



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

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Prince Albert Northcote

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[The committee met at 15:00.]

**General Revenue Fund
Highways and Infrastructure
Vote 16**

Subvote (HI01)

The Chair: — Well good afternoon, committee members. Good afternoon, Minister, and officials. We are resuming consideration of the estimates and supplementary estimates for vote 16, Highways and Infrastructure, central management and services, subvote (HI01). Minister Heppner, do you have any beginning comments to make?

Hon. Ms. Heppner: — Thank you, Mr. Chair. I don't have any official opening comments, but I'll do what I did at the beginning of the last committee meeting. There were some outstanding questions that we had committed to coming back to committee with, and I'll table these answers once I've gone through them.

One of the questions was on MREP [municipal roads for the economy program]. Because of the reduction in this year's budget, the question was, which projects were being delayed? I have to say it's impossible to actually answer that question because the program management board that oversees and finalizes the MREP projects actually met the day after budget to approve projects. So they were working on the current budget, the sixteen and a half million dollars plus the carry-over from the previous year. So it's not a question of, that I can name projects that were cut. It was just we have a list of approved projects based on this year's budget.

There were some outstanding questions on the bypass, particularly on service roads, how many kilometres of service roads are being built on the proposed route. It's a total of 54.5 kilometres of service roads; 36.5 of those will be between Balgonie and Highway 33. And then there's some gravel service roads between 33 and Highway 11. There's some other detail in here I won't go through, but committee members can go through that on their own.

And then there was a question on who's responsible for the construction of those service roads. It would be the selected project company. When the P3 [public-private partnership] process is completed and we pick a project company, they will be building the service roads.

And then a question on who is responsible for the maintenance of those service roads when they're completed. The maintenance of all the paved service roads between 33 and Balgonie will be the ministry's responsibility with the exception of the short segment within the town of White City. The town of White City will be responsible for maintaining their 1.5 kilometres of service roads from Galloway Street to Highway 48. And half a kilometre of gravel service road at Pilot Butte would be the access road into Ranch Ehrlo from the service road. The responsibility of maintenance of that segment has not yet been determined, but it would either be an RM [rural municipality] road or listed as a private road. And all the service roads between Highway 11 and Highway 33 will be

under the jurisdiction of the RM of Sherwood. But I will table these with committee so members can review them further. And as I said, no other opening comments. I'm happy to take questions.

The Chair: — Thank you very much, Madam Minister, for that update and that information. We started promptly at 3 p.m. And I failed to mention that Mr. Belanger is substituting today for Mr. Wotherspoon in our committee here. We will get started with questions for the witnesses. Are there any from the members? I recognize Mr. Belanger.

Mr. Belanger: — Thank you very much for that information. And obviously the report that the minister alluded to, I'd certainly like to have a copy of that as well to ensure that we add it to our particular file.

I'll get right to the questions. There's two particular areas that I want go into and of course, one of them, one issue is on the engineering costs. I want to spend a bit of time on that perspective of your ministry. And of course the other one is the bypass, the Regina bypass. We have a number of questions that we have on that as well. So that's where I would like to spend the bulk of my time this afternoon.

The first question I have is on the actual engineering costs. What is the actual per cent of engineering costs on highways contract on average over the past five years on an annual average? What would you peg those costs at?

Hon. Ms. Heppner: — The last year that we have is 2013-14, and the percentage out of total expenditure for consulting engineers was 9.5 per cent.

Mr. Belanger: — And would you consider that as an average per year, like in the past five years? Because I understand, which is part of the process, is that it is a mandatory requirement that's for every final report. It must accompany every final progressive payment on every contract sent to Regina for final payment. So is it an average of 10 per cent the last five years?

Hon. Ms. Heppner: — It has gone up over the last . . . You'd asked the last five years, which is what I have: 2009-10 was 3.2 per cent; '10-11 was 4.8; '11-12 was 5.8; '12-13 was 7.6; and as I said, '13-14, which is the last year I have, is 9.5.

Mr. Belanger: — How would you characterize the relationship between the Heavy Construction Association and the consultants, the engineering consultants that work for Highways? How would you characterize the relationship between the two associations?

Hon. Ms. Heppner: — Well I don't want to speak on behalf of either one of those associations, but I can give you my observations, having been the minister for almost a year. What I have seen is a good working relationship. We've started a tripartite committee with consulting engineers, the Saskatchewan Heavy Construction Association, and the ministry. And I sit in on those meetings as well to go over some issues within the ministry to make sure that everybody's on the same page because nobody's perfect, and there's areas where

the ministry can improve. There's areas where the contractors can improve, and there's areas where the consulting engineers can improve. And so we're working through some of those, and I see that as a very good working relationship.

Obviously, as in any workplace, you're going to have issues where there may be personality clashes. That happens everywhere regardless of the job. I can't speak to any particular instances; I'm just presuming. But from what I have seen, I've been very impressed with the working relationship when they've been at the table with us working through some of the issues that we have jointly.

Mr. Belanger: — The reason I obviously am asking that, as you can surmise by now, we understand that the Saskatchewan Heavy Construction Association says that engineering costs have doubled. And based on the evidence that you've provided with us in terms of the initial costs five years ago versus today, they still say, many of them have steadfastly indicated — and I'm talking about the association and their members — that the engineering work that used to make up a small percentage of the highways contract, and they've used a percentage of 7 to 10 per cent, now they're saying most recently it now ranges from 15 to 20 per cent.

So I think the construction association do have some issues with the consultants or the engineering consultants that we hire. In fact the Chair of the Heavy Construction Association board says that during this accelerated move to outsourcing, contractors have seen a decline in the quality of engineering design. They're basically concerned about that particular aspect.

One particular area that they want to talk about is the pavement quality index. Do you have figures for the pavement quality index year over year? And what other areas are you doing to track quality for some of the construction projects happening out there?

Hon. Ms. Heppner: — I'm going to let Ron talk about the pavement quality. But there is a reference to currently consulting engineers make up 15 to 20 per cent of our total cost. Those aren't the numbers that I have. The ones that I have are the ones that I've just stated a few minutes ago: five years ago, 3.2 per cent; this year, 9.5 per cent. And that's capital and expense, so total expenditures. But I will let Ron talk about the pavement quality issue.

Mr. Gerbrandt: — In regards to the question on pavement quality, the ministry does complete an annual rating of our pavements. We also do quality assurance, quality control work on paving projects that are undertaken by ministry contracts. So there are bonuses and penalties that are assessed against paving projects. For example, if we have a particularly good ride on a particular pavement, contractors are provided bonuses with that ride. If they are under certain thresholds, they're also deemed into penalty where they may have to pay penalties on those particular projects. So depending on the construction quality will determine some of the pay factors that may be applied to individual contractors on specific projects. In addition, we do also have bonus penalty clauses in association with our densities on our pavement projects. So depending on the overall quality of the project can determine whether or not a contractor will be awarded a bonus or whether they will incur a penalty on

those projects.

Mr. Belanger: — So is there any other venue or avenue in which you track quality in terms of the contracts that are being delivered besides the use of the engineer and, like you mentioned, the ride and so on and so forth? Are there other . . . Do you track the history of the contractors? Or how do you speak to the engineers that are on the site? Is there any of those activities happening as well?

Mr. Gerbrandt: — In regards to consulting engineers, on each of our projects, whether it's a paving project or other type of project, we do have an assessment that's completed at the end of the contract. So we work through what we call a performance review with the individual consulting firms, and we will identify areas of concern or areas of non-concern in that particular project. So we do have performance measures in place to look at the performance of our consultants.

Mr. Belanger: — What is the process for screening consultants' experience and technical skills? Like do you just put an RFP [request for proposal] out, or do you just have an open tender? How does that work?

Mr. Gerbrandt: — In regards to our engineering consultants, they do go through a pre-qualification for the types of services that they will provide to our ministry. So depending on the type of work that they wish to do for our ministry, we will pre-qualify them. For example, if we want them to do certain design work, geotechnical work, construction administration work, we go through a pre-qualification process which really entails they submit their credentials on their firm and people within their firm. So we'll look at whether or not they have certain designations, whether or not they have the experience, what past projects they may have done for our ministry, other jurisdictions, and so forth. So we do go through a process where we do look at those and decide whether or not they're going to be pre-qualified to work on our particular projects.

[15:15]

Mr. Belanger: — And the basis of me asking that question is really, you know, we're hearing anyway that there is some conflict. And maybe an answer you could give me or maybe the ministry could respond to, that there is some conflict between contractors and what these contractors perceive as working with under-experienced consultant site managers. Because obviously as you do more of this work, which I mean is necessary, you obviously want to make sure your team that's building the roads maintain the interests of the Highways ministry, do have some good collaboration and co-operation on quality and ensuring that each other respects each other's role.

But some of the construction association people are not happy. They felt that they are getting under-experienced engineering consultants working with them on projects, and it's beginning to become a problem, in some of their views. So how are we resolving that issue?

Hon. Ms. Heppner: — As I had stated in some of my earlier comments, we have put together this tripartite working group between consulting engineers; the contractors, Saskatchewan Heavy Construction Association; and ministry officials, with

me being in attendance as well, and for exactly this reason. If there are issues out on a work site, whether they're systemic or one-off issues, we need to hear about that as a ministry so that we can work with both of our partners because that's what they are.

The engineers and Saskatchewan Heavy Construction Association are our partners, and we need to make sure that that relationship is as healthy as it possibly can be. So as I said, we're working through a series of concerns in that forum. And as I've stated, for what I've seen, it's a very respectful discussion. I think we're making some progress on some of those things. It's always important for people to be able to sit down across the table from each other and air those concerns.

And like I said, if it's a systemic issue, the ministry needs to know that because we need to fix that. And if there are one-offs, the ministry is in a position to work with both the contractor and the engineer to work through those particular issues because at the end of the day we are, we need to be able to spend taxpayers' money wisely and efficiently and well. If we're spending our time in conflict, that's not good for anybody. It's not good for taxpayers of this province. It's not good for the ministry. It's not good for the engineers. It's not good for the contractor.

So that process is going well. We had our first meeting late last fall. We've had a few since then. We'll continue to work through those things. It will be a process. We're not going to rush into things and make binding decisions on our own as a ministry. It really is the three partners working together.

Mr. Belanger: — Do some of the engineering consultants that are employed by the ministry, are they required to have any kind of a performance bond or something of that nature? And if they're not, then why not?

Mr. Gerbrandt: — In regards to the engineering consultant firms that we hire, they don't have bonds per se, but what they do have is they have insurance that covers off errors in admissions and those types of things if we get into those types of issues. So at the end of the day we don't require them to have a bond, but they certainly have to have insurance, and they also have occupational health and safety certificates and those types of things to make sure that they meet the regulations of our province.

Mr. Belanger: — Because as the contractors determine or ascertain, they have to have a performance bond to do any of these particular work. And for every job, no matter the size of these jobs, contractors, and rightfully so, should have to purchase a performance bond. They're just saying that the team that they work with — in this instance, the engineering consultants — what are their performance requirements, if you will, to ensure that this is done properly? Because all the onus and the pressure is on the contractor, right? They're doing the work. They're just arguing that sometimes there are instances where you have an underexperienced consultant that would, engineering consultant that would put something forward that may or may not be of relevance to the project, but it's some stipulation that they may require the contractor to do that takes extra time, extra money.

And this is where they're arguing that there should be a relationship there to make sure that there is good co-operation between both entities. And basically contractors are saying, we're on the hook for our performance bond. Why aren't the engineers themselves required to do some of those things that we have to do? How would you respond to that?

Hon. Ms. Heppner: — On the issue of performance bonds for contractors versus what engineers face, there is, as Ron had pointed out, there is a performance review that's done when a particular job is completed. If after, I think it was three, if they have three jobs that are not up to our specifications based on their history, they actually get de-qualified from working with the ministry. And it would have to go through a new qualification process to get basically back on our list of engineers that we use. So it's not that there's an ongoing use of engineers that we're not happy with. They do get de-qualified by the ministry and aren't able to work with us.

Mr. Belanger: — Would you be able to share the number of firms that have been de-qualified over the last year to two years out of the ones that are currently working?

Hon. Ms. Heppner: — The de-qualification process is something that we put in fairly recently. But in the course of the last six months, we have de-qualified two firms.

Mr. Belanger: — And by de-qualification, would you consider that a ministerial decision or as a result of a rash of complaints? Like I'm just trying to understand how the process works a bit better for my own purposes. But as an example, if a contractor basically says, we refuse to work with this company because this is what they're doing to us, and they complain to you, does that lead to an investigation or automatic de-qualification? Like I'm just trying to understand what would be the basis of your decision to de-qualify some of the engineering contractors that you're currently employing.

Hon. Ms. Heppner: — I'll let Ron go over the details of the performance evaluation and what would lead to a de-qualification.

Mr. Gerbrandt: — So what we do in regards to our performance evaluation is we look at a number of different criteria in regards to the performance of the individual consulting firm. So in total there are 11 different criteria that we will look at. One would be the delivery of the scope of the work. A second one would be the schedule of the work that was completed. Three would be cost; how the work was delivered; risk, the quality of the work would be in that; procurement; human resource management; communication; innovation; integration; and safety.

So we'll go through each one of these performance measures and rate the individual firm on that. So if a ministry is aware of a number of these different criteria, i.e. it could be complaints from the public. It could be the way the contractor is delivering the work. It could be a number of factors that we would take into consideration. So after each project, like I indicated before, we'll do a performance evaluation of the consultant and we'll give him a rating. If certain ratings don't meet certain criteria, then he could be identified as either a yellow or potentially a red mark, which would then require pre-qualification removed

from that. So depending on what the different criteria are will determine if or when that particular consultant is unqualified to do the work or will have to re-qualify to do ministry work.

Mr. Belanger: — In terms of the ministry's FTEs [full-time equivalent] schedule over the last number of years, how do you characterize the shift from an FTE to outside engineering consultants? And the reason — and you can probably tell by now where I'm going with this question — is that, how many external contracts are held by individuals or companies employing individuals who used to work for the Highways ministry? How would you characterize that shift?

Hon. Ms. Heppner: — I can give you the information on in-house FTEs when it comes to engineering. The second part of that was a reference to a shift to external companies, and I believe the question was, how many former Highways employees are now working for external companies? I have no way of knowing that. It's not something that we track. But I can tell you this. The in-house engineers in the Ministry of Highways in 2007 was 99 and in 2014 was 137. So the in-house complement has increased over the last several years. But to external companies employing former Highways staff, I have no way of knowing.

Mr. Belanger: — Are any of the ministry's office space being used by external contractors now, any of the space that you have throughout the province like . . .

[15:30]

Hon. Ms. Heppner: — The space that Highways rents?

Mr. Belanger: — Right.

Mr. Govindasamy: — I want to respond to that question but just want to ask for clarification first. Did you mean consultants occupying ministry office space or contractors occupying ministry office space?

Mr. Belanger: — Either or both, if you can.

Mr. Govindasamy: — Okay. I think as far as consultants are concerned, there's perhaps just one consultant currently in Saskatoon who has been hired as an owner's engineer who's occupying some space in Saskatoon. I'm not aware of any other consultants occupying office space throughout the rest of the province.

Mr. Belanger: — And that goes with the contractors as well? There's no shared facility with any of the contractors in which they rent any of the facilities that Highways has for their own purposes?

Mr. Govindasamy: — So we are not, I'm not aware of any contractors occupying ministry space in any of our buildings across the province.

Mr. Belanger: — Again in the one instance that you've indicated where a contractor, an engineering contractor does have an office in Saskatoon, this is not a former employee of the Ministry of Highways, right? Is that correct?

Mr. Govindasamy: — First of all, the person that I was referencing is a consultant, not a contractor, and he's not, to my knowledge, a former employee.

Mr. Belanger: — All right. The reason why I'm asking is we've heard from some of the stakeholders that there's some issue around . . . As I mentioned before, there is conflict that, you know, everybody is subjected to when we're in this situation of granting work because obviously you have a number of team players to deal with. And one of the concerns that some of the contractors have, and other stakeholders, is that they feel that the shift is something that is concerning in a sense of going more private contractors and engineers . . . Sorry, more engineers, private engineers being employed than what we have in the ministry.

And one particular area that they wanted to speak about was around the quality insurance process when processing material, you know, for construction of highway projects, and this is an issue around the crushing process. So the ministry officials used to monitor the crushing process for quality and specs, but now consultants took that process away, and they cannot ensure quality product. Have the quality assurance processes and oversight changed recently, in the sense of more private engineers doing that particular work and thereby creating more of a hassle between the contractors and the private engineers?

Mr. Gerbrandt: — In regards to the question, yes, there are more consultants today doing the quality control, quality assurance on ministry crushing projects. The consultants that are doing the work are using the same specifications, unless the specifications have been changed by the ministry, to enforce those types of specifications on those projects. So whether it's Ministry of Highways or consultants, we use the same specifications that are specified on each of the contracts in the delivery of our aggregate work.

Mr. Belanger: — Well the minister alluded to the fact that she doesn't keep track of some of the employees that may have transitioned from Highways ministry employee to the private contractor. Again you've indicated that you don't track that, but is there any former senior management employees that are now owners and employees of consulting firms who are receiving lots of this new work? Would you have . . . I'm sure you'd have some of that information, if you're aware of some senior high-ranking, former senior high-ranking Highways officials that are now doing a lot of this work, engineering work or construction project work out there. Is this a common trend that is happening with some of the former senior management positions at the Ministry of Highways?

Hon. Ms. Heppner: — There are obviously going to be former Highways ministry staff who go to work in the private sector, and I don't want to speak for their decision to move to that side, but I would probably venture to guess it's because we can't compete when it comes to paying them. I think we can all agree that people don't work in the public service to get wealthy. And as the economy of this province increases and grows, so do the wages for a lot of our private firms, regardless of what kind of work they undertake. So to your question, yes. There are former Highways staff who work for private engineering companies. I cannot say how many, but we know that they're there.

Mr. Belanger: — Right. Like the point being is that we obviously are paying more for those services because, as you mention, the salary increases as you go to the private sector. That's our fundamental argument, you know. Was it better in the provincial public interest to maintain these positions within the Highways ministry to ensure that our interests are maintained as taxpayers and certainly as a government, especially as it relates to quality insurance and working with the construction association and ensuring that we protect our interests at a reasonable cost so we're able to maximize investment into highways, which many people of Saskatchewan want?

That's basically where I'm trying to go here with some of the decisions made around the contracting out. Obviously we have been complaining that the contracting out has increased well over 400 per cent in terms of the costs. Is this a natural part of the process, where Highways are basically getting away from hiring employees to protect our interests and going more and more to private consultants which are costing a lot more money than we have spent in the past?

I was just wondering, based on the shift and the transition we've had, how many of the ministry's FTEs are in management positions now versus three or four years ago.

Hon. Ms. Heppner: — Just for clarification, are you asking . . . I'm not quite sure. Are you asking about the complement of senior staff and if it's higher or lower?

Mr. Belanger: — Yes.

Hon. Ms. Heppner: — Like pure numbers or percentage of overall staff or however we can figure out how to . . .

Mr. Belanger: — Well just in terms of the actual positions themselves and if you can give me the percentage versus the overall staff, you know, from today to where it was three years ago, in terms of senior management positions within the ministry.

Hon. Ms. Heppner: — I actually don't have information going back the past several years. I do have as of March 31st of 2015, out-of-scope employees, 208; in-scope, 1,103. So it's about 15 per cent is out of scope within the ministry. But I don't have year-over-year comparisons.

Mr. Belanger: — Can I have this broken down by divisions in terms of . . . Obviously there's finance. There's services, and there's construction, so on and so forth.

Hon. Ms. Heppner: — Mr. Chair, we don't have that kind of breakdown with us. Otherwise I would obviously be happy to offer up that information. But I will commit to get that information back to committee members when we can tally it up.

Mr. Belanger: — Okay. I want to shift gears a bit in terms of lean. I guess basically we understand that there are what you'd referred to as the 5S [sort, simplify, sweep, standardize, self-discipline] events or 5S processes. Can you tell me how many of these 5S events have been held over the last year and where were these events held?

Mr. Govindasamy: — So if I understand the question correctly, there were 15 5S events in '14-15, fiscal '14-15, and they range from the fleet satellite mechanics and maintenance shop in Buffalo Narrows to the maintenance shop in Milestone. So there were 15 different locations.

Mr. Belanger: — And could I have that list as well? And the second part of the question is, how much did each of these events cost?

Mr. Govindasamy: — We did not use any consultants for any of the 5S events because we have sufficient number of people who are trained with respect to lean within the ministry that we use our own staff to run the 5S events.

Mr. Belanger: — So you're indicating that there's no cost to the department except for your own personnel time and travel?

Mr. Govindasamy: — That is correct.

Mr. Belanger: — Okay. The other question I have, could you explain what happens to the materials removed from some of the Highways depot and shops as a result of some of the findings of your 5S work?

Ms. Ehrmantraut: — When we do the 5S events, there is a specific . . . Just like we talked about last year, there's a specific order that we go through things. And we're not throwing away any good tools. We're not throwing away any good equipment. If there is things that are salvageable, we do go through the process of auctioning off anything that's salvageable. If there's things that are, you know, tools that are no longer, that are broken, they don't comply with safety, we throw those away.

Mr. Belanger: — Okay. And again shifting gears a bit, I want to go back to the staffing issue in terms of the design and innovation divisions within the Ministry of Highways. I guess I would ask the question is, how many of these are in central region, how many are in the northern region, and of course how many are in the southern region? These are FTEs for the design and innovation division of the Ministry of Highways.

Mr. Govindasamy: — I don't have the breakdown with me at the moment, but we'll certainly table that in terms of the breakdown for that particular division.

Mr. Belanger: — The other question I have, again bouncing a bit around from my notes here, late contracts. In 2012-2013 the Ministry of Highways indicated that 46 per cent of the contracts did not finish on time. How has this changed over the last couple of years, and is there anything new that you would add in terms of discouraging contracts that did not finish on time?

[15:45]

Hon. Ms. Heppner: — A lot of this goes back to the work of this tri-party committee that we're working on. Part of the impetus of forming that committee was the issue of delayed completion of contracts. Historically within the Ministry of Highways that has been the case. I believe in 2007, the '06-07 year, there was 36 per cent. So this is nothing new. It happened under the former government as well around that 35 to 40 per cent.

So when we got together with the engineers and the contractors, like I said, part of the reason that we have this committee is to work through some of these things because there are some issues. Obviously in the last couple years there's been the issues of flooding. We've had to pull contractors off of other jobs to help us with emergency repairs. That's going to reflect in contracts being completed. And then there are contractors who can't get their own jobs done because of flooding. That's what we seen over the last couple of years.

There are some who will bid in a construction year and hang on to those projects going into the next year. That's something we would like to discourage because people are expecting the roads to get fixed in the year that we're putting these things out to tender. There's kind of a whole long list of reasons why some of these contracts aren't getting completed, and that's the work of the committee. But it's a long-standing issue within the ministry and we're hoping to make some gains on that, working through this process with our contractors and engineers.

Mr. Belanger: — Okay, my final question on this particular aspect of my committee work here I wanted to ask, and I know I asked this last year, April of last year, and we didn't really get a response. But the trajectory of being involved in some of the very complex projects that were undertaken in Saskatchewan . . . and you're going to hear the arguments of, you know, of course the arguments between the contractors and the engineering consultants. Some would also argue that perhaps we should have these engineering consultants more in-house to do a comparison of what it costs in-house versus contracting out to see where the taxpayer could get a best value for their dollar.

And at the time I asked about the cost comparison that Highways should undertake or have they undertaken to do the comparison between public engineering staff and consulting engineering firms, the difference. I guess my question would be, does the minister do any kind of analytical work between the two sources of advice when it comes to engineering, or the provincial government staff versus the private engineering firm? And again as I mentioned at the outset, if we're doing more of that in the future, should we not have both avenues of costs available to us as a government and as taxpayers to see where we're getting our best bang for our buck?

We asked this last year. So just to try and be as succinct as possible, what if any cost comparisons has been done by the Ministry of Highways between public engineering staff versus consulting engineering firms?

Mr. Govindasamy: — I will attempt to respond to that question on the basis of the sorts of workloads and resources that the ministry requires in terms of the sophisticated level of projects they'd be undertaking. I know it's been my own experience that using consulting engineers provides a significant benefit with respect to flexibility. We can quickly respond to changing priorities, emergencies like the flooding that we had.

We can also access specialized skill sets where there may not be work volumes sufficiently of a robust, large enough nature to actually maintain a very high-priced engineering person within the ministry. And you know, getting access to the consulting field out there also allows us to reflect the latest technologies

that are available and standards that are available.

We put in place, as an example, the entire process to procure the services of contractors and consultants for the Regina bypass. It's a very rigorous process that has gone through many different steps in terms of providing the rigour, providing what you have referenced as value for money. So yes, we are increasing and have increased the use of our consulting engineers.

I'd also point out that it's not always that easy to be able to do comparisons between different types or levels of engineering or the expertise or the experience that a person will bring to the job. And so to try and do an apples-to-apples comparison between in-house engineering staff, whatever their designation or their expertise, area of expertise is versus somebody from outside is not always possible.

We do from time to time take a look at, obviously we take a look at costs of all of the projects, and consulting costs are something that we track for projects. So I'm not sure whether or not we can, based on salaries of staff, etc., compare that across the board with salaries of or the rates that consulting engineers may be charging us. So that's where we sit on that question.

Mr. Belanger: — Okay. And the reason why I'm inquiring about that because there is some contradictory moves by the ministry in terms of this particular problem. What I see is that we see an increase of consulting staff that results in — what? — 400 per cent, over 400 per cent increase in their use. Yet at the same time, the minister has indicated that we've increased FTE positions within this particular part of SERM [Saskatchewan Environment and Resource Management] since 2004. I don't have the numbers handy with me that she shared with me. And yet we're seeing the continuing conflict between the heavy equipment, Heavy Construction Association and the private engineers.

So to encapsulate what I think is the problem is that you're paying more for a consultant's engineers, over 400 per cent more. You're having the continual conflict with the construction association with the private contracted engineers, yet you're increasing the staff within the ministry, as indicated by the minister, to do some of this work. And yet nobody's doing the analysis of all these moving parts. And this is I think the part that's frustrating a lot of groups and organizations and people that are really watching this.

So is there anything that the ministry's doing to clear the air, so to speak, on this particular matter? Because it is conflicting, and it is contradictory in many ways, some of the information flowing out this afternoon.

Mr. Govindasamy: — So I think I'll just continue with the response that I began with in terms of the number of engineers. I think the minister has pointed out that in terms of number of engineering staff, we've actually increased the number of engineering staff in the ministry for the years that we have discussed. I think that we've also mentioned in the past that a number of the engineers are planning engineers, and we didn't have a robust policy and planning unit in those days. It's a very robust, very credible portion of the ministry which allows us to plan for major projects. So there's been a number of engineers

that have been added to that complement of policy and planning experts.

We've also added engineers on the traffic safety side because traffic safety is becoming increasingly, you know, of importance to our work in the ministry, given the larger number of vehicles on the road, the sorts of congestion that we see closer to major centres, etc. So the complement of people who are engaged in engineering services within the ministry with respect to traffic engineering has also increased.

I don't see a conflict myself. We are doing more sophisticated work, as was pointed out some time ago. For example, under the P3 approach that we have taken for or considering taking for the Regina bypass, there'll be 12 interchanges. Some of these are pretty sophisticated ones. There has not been a lot of in-house expertise with respect to design and delivery of major interchanges.

We've also done some fairly major work with respect to responding to the floods that occurred last year. The culvert that we put in on Highway 22 to take advantage or to basically to address the situation caused by, you know, the road washout, etc. at Pearl river, it was a massive culvert. And I don't recall, in my short time with the ministry, that anybody within the ministry would've had the expertise, the ability from a design perspective and construction perspective, to have been able to do that.

So we have increased our number of engineers in-house. We're also calling on consultants with very specific specialized expertise to help us design and deliver major projects. And so I don't really see a conflict in terms of what we're trying to do with the complement of people that we have, supplemented by outside expertise.

Mr. Belanger: — I just want to spend a few minutes . . . Well I'm still in disagreement in terms of the process itself because the issue, the issue that I'm trying to raise is that in certain instances, I agree, you do need specialized services. And we don't need five or six individuals sitting in the Highways ministry that are going to be used once every two or three years. I agree with that, that if there's an instance where, where you're able to look out and find some private firms that can do some of the specialty work required, so be it.

I'm just indicating that overall there should be some rhyme or reason and ways to gauge the effectiveness of how we're spending taxpayers' money when it comes to in-house professional people that work for the government versus outsourced private contractors. That I think is a fairly straightforward step in analyzing where we're getting our best bang for our buck and to do comparisons and to have each of the parties work to keep each other in check.

That was the point that I raised in terms of are we analyzing any of those angles when it comes to debating the merits of the private sector versus public sector employees? That was the point.

On the Regina bypass project, I just want to quickly advise the minister, I am continuing to work closely with the individuals that we have been quoting on a steady basis, you know, on the

Regina bypass. And I just wanted to ask the minister herself directly, as the minister, have you recently met or planning on meeting over the next several weeks with any major trucking firms as it relates to the Regina bypass project?

Hon. Ms. Heppner: — I met with a contingency of trucking firms, I want to say earlier this year. I believe it was earlier this year or just before Christmas. I'd have to go back and check. And there were several companies based out of Regina that were there. So I have done that. We discussed a bunch of different things, including the bypass. And I also had a meeting with the head of the Saskatchewan Trucking Association last week.

Mr. Belanger: — How would you characterize their acceptance of the bypass? Would you characterize it as that they're 100 per cent in favour of the design that has been proposed by your ministry, or are they suggesting a number of changes?

Hon. Ms. Heppner: — I think what is consistent across the board is that every single one of them understands that there is a need for the bypass. I don't want to speak for them. We had a productive meeting. There was a lot of information shared back and forth. And the meeting that I had with them wasn't just about the bypass. There were several other issues that they were raising at the time. But I don't believe that anybody's opposed to the bypass, but I'm not going to speak for their particular positions.

Mr. Belanger: — And I don't think anybody is opposed to the bypass. I think the Regina bypass is a project that needs good scrutiny and proper funding to ensure that it is a bypass. So we've made that point very clear on a regular basis and a steady basis that Regina does need a bypass. So nobody's debating that argument.

We're just debating right now the merit of the route that was chosen by your government versus the merit of a different route undertaken by a couple of individuals that have done a great, great bit of work on researching the bypass. And I would even suggest that many of the trucking firms are probably not in favour of the proposed route, and that's why I asked you the details of your meeting. I would assume that many of them would much rather have Highway 46 being the bypass, a double-lane Highway 46 to serve their distribution points in the northeast part of the city. So that's the purpose of my asking the questions. How would you characterize their acceptance of the route of the bypass, not the merit of a bypass, but the route chosen by your government as it relates to the bypass for the city?

[16:00]

Hon. Ms. Heppner: — Mr. Chair, I'm not sure what the question was.

Mr. Belanger: — My question was, how would you characterize the acceptance of the Trucking Association representatives as it relates to the route chosen by your government on the Regina bypass? I am assuming they must have clearly indicated to you that there was a much better route in place. Is that right?

Hon. Ms. Heppner: — As I said, we had a discussion about a great many things. I'm not going to speak for them. The Saskatchewan Trucking Association is onside.

Mr. Belanger: — Well I would indicate that there are a few trucking firms that we understand are being spoken to as we speak, and there is a discussion happening with a few of them that indicate that the current route being selected by the Saskatchewan Party government is a route taken in haste, and for whatever reasons that's not understood. They really, really would like to ensure that there be some good consideration of a secondary route and that route being Highway 46, I believe, the highway just coming out of Balgonie, that they would want some consideration for that route.

Now I guess the question I would have for the minister: based on those discussions, if the trucking firms come along and indicate to the minister that this is not the preferred route by their industry, that Tower Road is not the right location that would serve their needs, would the minister change her mind on this route at that time, yes or no?

Hon. Ms. Heppner: — As I've stated in previous committee meetings and to stakeholders that I've met with, at some point the Government of Saskatchewan has to choose a route. There's been extensive consultation done, and the route is not going to change. I do have a quote from the Saskatchewan Trucking Association and its president Al Rosseker, and the quote is:

Saskatchewan Trucking Association represents about 70 per cent of rolling stock in Saskatchewan and is fully supporting the planned route. [Fully supporting the planned route.] It will be a significant link in the super-trade corridor across Canada.

Mr. Belanger: — Is it fair to indicate that there has been no argument for any other trucking firm in the city as it relates to the proposed route that your government is insisting upon?

Hon. Ms. Heppner: — I've said this before. I said this in the House in question period last year as well, I believe. On a project this size — it's the biggest infrastructure project that the province of Saskatchewan has ever undertaken — we are never going to get 100 per cent of people fully supportive. I totally understand that, and I don't believe anybody went into this project expecting 100 per cent support. We understand that.

There are access points for the northeast section of Regina to connect to Highway 11. The Ring Road is there. And when the northwest . . . Getting my directions right. When the northwest portion of the bypass is done, that route up to Highway 11 will automatically connect you to the bypass on the other side and get you back down Highway 1. So there are access points for the trucking companies that are in the northeast of Regina.

Mr. Belanger: — Now part of the process is that the federal government is also indicating . . . Or you've indicated that out of the \$1.2 billion project, that they're actually contributing 200 million. Is that figure correct?

Hon. Ms. Heppner: — Yes. As I said in previous committee meetings, it's up to \$200 million.

Mr. Belanger: — Now as part of their commitment to the bypass project, are they the ones that are insisting that this be a P3?

Hon. Ms. Heppner: — It's a P3 because we applied through PPP Canada [Public-Private Partnership Canada] and were accepted.

Mr. Belanger: — Now if the route came along, in the sense of indicating that any money you can get from the federal government is obviously a course you would want to take . . . However if it's only 200 million of a \$1.2 billion project, and they're the ones that are insisting that it be a P3, and there are more efficient ways to have this bypass built and a less costly route, we still take the \$200 million from the federal government, but it doesn't have to be to a point where this money would be wasted on a route that people simply don't want. A lot of organizations and people don't want this particular route.

So I guess the question I would have around the federal government's insistence that this be a P3. What kind of costs are we looking at, following the construction of a route that nobody wants, in terms of interest on the money they're putting up for building this particular bypass and the costs of maintenance? What are the typical years of maintenance in terms of a contract that your ministry would be prepared to discuss with this private company, the P3 company building this bypass? How many years are you looking at securing a maintenance contract for them, and what interest rate are they charging you to use their money to build this bypass that nobody wants?

Hon. Ms. Heppner: — Well, Mr. Chair, we understand the opposition's desire to use hyperbole, but I don't believe that that advances the discussion — the bypass that nobody wants, or the route, sorry, that no one wants.

I've gone through this at previous committee meetings. I have quotes from the mayor of Regina who says the route is just fine. I believe his words were "okay." I just read a quote from Al Rosseker, the president of Saskatchewan Trucking Association who says they are fully onside. I think if you canvass some of the folks, mayors in particular in communities on Highway 1, they'll be fully supportive of the route. And then there will be thousands and thousands and thousands of people who I would suppose are fully supportive of the route. Just because we don't get letters of support from everybody who's supportive doesn't mean that they are non-supportive. So again, Mr. Chair, I'm more than pleased to have a discussion on the bypass and the route selection, but I don't know that hyperbole adds to our discussion in saying that it's a route that nobody wants because I think that we made it quite clear that that is certainly not the case.

The member had alluded to the fact that the federal government is insistent on a P3 process and made it sound that the route was dependent on a P3 process and, if it wasn't a P3, we wouldn't have this route. The route was selected regardless of the funding model, so if we were not going through a P3 process, this would still be the route. The P3 process does not determine the routes. They are completely independent of each other.

I will let Nithi comment on some of the particulars as to the member's other questions he had. There are obviously some pretty important commercial sensitivities. There's a lot of information that we are not capable of giving to committee members. It's not because we're choosing not to; it's because we actually can't. But I will let Nithi go through that process.

Mr. Govindasamy: — So I will basically repeat what the minister has already alluded to. The P3 process and the Regina bypass procurement process is in its final stages. We are in receipt of technical submissions. We will be in receipt of financial submissions soon. And so it would not be prudent for me or anyone else who has access to any of this information to have a public discussion about the procurement process or the various factors that might be contained within the submissions by proponents.

So I would suggest that that information, for one thing we don't have it because we don't have the actual submissions completed to date, and for another, we would need to take our time in terms of being able to assess, analyze the technical veracity and the financial robustness of the proposals that are going to be coming in before we move towards selection of a successful proponent. We won't know that for a number of weeks yet.

Mr. Belanger: — Okay. There are three premises I think are really important that I want to raise, obviously the first one being that the city does need a bypass. Regina bypass has got to happen. Nobody's arguing that point, and I'm glad we are all on the same page on that front.

The second point that I want to raise is that obviously safety is a major concern. And I think the leaders, not just the municipal leaders but the RM leaders as well, obviously indicate that the safe movement of goods and services and people along the bypass is paramount to a lot of the discussions that we're having.

My point being is that, and I want to clarify this, is that the argument is really around the route. We have always been arguing about the route. And my colleagues in the NDP [New Democratic Party] caucus have been very steadfast in their points of saying, the city does need a bypass. We just want to know more detail as to why this route is being contested so vigorously by a group of individuals, and several people are supporting them as well. That's what they're trying to find out and determine.

In fact, you know, one of the points that was raised is that, would the Sask Party caucus be in a position to hear the arguments made by these individuals and proponents behind the Why Tower Road? effort that's being undertaken right now in the city? You know, I would leave that challenge out there for the minister to give the individuals a venue with her own caucus for them to explain why Tower Road's not the right location.

And the other point is that we are obviously going to be paying top dollar for what we would assume would be a top project, a top-quality project to serve the Regina area for years and years. I understand that part. We are paying interest on this project in terms of using a P3 model, plus we're also going to be doing a maintenance contract on the bypass that's being built.

So the company or the proponent or proponents that are building this facility or this bypass, they obviously have to build it, and nothing wrong with them making a profit on the project, but they're also charging us interest on the money they're using for the project and they're also charging us maintenance on the project itself. And we have been asking, what exactly does that amount to because as the minister moves forward on this particular project and as she signs the documentation, she is compelling Saskatchewan residents and taxpayers to pay these costs for years and years to come.

And I'm not being overdramatic here when I make that point because that's exactly what she's doing. As she puts the pen to paper in signing her name, she's compelling the Saskatchewan residents to pay the interest on that project to a private firm and the maintenance contract to that same firm for years and years on the project itself.

We're just determining at this stage of the game that there's got to be some good common sense approach as to how we can protect Saskatchewan taxpayers' interests on these long-term, very costly P3 arrangements without proper consultation and discussion, especially with people and organizations within the city that are trying to get the attention of the Premier, of this minister, and of this government that perhaps the route is something that was poorly selected and, as a result of continuing down this particular path and stubbornly dismissing some of the issues that they're raising, that there's going to be a greater cost and a greater problem for years and years down the road.

And that's the fundamental argument that they want to make through me today as the critic: that there should be greater and better discussion on this route. We should take as much money as we can from the federal government on any highways project in the province. Regina does need a bypass. These are all fundamental points that we've raised with the opponents of this route, and they all agree. White City should get their safety measures that are put in place, as well as all the communities along No. 1 that are primarily concerned about safety.

So all those statements that they're making, the one fundamental point they've raised thus far and to date is, let us have a good, clear understanding of what we're getting into, and not just the route but the long-term costs.

[16:15]

And I'm saying this time and time again because we don't seem to be getting through to the minister that these individuals have a compelling argument around why this route does not work in the long haul. They have researched it, as I've mentioned, for hours and hours and hours. Will the minister encourage her caucus to meet with these individuals to hear their argument around why Tower Road, why the Tower Road route would not work for the city and for the province? Are you prepared to encourage that meeting with your caucus, Madam Minister?

Hon. Ms. Heppner: — Mr. Chair, I see that we're at the end of our time, but I do want to make a comment because I think it was an important one that the member had brought up, was protecting Saskatchewan taxpayers' money. I think there's a misconception on the process behind how a P3 is determined,

whether or not we go ahead with the P3 process, and it's called value for money. I ran through this, I believe, at the last committee meeting or the one previous to that.

The whole point being, we take what would have been a traditional design, build, and maintain, and what those costs would be, current and in the out years, because there has to be maintenance. Whether the ministry does it or an outside company does it, maintenance has to be done. So we take what it would cost traditionally, and then we compare that to what a company's bid is for the design, build, and maintain. And if there is no value for money, we will not go ahead because why would we? But if there's a value for money by going with an outside company to build this bypass and maintain it, that is the fundamental question. And I know that the opposition likes to say these things are costly. They're not entered into if they're more costly than a traditional build because why would we do that?

So I wanted to get that on the record that our main focus is taxpayers' money and making sure that we're spending it wisely. And as we're at the end of our time, I would like to, if I may, take a moment to thank my officials for their continued help, not just today but every day, and to committee members for their questions. Thank you, Mr. Chair.

The Chair: — Thank you very much, Minister Heppner. Thank you for the committee members and the witnesses for being here today. It is 4:17, and as the minister mentioned we went a few minutes over, but we got some good information this afternoon for the committee. I would ask now that a member move a motion of adjournment. Ms. Jurgens, thank you very much, has moved. Are all agreed?

Some Hon. Members: — Agreed.

The Chair: — That is carried. This committee will stand adjourned until tomorrow, April 28, 2015, at 3 p.m.

[The committee adjourned at 16:18.]