of the *Federal-Provincial Fiscal Arrangements Act*, R.S.C. 1985, c. F-8 as amended, and in particular section 3.4, constitutionally invalid because it:
 - (a) denies to the Province of Saskatchewan the primary benefit, in substance or in effect, of ownership of its non-renewable natural resources as guaranteed by section 109 of the *Constitution Act*, 1867 and the *Constitution Act*, 1930;
 - (b) interferes, in substance or in effect, with the Province of Saskatchewan's plenary authority to develop, conserve, manage and raise revenue from its non-renewable natural resources as guaranteed by sections 92 and 92A of the *Constitution Act, 1867*, or
 - (c) infringes section 125 of the *Constitution Act*, 1867?
 - (2) As it affects the Province of Saskatchewan is Part 1 of the *Federal-Provincial Fiscal Arrangements Act*, R.S.C. 1985, c. F-8 as amended, and in particular section 3.4 and section 3.6, inconsistent with section 36 of the *Constitution Act*, 1982, and the underlying constitutional principles identified by the Supreme Court of Canada in *Reference re Secession of Quebec*?
- A reference is a special procedure, set out in *The Constitutional Questions Act*, which gives the provincial Cabinet the power to ask the Court of Appeal for its opinion on particular legal issues.
- The Reference is heard directly by the Court of Appeal. References have historically been used in Canada to determine significant disputes between the federal government and the provinces.
- Now that the questions have been formally referred to the Court of Appeal, the Court
 controls the proceedings, just as in any other judicial process. The Court typically
 determines the parties and interveners to the Reference, sets a schedule for the filing of
 pleadings and supporting materials, and defines the procedure to be followed and the timing
 of the hearing.
- The Government of Saskatchewan is one party to the Reference. The federal Government can apply to participate. Other governments or interested parties can apply to intervene in a Reference. The Court determines who participates and who may intervene.