



STANDING COMMITTEE ON THE ECONOMY

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STANDING COMMITTEE ON THE ECONOMY

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Regina Gardiner Park

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Mr. Steven Bonk
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Mr. Bill Boyd
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Mr. Delbert Kirsch
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Ms. Laura Ross
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[The committee met at 18:59.]

The Chair: — Good evening, committee members. We're back this evening to discuss the Ministry of Highways and Infrastructure. The members substituting this evening, for the first hour at least, Ms. Sproule is here for Mr. Belanger and we have Mr. Olauson here for Ms. Ross. And we're here for three hours tonight. It's currently 7 o'clock. The first hour will consist of looking at Bill 51, and then we'll continue from last night at approximately 8 p.m. with the estimates for the Ministry of Highways.

Bill No. 51 — *The Saskatchewan Grain Car Corporation Repeal Act*

Clause 1

The Chair: — So again, I mentioned we were considering Bill 51, *The Saskatchewan Grain Car Corporation Repeal Act*, clause 1, short title. The minister is here, is obviously here, Minister Marit, and your officials are here. And I will leave it to you to make some opening comments, and we'll open up to questions from the members.

Hon. Mr. Marit: — Thank you, Mr. Chairman. If I could, Mr. Chairman, before we start I would ask the indulgence of the committee for a few moments to clarify some remarks that I made last night during Highways and Infrastructure estimates with respect to the Saskatchewan Grain Car Corporation.

My SGCC [Saskatchewan Grain Car Corporation] officials were not present for the Highways estimate and a few questions were asked that pertained to SGCC, and I've had a discussion with them this afternoon. The answers I gave may have a bearing on the proceedings of this committee and I wish to avoid any possible confusion.

In explaining why the corporation had been showing a deficit, I referred to decreasing revenues and increased maintenance costs. The revenues have in fact not decreased over the past . . . over the last few years, and the cost I should have referred to was the amortization. This accounts approximately for \$1.2 million per year and is a large reason for the deficits. Although not a cash expense, it still has to be accounted for, of course, and impacts whether we show a deficit or a surplus. And I hope this helps . . . clarifies my remarks from last night, Mr. Chairman.

So if I could now introduce the officials that are here with me tonight. I have Bob Mason from the Grain Car Corp; Kelly Moskowky who's with me; Shannon is back here, the administration; and Brent Orb from the Saskatchewan shortline . . . or the rail association, sorry.

Members have heard my second reading speech, so I won't use up much of the committee's time in opening comments, Mr. Chair. Again the purpose of this legislation is to transfer the assets of the Saskatchewan Grain Car Corporation to the Ministry of Highways and Infrastructure. The ministry will then manage the winding down of the corporation. The reason we're taking this step is that SGCC's hopper cars will only have about 14 years of life left, and SGCC doesn't play the role it once did

in the grain handling system.

We feel the best decision for taxpayers and producers is to sell the cars now while it still may benefit producers and the Saskatchewan shortlines. My officials and I will now be open to or happy to answer any questions the committee may have, Mr. Chairman.

The Chair: — Thank you very much, Mr. Minister. I will now turn it over to the members if they have any questions. I recognize Ms. Sproule.

Ms. Sproule: — Thank you very much, Mr. Chair. Mr. Minister and officials, welcome and thank you for being here tonight as we review Bill 51, the windup of the grain car corporation Act. Yes, I do have some specific questions about the bill, but just maybe first of all if you could explain to the committee who the board of directors currently are for the corporation.

Hon. Mr. Marit: — It's the Minister of Highways and the Minister of Agriculture, and that's it. The two ministers.

Ms. Sproule: — Two board members. Has it always been the two board members or is that a recent change?

Hon. Mr. Marit: — It had been the two deputy ministers also, but about four years ago it changed to just the two ministers.

Ms. Sproule: — And maybe you could share with the committee why that change was made to remove the deputy ministers?

Hon. Mr. Marit: — I would probably ask the president. He might be able to enlighten me on that. I'm not sure. The board just felt it was better just to have the two elected officials representing the board.

Ms. Sproule: — I'm just wondering if you could elaborate on that. Were the deputy ministers not providing adequate support, or was it just felt that their services weren't required, or sort of what led to the board members to feel that it was better?

Hon. Mr. Marit: — I'll let the president answer that.

Mr. Mason: — Thank you. It was felt at the time that the change was made that having two deputy ministers on a board with two cabinet ministers that they actually reported to created a conflict situation, and so it was felt that it would be best suited to have just the two elected officials on the board instead.

Ms. Sproule: — So where would the conflict arise in that circumstance?

Mr. Mason: — Because they actually report to the people that are on the board as well.

Ms. Sproule: — So in order to make decisions, they could be conflicting with their own job?

Mr. Mason: — Well they were in a conflict position because at a board level, they should be equal, but being deputy ministers

to the two ministers that were on the board, they felt that it was a conflict.

Ms. Sproule: — So we have the Minister of Agriculture, who has joined us as well, so that's good to see him here tonight.

How would you resolve differences of opinion between the two of you, or did you just agree all the time? Like how would you make decisions?

Hon. Mr. Marit: — No, we'd have a discussion, if you're talking currently about . . . We've had discussions about this since I've been appointed to the board, which was last fall. Any discussions we had were collaborative discussions, and agreed upon in that manner. Yes, and if Minister Stewart wishes to comment further, he sure can, too.

Ms. Sproule: — Yes, thank you. I guess the question is, most boards of directors would have a tiebreaker if there was an impasse or an inability to come to a decision. So in those circumstances . . . I guess you're telling me it just never happened.

Hon. Mr. Marit: — Not since I've been appointed. And any discussions we had usually were with the president of the Grain Car Corp as well and so . . . as far as the operations and that process.

Ms. Sproule: — Okay, thank you. In terms of the repeal of this corporation, or the wind-down and sale, did anybody in particular ask you to consider this?

Hon. Mr. Marit: — No. It was more or less a decision of the board.

Ms. Sproule: — And when did you and Minister Stewart start discussing this?

Hon. Mr. Marit: — Yes, it had gone to the transformational change committee in June, and in July, the board at that time made the decision to wind down the corporation.

Ms. Sproule: — Okay. That's leading in, I guess, to some of my next questions. In terms of the announcement of transformational change last June, we know that was a direction your government talked about a lot in the budget. Did you do any consultations first of all? Did you talk to anyone else before you made this decision?

Hon. Mr. Marit: — Yes. We had consulted with the shortlines in November and then it went to cabinet in January.

Ms. Sproule: — When you consulted with the Saskatchewan shortline railway network association, what was their position on this grain car corporation? What were their views?

Hon. Mr. Marit: — Well their position was, when we met with them in confidence and we asked them all to sign a confidentiality agreement, we had the discussion about the wind-down of the Saskatchewan Grain Car Corp and the opportunity for the shortlines to purchase the fleet of cars, and that we would give the shortlines a priority on that. There was significant interest raised at that meeting on the purchase of the

shortlines.

Ms. Sproule: — I guess, though, was that their preference, that the corporation be repealed and shut down? Or would they have preferred to see it remain in place?

Hon. Mr. Marit: — At that meeting they didn't really say one way or the other, when we had the discussion that that was the position that we were going to move in. There was extreme interest by a significant number of the shortlines on the distribution of the cars and the selling of the cars to the shortlines.

Ms. Sproule: — So when you went to them in November, would you say it was pretty much you had already decided this was the way you were going to proceed and that you would just give them the option in terms of the purchase of the cars?

Hon. Mr. Marit: — We went with them with the . . . of giving them the first option and giving them the priority, and we wanted to get their uptake from them. And seeing the positive outcome that we came from that meeting, we decided to proceed.

Ms. Sproule: — Did you discuss at all whether you would maybe allow them to lease as opposed to purchase?

Hon. Mr. Marit: — We did offer options.

Ms. Sproule: — But currently on the table it's just straight-out sale? There's no leases?

Hon. Mr. Marit: — We haven't seen those yet. They don't close until May 12th, so we don't know what type of offers we're going to get.

Ms. Sproule: — I just want to find an article I just read about that. I guess this was from April 20th in *The Western Producer*. I think there was a statement there that you believe . . . You were pleasantly surprised at the interest you've had in the cars. So is this prior to the bidding process? Or have you received information about the bidding, the bids that are coming in?

Hon. Mr. Marit: — I would say that I'm just . . . I think with the bids that we're receiving and the interest that we had been receiving at that time.

Ms. Sproule: — So how many bids have you received to date?

Hon. Mr. Marit: — I don't know.

Ms. Sproule: — Does anybody in your organization know?

Hon. Mr. Marit: — At this point we're not comfortable in disclosing that number and how many have been received. Not until the closing date on May 12th.

Ms. Sproule: — Could you undertake to provide to the committee that information after May 12th?

Hon. Mr. Marit: — Yes we can.

Ms. Sproule: — As much information as available. Is this a

competitive bid?

Hon. Mr. Marit: — Yes.

Ms. Sproule: — So obviously you wouldn't be able to disclose the bids, but if you could disclose who bid? Or will the bids themselves be available publicly?

[19:15]

Hon. Mr. Marit: — I'm going to let Kelly answer this one because of . . .

Mr. Moskowsky: — We've engaged a fairness adviser to guide us through this process, and I think we would want to consult with him and our legal representative at the Ministry of Justice for guidance on if we can release the names of the bidders after the fact. But at right now, we'd rather not make a commitment to that.

Ms. Sproule: — Okay, and just for the record I think, Mr. Chair, you prefer that officials introduce themselves when they're speaking?

The Chair: — Yes, Kelly, if you wouldn't mind, Kelly, just . . .

Mr. Moskowsky: — Kelly Moskowsky. I'm the vice-president of operations for the Saskatchewan Grain Car Corporation.

Ms. Sproule: — I just want to go back a bit to your discussion in November with the shortline rail. What sort of concerns have they raised about the provincial grants to the shortline railways that come from the revenues of this corporation?

Hon. Mr. Marit: — They raised . . . We had a discussion about that. As we said, we were in pre-budget deliberations, and as we had that discussion about that everything was on the table as far as restraints in revenues for the province and what budget cuts would be on the table, so we had that discussion about the Sustainability Fund could be on the table.

Ms. Sproule: — I just want to share with you a quote from Minister Reiter from April 27th, 2012, and it was about the shortline sustainability program. At that point in time, this is what he said:

The \$700,000 on the shortline sustainability program, we think, is very important. You know, when you boil it right down, it's as simple as this: more product, more heavy loads that move on rail instead of our highways. Just saves a large amount of wear and tear on the highways and it's better for all of us. We think that's money well invested.

And he went on to say:

The reason you're asking about this [which was the program], sort of the line item expense, is that as the Grain Car Corporation sort of moves forward with this mandate, we find them doing, sort of having more and more contact, doing more and more work with the shortlines and it just seemed that it [was] probably . . . a better fit and [it] was just logical. So that funding, the reason you're not seeing the line item in the ministry estimates any more, it's

actually in the Grain Car Corp estimates now. They actually will be paying that money out to the shortlines. But rest assured the shortlines will still be getting that sustainability grant.

So the previous minister in 2012 obviously thought it was money well invested, mainly because of the wear and tear on the highways, so that the more healthy the shortline railway system is, obviously the less grain is moving on highways. So can you share with the committee what you feel has changed between then and now? Now, obviously budget, but are there other concerns?

Hon. Mr. Marit: — I think it's a combination of a few things. I mean we have obviously invested in the shortlines through the program, over 6 million in the sustainability. But I think the big thing here is, as a previous shortline operator myself, the shortlines have matured significantly over the five years, and their revenues have improved substantially in quite a few of those cases.

Ms. Sproule: — Would you be considering perhaps a sustainability grant for some of the smaller, less profitable shortlines, just because obviously their need is greater?

Hon. Mr. Marit: — I would say this. As being an operator for shortline, any provincial or federal money grants were never allowed to be part of the business model. There wouldn't be a shortline, I don't think, in the province existing today that would be able to show that in their business plan to be operational, as far as sustainability fund.

As I said last night in some of the discussion, I think there's an opportunity for us to work with the shortlines to try and lever some federal money through federal programming, whether it's a green program or something, some initiative in that format, to work with the shortlines to try and lever some of those federal dollars.

Ms. Sproule: — As you know, the leverage right now is the shortlines themselves. I mean those were matching grants. The \$900,000 meant there's actually 1.8 million going into the shortline maintenance. So what sort of confidence do you have? Do you have any indication from the federal government that they would be interested in this sort of leverage? Or have you had any discussions?

Hon. Mr. Marit: — No, I haven't had any discussion. I think it's an opportunity for us to work with the shortlines to try and do that. Under the sustainability program, there were some shortlines that didn't lever sustainability money for their own obvious reasons. And I can't get into those because those are confidential discussions that they would have amongst their own boards. But I would entertain this, that we would work with the shortlines to try and lever some federal dollars through a green envelope.

Ms. Sproule: — Through a green envelope meaning environmentally sustainable?

Hon. Mr. Marit: — Yes.

Ms. Sproule: — Thank you. Just moving forward to 2014, a

different minister at that time, and what he indicated there. This was April 7th, 2014, and the minister said:

Our shortline rail system provides an alternative to trucking or shipping and provides an important connection to the mainline railways. Historically, Saskatchewan's shortlines have moved grain. Now they're starting to diversify to oil and other commodities. Funding for the shortline rail sustainability program is provided through the Grain Car Corporation and is continued at \$900,000. Both of these programs are cost sharing, meaning they'll leverage a total of about \$1.4 million and \$1.8 million in our airport and shortlines respectively.

Can you share with the committee when that amount was raised to 900,000 from 700,000?

Hon. Mr. Marit: — In budget 2013-14.

Ms. Sproule: — Oh, that was the answer, sorry. Budget '13-14. All right, thank you. Now you had these discussions with shortlines. I think what the president or the CEO [chief executive officer] of Great Sandhills Railway and the president of the Western Canadian Short Line Railway Association has said, in their response to the budget, is kind of contrary to what you've said in terms of the need of the program and obviously the importance of it.

And what he said, and this is a quote from their press release, he said, "It seems reckless to cut a program that is self-funding, generates fantastic revenue year over year, and saves our highways," says Perry Pellerin, CEO and president.

Can you sort of align why there's such a difference of opinion between yourself and Mr. Pellerin?

Hon. Mr. Marit: — I can't speak for him. Mr. Pellerin can speak for himself quite well. In my discussions with the shortlines, the meeting I had with them, all I can say is there was very significant interest in proceeding with the sale of the cars, that that's why we proceeded that way.

Ms. Sproule: — But was that interest not predicated by the knowledge that you were going to be selling them anyways, like that you were going to shut down the corporation?

Hon. Mr. Marit: — No. Minister Stewart and myself in the meeting with them were very comfortable with the fact that the shortlines present, and most of them were in the room, showed significant interest in purchasing the cars for their shortlines to really enhance their book of business.

Ms. Sproule: — I understand that they showed interest. I guess my question is, prior to them showing interest, were they informed that they would be made available for sale regardless of whether they wanted you to continue with the corporation? Did you tell them first you're going to shut down the corporation and sell the cars? Or did you say, did you give them the choice, keep the corporation and continue as is, or what would your preference be? Or was it sort of their limited option at that point?

Hon. Mr. Marit: — The meeting that we had with the

shortlines was to see if there was significant interest in pursuing of the selling of the cars. And there was significant interest from the shortlines in that meeting to pursue selling the cars.

Ms. Sproule: — I understand that. What I'm saying is was there any proposition prior to that discussion about selling the cars? Did you just come out of the blue and say, okay, well who thinks we should sell the cars, or who thinks we should keep the corporation? Did you have . . . I don't think I'm saying this well and I apologize for that. It's like going to . . . I'm trying to think of an analogy. Let's say there's a garage sale happening, but prior to that, the people could've actually leased — that's not a good example, but — leased the furniture that's up for sale rather than buying it.

When you went to the short car association, obviously they're not happy with your decision to close down the railway. Their official spokesperson has indicated that. So I'm saying you offered them the ability to purchase first. Why wouldn't they be interested? And of course they'd be very interested in that rather than see those cars be sold to CP [Canadian Pacific] or CN [Canadian National]. Right? So that's kind of an obvious point, that they would be interested in purchasing them.

But my question for you, because they're very, obviously, very dissatisfied with your decision, is that you keep saying they were interested in purchasing them. But that was predicated by the knowledge that if they didn't buy them, somebody else would. Is that correct?

Hon. Mr. Marit: — I'm trying to figure out your question and answer. I think the first thing is the meeting we had with the shortlines. There was, at the end of that day, there was no issue about if we were going to pursue selling the cars. There was issues — and that's a different issue — on the 900,000 maintenance. That's a different issue, that versus dispersing the cars. So there was a great appetite for the selling of the cars.

And I think the president is saying his concern is the 900,000, which doesn't really relate to the wind-down or selling of the cars. I think they're two different issues.

Ms. Sproule: — Okay, thank you. That helps. We know, I guess, something you said in *Hansard*. I think it was in the second reading bill, second reading of the bill, you said:

It also needs to be pointed out that the corporation's financial statements have shown a loss of the last number of years despite the claims by members opposite. In 2015-16, SGCC ran a deficit of \$221,000.

And that was part of . . . Yes, I guess that was the comment that you made. I would like to get more on the record now under this bill because I know you discussed it last night, but I think when people are looking in *Hansard*, they're wanting to hear it within this discussion in this hour.

So when you said that on April 3rd, was that keeping in mind that the amortization was part of the reason for that deficit, or why did you say they've shown a loss in the last number of years?

Hon. Mr. Marit: — Yes. Those numbers that I quoted on April

3rd were with amortization included, yes.

Ms. Sproule: — All right. So you spoke to the shortlines in November. Did you consult with anyone else when you made the decision, within Highways, officials for example?

Hon. Mr. Marit: — There was officials from both, from Ministry of Highways and the SGCC.

Ms. Sproule: — Who were you consulting with in the Ministry of Highways? What staff?

Hon. Mr. Marit: — As far as what? Consulting about what?

Ms. Sproule: — The previous question I just asked you, I said you consulted with the shortline people, and who else did you consult with. And you just answered, Highways staff and SGCC. So who?

Hon. Mr. Marit: — They were in the room when we met with the shortlines. That's what I meant by . . .

Ms. Sproule: — Oh, I see. Okay.

Hon. Mr. Marit: — Yes.

Ms. Sproule: — Did you do consultation within the Ministry of Highways as well? Did you speak to your own staff about this or was this a decision that you and the Minister of Agriculture made without consulting with Highways people?

[19:30]

Hon. Mr. Marit: — Yes. There was senior ministry staff and the Grain Car Corp. We had discussion with them.

Ms. Sproule: — And was it the recommendation of the ministry as well that the corporation be wound up, the ministry staff?

Hon. Mr. Marit: — It was a decision of the board and then decision of the cabinet.

Ms. Sproule: — Which means I guess the decision of the board, which is cabinet members, and then cabinet accepted that. So senior ministry staff would not have made this recommendation at all?

Hon. Mr. Marit: — Yes. They were all involved in the discussions.

Ms. Sproule: — Yes. My question was, did they recommend this? Was this a recommendation that came from your senior staff?

Hon. Mr. Marit: — As I said, the recommendation came from the board and then it came from cabinet.

Ms. Sproule: — Thank you. Okay, I think that's pretty clear. All right. In terms of analysis and the transformational change process, did Highways do any analysis on the impact of the loss of the sustainability grant on highways, like what impact it's going to have on highway usage?

Hon. Mr. Marit: — No, because what we're looking at here is the . . . Because we made the shortlines the priorities as far as ownership of the cars, we looked at them becoming a lot more viable, a lot more . . . I guess they would now have access to their own cars to move grain or move . . . Yes, be moving grain on their lines, and that's what we looked at for them to become a lot more . . . I guess really be able to move grain off of their lines.

Ms. Sproule: — So your view is that all shortlines will have access to capital that they need to purchase these cars?

Hon. Mr. Marit: — That'll be in their business decisions, if they decide to make an offer for the cars.

Ms. Sproule: — If they don't decide to make an offer for the cars, is there any analysis done there in terms of . . . Obviously they're running businesses now without the cars . . .

Hon. Mr. Marit: — That's right.

Ms. Sproule: — So they're running sustainable businesses at this time. So how could that not . . . I don't understand the distinction.

Hon. Mr. Marit: — I don't understand your question.

Ms. Sproule: — Well I'm trying to explain it to you. What I'm saying is that you have made the case that there will be no more wear and tear on highways because the shortlines are buying the cars. But they already have access to cars now, so how does that make difference if they own the cars or if they're leasing them?

Hon. Mr. Marit: — As a shortline operator, trust me, there's a lot of times you don't have allocation to cars. We went a year without car allocation because we couldn't get them. This will give them . . . A good example is in 2014 with the crop we had, the shortline — I won't say who it is because I can't — was 1,800 orders behind. If they'd had access to their own cars, they wouldn't have been that kind of number behind.

Ms. Sproule: — Right, but what I'm saying is some of these shortlines won't have access to the capital they need to purchase these cars, so they're going to be in the same space they are now.

Hon. Mr. Marit: — Yes, and as I said in the outcome, there isn't a shortline in this province that had it in their business model that they would receive any money from a provincial or federal government to run or operate their shortlines.

Ms. Sproule: — Perhaps this might be a good time to ask this question: are you still part of that shortline rail, or have you stepped down from it?

Hon. Mr. Marit: — No, I am not.

Ms. Sproule: — Okay, thank you. Have you . . . Or maybe you could share this with the committee: how much have you estimated from the sale of the cars?

Hon. Mr. Marit: — We can't. I cannot estimate that and won't estimate that, not until the date closes.

Ms. Sproule: — And for the bidding process, could you tell us a little bit about how the bidding process . . . Is it lowest, highest bid, or is there a limit on how many one shortline can purchase? What are the rules around bidding?

Hon. Mr. Marit: — I'm going to revert this to Kelly, as he dealt with that.

Mr. Moskowsky: — Thank you. Once again, as I mentioned earlier, since we are in the bidding process, we won't get into any disclosing of how the bidding process . . . As I mentioned earlier, we do have a fairness adviser engaged that will be guiding us through this process. They will be sealed bids that will come in and will be opened after the May 12th opening date.

Ms. Sproule: — Can you share with the committee what the role of the fairness adviser is, who the fairness adviser is, and what sort of considerations they will be using to determine fairness?

Mr. Moskowsky: — The fairness adviser that has been engaged is Justice Scheibel and he will be guiding us through the process to ensure it is a fair process and all bidders will be considered I guess evenly throughout the whole process.

Ms. Sproule: — So if some shortlines have access to significant amounts of capital through other businesses that they're engaged in, will that be taken into consideration for fairness?

Mr. Moskowsky: — I would say to you, only bids that will be considered are the ones that are submitted. If there isn't a submission, obviously we can't consider that as a formal bid.

Ms. Sproule: — Now I understand you're meeting tomorrow with the Western Canadian Short Line Railway Association. Is that correct? Is this to discuss the nature of the auction or are there other business that you're dealing with?

Hon. Mr. Marit: — No, there'll be no discussion about this process at that meeting. They'd invited me to a meeting and I'm going to attend. I haven't even seen the agenda yet.

Ms. Sproule: — Thank you. Were there any reaction from CN and CP when you announced that you were selling off these cars?

Hon. Mr. Marit: — Not to me.

Ms. Sproule: — And did you receive any concern or pressure from them prior to your decision about the sustainability grant? Had they ever expressed concerns about the sustainability grant?

Hon. Mr. Marit: — No.

Ms. Sproule: — Minister Stewart, would you have ever received any concerns from the railways about the sustainability grant?

Hon. Mr. Stewart: — No, none. I think you're talking about the major railways, CN and CP. Certainly not.

Ms. Sproule: — Yes, yes. All right, thank you for that. You've just been around a little bit longer in this role. So thank you . . . [inaudible interjection] . . . I'm not saying anything. We've had lots of good discussions over the years.

Hon. Mr. Stewart: — Yes.

Ms. Sproule: — I'm going through my notes. Oh yes, one of the reasons you suggested that it was a timely opportunity to divest the government of these cars was that obviously they're almost amortized down to pretty much zero, which is sometimes a good thing, and that there is maintenance requirements. And I know you've spent several million dollars over the years in terms of maintenance.

I guess what I'm concerned about is a comment in, again, *The Western Producer*, that you said, "With proper care, the lifespan of the cars could be extended significantly." So although they've reached their official lifespan and they're amortized down, was there not an opportunity here for us to continue to make a good profit from these cars and extend their life significantly through proper care? And I know they've been cared for properly all these years. So although their book life is finished, there was still a considerable opportunity here for you to continue maintaining the fleet and turning a nice dollar in to the GRF [General Revenue Fund], which is kind of necessary right now.

Hon. Mr. Marit: — We looked at . . . Minister Stewart and myself looked at it this way, that it was an opportune time. They still had value. There was still some life left in them. I have since, and I'll ask Kelly to comment on this too, about the life process and how that . . . Unfortunately, there's a process to that extension that I would . . . I'd like Kelly to explain that.

Mr. Moskowsky: — The class 1 railways in North America follow the rules of the Association of American Railroads, or the AAR, as it's commonly known. The AAR has limited the interchange life of cars such as we have to 50 years. We're currently in our 36th year with these cars so, as Minister Marit said, they do have 14 years of interchange life left. There is a provision within the AAR rules that you can apply for an additional 15 years of life, which would take them up to 65 years of life, but you can't make that application until two years preceding the 50-year birthday I guess of these cars.

So there's no guarantee that when you make that application . . . There's a process that you go through where there's 10 per cent of the cars have to be inspected by an engineer and a finite element analysis has to be done of the cars. So there's no guarantee that you'll get that 15 years of additional life. And even if you do, the cost may be . . . It may be cost prohibitive. It may cost more than what it's worth to do.

Ms. Sproule: — Do you inspect the cars now?

Mr. Moskowsky: — Yes. We do it both internally and over the years we have hired third party companies out of Canada and the United States to inspect them.

Ms. Sproule: — And based on your maintenance regime, why would you be concerned that you wouldn't get that extension of 15 years? They're being inspected now. You know the

condition of the cars. You know they're well maintained. So what would lead you to think there was any risk of it not being extended?

Mr. Moskowsky: — There's continuous changes to the rules. One is, as an example, our cars do not have automatic slack adjusters on them. There has been talk within the industry, and it has gone to the AAR braking committee a number of times, about instilling a rule that you have to have automatic slack adjusters on them. That change alone would be about \$5,000 per car. There's also requirements for side frame and trucks and wheels that may have to be changed out, and if you have to go down that path it's about an additional 20,000 per car. So if those rules are changed, it wouldn't matter even if the car's body was in sound condition. Those costs would be prohibitive, and it wouldn't make any sense financially to do that extension of life.

Ms. Sproule: — You couldn't pass those costs on to the lessees?

Mr. Moskowsky: — You would have to build it into the cost, yes, of any future lease agreement that you had. It gets to a point where you're only getting 15 years, and if you're having to invest 20 or \$25,000 additional into it, it may get to a point where you put your cars, you price them out of the market when it comes to competitive lease rates.

Ms. Sproule: — And so to make sure I understand, when you say the AAR has limited the interchange life, is this something that wouldn't apply to shortlines then?

Mr. Moskowsky: — If the shortlines are going to use the cars just on their shortline and not interchange them, they can use them for as long as they want and they feel it's safe to use them. There is no AAR requirements. If they do want to interchange them to, say, one of the class 1's, then the class 1 can prohibit them from coming on to their line if they exceed the 50 years.

Ms. Sproule: — How many of the current cars actually get onto the class 1? Is that a big part of the shortline business or is there a lot of movement strictly on shortlines?

Mr. Moskowsky: — Just speaking for our cars, we currently have 415 cars on lease to Last Mountain Rail which primarily runs from Davidson down to Regina, and they also have Big Sky Rail which runs up in the Eston-Elrose-Dinsmore area. Those cars, when they initially leased them from us, were with . . . was the intent of using them as collectors and not leaving the line. Since that time though, they have purchased a loop track out in Thunder Bay and they have done some direct hits out there, and they have done the occasional direct hit to Churchill when Churchill was still operational. So they have had to interchange them with CN.

So it depends on what the use is. When it comes to the other shortlines, I don't know of any other shortline that is using cars just as collectors on their line. They primarily interchange their cars once they're loaded to the class 1's for direct hits to the port and to inland domestic destinations that they send them to.

Ms. Sproule: — So then they would be facing these possible changes you talked about: an auto slack adjuster or side frame

trucks and wheels. So even if they purchase these cars, they would be subject to the same potential risks that your corporation is?

Mr. Moskowsky: — If they are going to be interchanging them, yes, they have to follow the AAR rules, which would be another 14 years from now. But right now we do meet all the requirements for interchange.

[19:45]

Ms. Sproule: — And yet you feel there is considerable interest from them for purchasing these cars, that they are of value to them?

Hon. Mr. Marit: — Yes. I will say yes.

Ms. Sproule: — So they're of value to them but not so much to your corporation. Is that right?

Hon. Mr. Marit: — As I said earlier, we felt this was an opportune time for the shortlines to acquire these railcars to use on their lines and generate revenue from them.

Ms. Sproule: — I'm just looking now at your '15-16 annual report. I'm going to make sure of that. I think that's the one I have here. Page 22, yes. Your annual report for '15-16, page 22, there's a reference there to the commercial lease agreements that you are currently in. And in terms of Last Mountain Railway, you received . . . That's no. 3b) Last Mountain Railway. You entered into a five-year lease agreement October 3rd, 2011 for 415 hopper cars. "The Corporation received on March 24th, 2016 notification to further renew the lease for an additional five year term." So is that lease still going to go on for five years to . . . Would that take it to 2021?

Mr. Moskowsky: — That's correct.

Ms. Sproule: — So you won't be able to sell those cars until 2021?

Mr. Moskowsky: — We do have an assignment clause within the lease, so a potential purchaser could purchase the cars. They would just have to adhere to the terms and conditions of the current lease until it expires.

Ms. Sproule: — So Last Mountain Railway has the lease for the cars. Someone could purchase them, but they would have to continue to let Last Mountain Railway use them and pay the lease fees subsequently?

Mr. Moskowsky: — That's correct.

Ms. Sproule: — Okay, thank you. I just had another question about CP Rail and this is more in relation to your annual report, and it's on the same page, Canadian Pacific Railway, so that's 3a). It said:

A one year lease term of 200 cars expired August 1st, 2016. On March 1, 2016, CPR advised the Corporation that they will be turning back the 200 cars. The Corporation is currently finalizing a lease turn back settlement.

Could you explain for the committee what that means?

Mr. Moskowy: — With respect to the lease turn-back settlement?

Ms. Sproule: — Yes.

Mr. Moskowy: — How leases work . . . There's two different types of leases. There's a full-service lease and a net-service lease. A full-service lease would be where the car owner is responsible for all the maintenance costs. A net-service lease is a lease in which the lessee, in this case CP, would be responsible for all the maintenance costs. So over the course of the 30, 33, 34 years that they lease the cars from Saskatchewan Grain Car Corporation they were responsible for all maintenance costs with the exception of painting or any deficiency that came out because of a rule that Transport Canada or the FRA [Federal Railroad Administration] made.

So what happens is, when we terminate a lease, we either have to have them repair any deficiencies or we do a financial settlement with them. And when we do a financial settlement what we do is we take approximately 10 to 12 per cent of the fleet and we do an inspection. We use a third-party inspector to represent us. CP sends an inspector out. We come to an agreement on what the deficiencies are on those cars and then we extrapolate it over the cars that are being returned and we figure out what the cost would be to repair the deficiencies. And that's what the settlement is.

Ms. Sproule: — Thank you. Just looking further down the page, there is a reference to tangible capital assets, no. 5, and it looks like, I believe this is in relation to the rolling stock, the amortization process, and the book value. Now it says the book value balance at end of year is \$1.2 million. So is that representative of the entire fleet? That's the total book value for the entire fleet at the end of '16, March 31st?

Mr. Moskowy: — The 1.2 million is just the reduction for that year. The actual book value is the 6.3.

Ms. Sproule: — Okay, great. And so that means . . . Would 1.2 million be the sort of average reduction or does it vary greatly?

Mr. Moskowy: — Average.

Ms. Sproule: — So in that sense, within five years they would be amortized down to zero. Is that sort of what you're looking at?

Mr. Moskowy: — Yes.

Ms. Sproule: — Okay, thank you. In terms of the transformational change discussion that the board had, I'm just wondering what sort of framework or did you have a checklist or anything, any guidelines that were provided to you from the Executive Council or the Ministry of Finance? How did you go about discussing transformational change and its application to the corporation?

Hon. Mr. Marit: — What we felt at this time was an opportune time to wind down the corporation to give these shortlines the opportunity and the capacity to purchase the railcars to use on

their rail lines to generate revenue and haul grain for producers on their shortlines.

Ms. Sproule: — Was there any discussion about the benefit to the GRF in terms of the profitability of the corporation?

Hon. Mr. Marit: — Not at this time, no.

Ms. Sproule: — So for you, the number one most important thing in terms of transformational change was to give the shortlines the ability to purchase these cars and own them?

Hon. Mr. Marit: — That was the number one priority.

Ms. Sproule: — It seems that part of the discussion for transformational change was bringing balance back for the people of Saskatchewan in terms of the budget, so why was there not any consideration about the value that this corporation has to the GRF? Like why didn't you discuss that?

Hon. Mr. Marit: — This was really about government's core functions, and that's the discussion we had as far as . . . And it wasn't about the revenue to the GRF.

Ms. Sproule: — All right. I think, Mr. Chair, I have exhausted the questions I have for this bill.

The Chair: — All right. Well thank you very much for those questions, Ms. Sproule. And thank you, Mr. Mason and Mr. Moskowy and Ms. Lindholm, for appearing before the committee.

I am charged now to look through the bill and ask the members to vote on each clause. We will start . . . So again this is Bill 51, for the record. I'll get the original out, sorry, and we will vote. There are 10 clauses in this, and we'll ask the members to vote on each one. We will start with no. 1, short title. Is this clause agreed to?

Some Hon. Members: — Agreed.

The Chair: — That's carried.

[Clause 1 agreed to.]

[Clauses 2 to 10 inclusive agreed to.]

The Chair: — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan, enacts the following: *The Saskatchewan Grain Car Corporation Repeal Act*.

I would ask that a member move that we report Bill No. 51, *The Saskatchewan Grain Car Corporation Repeal Act*, without amendment. Would a member be willing to move that? Ms. Carr. Thank you. Is that motion by Ms. Carr agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. Thank you again, officials, and we will have a brief . . . It is — what time have I got here? — about 7:54. We'll have a brief five-minute or so recess to change officials and let the members have a break. So again thank you,

officials, for being here this evening. Thank you for the questions, and we'll be back momentarily.

[The committee recessed for a period of time.]

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

Subvote (HI01)

The Chair: — Hello, committee. Well we're back. About a five-minute break. I'll note that it's 8:01 p.m. We are continuing consideration of the estimates and March supplementary estimates from last night to tonight for the Ministry of Highways and Infrastructure, our consideration of vote 16, Highways and Infrastructure, central management and services, subvote (HI01) is its formal name.

And of course we have the minister here. I will turn the floor over to him, if he has any comments. Since we're continuing from last night, I'm not sure he will, but I won't presume that. But the floor is yours, and then we'll ask for questions.

Hon. Mr. Marit: — Yes. No. Thank you, Mr. Chairman. I think my remarks last night were significant. I don't want to open any . . . I just want to recognize that Tom and Blair are sitting here beside me, so questions if she . . . We'll see how it goes from there, but I open it up to questions.

The Chair: — Thanks. Just for the record, that would be Tom Lees and Blair Wagar.

Hon. Mr. Marit: — We're on a first-name basis.

The Chair: — That's good to hear. And a reminder — I usually forget to mention this — if there's a new official that speaks, just for the *Hansard* could you please identify who you are so those folks can identify that. So thank you for that. I should also mention — I neglected to — we're scheduled for two hours this evening here tonight to wrap up these estimates. I will turn over the committee to ask any questions of the minister and the witnesses. I recognize Ms. Sproule.

Ms. Sproule: — Thanks very much, Mr. Chair, and welcome to the Highways officials. Just a couple of sets of questions that I have to ask before my colleague will take over again. And first is a few questions around Public Accounts '15-16 and some of the expenditures that were listed, in particular page 231 to 233.

We had asked a written question because they were listed as capital assets and we understand that some of these contracts aren't capital assets at all, but in fact they are capital construction costs relating to publicly tendered contracts, although they're listed under capital asset acquisitions in Public Accounts. So I'm just wondering if you could share with the committee . . . Two in particular we had asked questions about: one was Carmacks Enterprises Ltd. for \$22 million and the other one was Broda Group Limited Partnership for \$11 million. What were those publicly tendered contracts in relation to, which contract?

Mr. Wagar: — So in terms of your question from '15-16

Public Accounts, we're just trying to track that down. We're familiar with what you're speaking with but we don't have the specific answers to the question in terms of what they were involved. We believe that there are a number of different contracts but we'll have to go back and verify that. We don't have that information with us.

Ms. Sproule: — Would any of these contracts be in relation to the 500 million for the bypass that was allocated in the '15-16 fiscal year?

Mr. Wagar: — It's my understanding that no, it's not in reference to the Regina bypass. They're separate contracts for work that's taking place on the network.

Ms. Sproule: — Are any of those contracts here in the Public Accounts, in this listing?

Mr. Wagar: — Sorry, are you referring to '15-16?

Ms. Sproule: — Yes, page 231 to 233.

Mr. Wagar: — I think that's where we don't have the specific projects for what those, the two contracts you referenced, Carmacks for 22 million. We don't have the . . . I think your question was what projects did those go toward. That's the information we don't have, for Carmacks for \$22 million or Broda for 11 million. We're familiar with what the numbers are in Public Accounts. We just don't have the information in terms of what projects we did on the network. We do know that they're not for the Regina bypass.

Ms. Sproule: — Are there any of these amounts that are listed in Public Accounts, are they in relation to the bypass?

Mr. Wagar: — So in '15-16 Public Accounts there's a line that references SGTP [SaskLink Global Transportation Partners] Highway Bypass Limited Partnership. And so that's the reference to the payments to . . . in reference to the Regina bypass.

Ms. Sproule: — All right. So there were . . . I think \$500 million was allocated for the bypass in that fiscal year. And if this is \$127,000, were there any other expenditures for the bypass out of Highways?

Mr. Wagar: — Okay. I think I have these numbers correct in my mind here. So '15-16, there wasn't money allocated that year. What's reported in public accounts is the construction progress and book value that we had to put on of the asset that was built. The '16-17 Public Accounts is where the \$500 million was placed.

Ms. Sproule: — Okay. So that'll show up in the next round of public accounts.

Mr. Wagar: — Correct.

Ms. Sproule: — All right. Thank you very much. I'm just going to move on now. Just yesterday we got a return on some questions we had asked in October. These are written questions and they relate to the relationship between the Ministry of Highways and Infrastructure and the Global Transportation Hub

Authority in terms of the land that's out at the GTH [Global Transportation Hub] currently. And this is not the east parcels. This is the original sections that were bought by Highways back in I think 2009 or 2011.

At any rate, we just want to understand the procedure that Highways engages with the GTH in relation to the land, because much of the land is still in the name of Highways, is still titled to the Ministry of Highways. But what we received in terms of these questions was there were several parcels that were cut out for the SaskPower logistics centre. And we know that SaskPower provided almost \$25 million to the GTH for that 145 acres, two parcels. But Highways had title to the land at the time that the transfer occurred.

So our questions were, when did the GTH acquire that land from the Ministry of Highways? And, Mr. Wagar, obviously you were at GTH at the time, so you may recall this. So what we understood is that, for example, on the northwest quarter of 24-17-21 — that's where the smaller parcel that SaskPower acquired is — you acquired, or Highways sold the GTH 27.5 acres and GTH paid Highways \$573,000 for that.

Now we had asked for the date and what we got back from the written questions was that it was in December of 2013, but can you provide for the committee the specific date of that transfer?

The Chair: — I'll remind committee members that of course we're here today to discuss the estimates in vote 16 of Highways and Infrastructure, the '17-18 year. Of course I know in estimates we're given some leeway for questions, but I think asking questions from 2011, 2010, doesn't fall within this committee's mandate this evening. Of course if the minister wishes to answer any questions about anything that he feels is relevant to '17-18 budget year in the estimates and the votes within that, I'll leave that to him. But I'll remind committee members to keep it tight to areas that are within the current vote under consideration.

Ms. Sproule: — Thank you for that, Mr. Chair, and I appreciate that. Unfortunately we had asked these questions in October of last year as written questions, and they were tabled and they were just returned yesterday, so we would have been able to ask these questions in previous meetings with the Minister of Highways. So I would ask for your lenience in this instance.

The Chair: — Well I think . . . Agreed, but I think written questions are separate from this committee. Those are handled in the House and with the Committee of the Whole. This is the committee of Economy and we're looking after this year's vote 16. And so I'd again . . . The minister can choose to answer questions that are relevant to the '17-18 budget and the votes, and I will leave it to him. But again, I believe that is a separate entity or mandate than what is happening here this evening.

[20:15]

Mr. Wagar: — So in terms of the specific question about I think the date that the SaskPower land was moved from the ministry through the GTH to SaskPower, we don't have that specific date — we can follow up with you on that — not on us here today.

Your general question about the relationship between the Ministry of Highways and the GTH, the whole GTH process started within the Ministry of Highways and Infrastructure. There was several different steps or tranches of land assembly that took place, starting with the CP intermodal, which was basically the foundation of the GTH. At that time actually it wasn't even referred to as the GTH. It was just the Regina regional intermodal.

And that was largely driven by the fact that CP was reaching capacity at the downtown intermodal facility. There was an opportunity to maintain that CP service in Saskatchewan. Because I know at that time, CP was looking at where they could move that particular facility across their entire network, which could've meant that we could've seen that service move to either Winnipeg or Calgary. At that time it was very difficult for Saskatchewan shippers to get access to containers as it was, so it was really important to us to make sure that we kept that, a rail intermodal service, here in Saskatchewan.

So that's where kind of the original relationship started between MHI [Ministry of Highways and Infrastructure] and CP . . . or sorry, MHI and the GTH. As things evolved and there were some announcements made about CP doing what they were going to do in terms of a new intermodal facility, the ministry was going to build some connecting road infrastructure. Loblaws came along looking for a Western Canadian distribution centre location. That created another opportunity, a huge opportunity with a million square feet co-locating to CP's new intermodal facility. So that was a second tranche where the ministry became involved in terms of securing some of that property, as well as looking at, basically at the end of the day, establishing an inland port, or what we have today, it being the GTH.

So that's when the third tranche took place where the remaining core footprint, I would call it, was assembled by the Ministry of Highways as a transportation logistics facility. So as the project evolved, it became pretty clear that the core mandate of the Ministry of Highways wasn't necessarily to operate and develop a logistics park. That's what spun out the Global Transportation Hub Authority, eventually.

However through that process it was decided that the ministry would maintain the ownership and title of the land. And there was an agreement between the Ministry of Highways and the Global Transportation Hub Authority. As a new corporation and operating entity responsible for the development and investment attraction and build-out, basically, of the Global Transportation Hub, which is again a very long-term logistics development, that land would stay in the title of the Ministry of Highways.

As the GTH marketed and sold property, there would be . . . land would move from the Ministry of Highways and Infrastructure to whatever company was the purchaser of that property. In this case, whether it be SaskPower or Emterra, the payment would go back to the GTH, and then the GTH would therefore reimburse Highways for the cost that it incurred to pay for the land — or assemble the land in the first place. So at the end of the day, the Ministry of Highways, when the land at the GTH is fully built out or sold out, the Ministry of Highways will be kept whole, both the purchasing price, as well as any holding costs associated with the land.

So that's not really in a nutshell, but that's basically the relationship between GTH. So the ministry continues to hold the land, and GTH is responsible for kind of looking after it, developing it, marketing it, and selling it. And as it sells it, it pays it back to the ministry, ultimately the GRF.

Ms. Sproule: — I guess I could move forward to February of this year then where three new parcels, Q1, Q2, and Q3, were subdivided out by a plan, and Q1 was sold to Brightenview, for example, the 10-acre parcel. Now that went from Highways to Brightenview, the transfer, but the purchase price I believe is around \$2.5 million or somewhere in that range, that went to GTH, correct?

Mr. Wagar: — I can't speak to what the relationship was like between the GTH and Brightenview. All I can speak to is the relationship between the Ministry of Highways and what we have in our books and the relationship and agreement that we have with the GTH. I can't speak to that relationship between GTH and their clients.

Ms. Sproule: — Certainly. Can you share with the committee what GTH paid to Highways for that parcel in February?

The Chair: — Mr. Minister, I wonder, just as Chair of the committee, if questions surrounding the GTH would better be answered by the minister in charge of that. I don't, of course, have as much information as you or know the file as well as you, obviously, but I wonder, Highways might not be the body to answer the nature of these questions. Just wondering if you've got any thoughts on that matter.

Hon. Mr. Marit: — We would appreciate that. We're having some . . . We're trying to get some clarification here, and we're having some challenges with that. So I know the deputy minister has a response here now.

Mr. Wagar: — Yes, in terms of the relationship between the sale of Brightenview, again I'm not sure of the details of when that occurred or what that transaction looked like. I don't have the information with me in terms of the sale . . . or the land transfer from the ministry to Brightenview, in terms of what that transaction . . . the timing or the information on it. So we just don't have that information with us.

Ms. Sproule: — Well I have the title here if that would help. It has the date of the transfer from Highways. Highways transferred the land to Brightenview. So that was . . . I'm just wondering, I'm not sure whether the title would help you or not, because my question for you is, how much did the GTH pay Highways for that parcel? So it's directly related to Highways' activities in February, but you don't have that amount available?

Mr. Wagar: — Yes, sorry, I don't have the amount. I understood that to be your question, and I don't have the amount of money that the GTH paid Highways or reimbursed Highways for that transaction. That's the information I don't have with me.

Ms. Sproule: — Okay. Just one clarity, too. According to *Hansard* in 2009, Mr. Elhard, who was with Highways at the time and the GTH, told the committee that Highways didn't

know that CP was talking to Loblaws. It was actually CP who approached Loblaws. So I just want to get that on the record, because you had said that Loblaws came to you, but actually it was CP that approached them and asked them to make the pitch.

Okay, in terms of the remaining of the land in both section 19 and 24 — that's the two main land parcels that Highways assembled for the purposes of the GTH — at this point in time there's only I think three or four properties that GTH has actually taken title to. There's parcel A down in the southeast corner of the . . . southeast of 24. There's two very small parcels in the very northeast corner, where I believe you have signs located or GTH has created some signs, so they actually subdivided that out and took title to that. And they have another property, parcel J, which is just on the west side of the Loblaws infrastructure. So why is GTH taking certain parcels from Highways, and why is Highways still retaining the rest? Like why wouldn't you just turn all the land over to the GTH? It's still in your ministry's responsibility.

Mr. Wagar: — Yes, in terms of the GTH decision of the timing of when they take parcels or when they don't is really their decision based on their own business model and financial plans. So that's a question in terms of the rate in which they purchase the land from Highways. That's really their decision.

There was a decision early on, as I said before, that Highways was the one that started the process, got the initial footprint secured. The GTHA [Global Transportation Hub Authority], the authority itself, came along afterwards, did the marketing. So the pace in which the GTH acquires the land from Highways is really their decision.

Ms. Sproule: — Why wouldn't Highways decide just to turn it over? It seems to me Highways is equally involved in the decision making with GTH here. The title is in the name of Highways. Highways, as you've indicated very clearly, is no longer involved in the business of the GTH, so why would Highways even want to continue to hold the land? Why wouldn't you just transfer it? Certainly that's something that the Ministry of Highways could consider.

Mr. Wagar: — We would consider that. It would be up to the GTH to make that decision and approach the ministry with that proposal.

Ms. Sproule: — I think that's probably not quite correct. It isn't just up to the GTH. It would certainly be up to the Ministry of Highways as well, would it not?

Mr. Wagar: — We wouldn't have a problem with the GTH . . . We have no problem holding the land as a holding company on behalf, so that's the current state where we are today. Those were decisions that were made back in 2009, that that was going to be the business model that was going to be followed.

If the GTH is in a position and would like to acquire the total footprint or parts of it at whatever pace that they would like to, that's really up to them. That's up to them to decide. We'd have no problem holding as we are, selling as they're able to sell. Or if they were able to take the entire footprint, for whatever business reason they would want to do that, we'd prepare to

entertain that as well, as long as the ministry is kept whole at the end of it.

Ms. Sproule: — Do you hold land for any other entities in the province of Saskatchewan?

Mr. Wagar: — We have no other relationship as it relates to land. All the other land that we would hold are for road infrastructure, right-of-way infrastructure. This is the only situation that we have. Its unique to the GTH.

Ms. Sproule: — Have you ever examined your mandate to see whether it's even appropriate for your ministry to continue to hold this land?

Mr. Wagar: — As I was saying before, the ministry started this. It's a transportation-related development. Again the mandate of the ministry involves largely looking after the road asset that we have, 26 000 kilometres of provincial highway across the province.

However there's a transportation element to the ministry's mandate that . . . Imagine our vision, for that matter, is trying to connect Saskatchewan to the world. So when you think of multimodal, multimodal infrastructure, again the asset that we own is the road infrastructure. But we still have regulatory authority over the trucking industry as it relates to weight and dimensions and how the trucking industry utilizes our asset.

We have regulatory responsibility for the shortline railway industry in terms of regulating safety, both of their asset and their operations, so again we have a mandate around rail.

[20:30]

We also have a huge interest in making sure that Saskatchewan-based companies have access to the transportation system that they need to be able to export their product to market. And if I were to go back to the impetus of the Global Transportation Hub that you see today, it was very important that we work with both of our class 1 railways to ensure that the type of services that they're able to provide Saskatchewan-based shippers — whether it be bulk, whether it be containerization, box car, liquid bulk, all of those different services that they have to offer and the rail facilities that they need to be able to do that — that was in our direct mandate.

As the GTH evolved and started to get into what would be kind of more of the broader logistics park, inland port, I think that's where the ministry and government did ask itself that question: does this fit into the Ministry of Highways? And that's what really caused the Global Transportation Hub Authority to be developed with the mandate specifically to develop the rest of the facility. The reason that the ministry still holds the land is it was really the . . . gave birth to the concept, and as result, again a decision at that time was to let the Global Transportation Hub Authority take over the responsibility of developing this out, and the ministry would focus back on its core mandate of road infrastructure and transportation.

Ms. Sproule: — You just referred to your core mandate as road infrastructure, and yet you continue to hold title to land for which you have no authority, no decision making. So I just

don't understand why you would continue to hold land for which you have no decision-making authority. Clearly goes outside your core mandate, it's clearly been handed over to the GTH.

So I feel that, you know, there's a dual mandate going on here, and that it's somewhat strange that the Ministry of Highways and Infrastructure would hold title to land for which it has no administrative responsibility, no decision-making capacity. You've obviously abdicated that entirely to the GTH once it was established. GTH has taken four or five small bits of title for unknown reasons, and yet it continues to sell land that's still in the name of the Ministry of Highways.

So I think that the people of Saskatchewan, through the Ministry of Highways, paid, you know, valuable dollars for the land when it was purchased — I think 2011 or 2009; I can't remember what year — and yet you continue to hold title and that that should really be something that's the responsibility of the GTH. They're out there selling the land, and then you're just handing the title over. Why wouldn't you hand it over to the GTH?

The Chair: — Well again, Ms. Sproule, and committee members, we're starting to deal with '09, and several of us weren't in government then. So I think the minister — sorry, the deputy minister, acting deputy minister — answered that in a previous question. And so, you know, I think I'm satisfied with the answer he gave in that matter.

Ms. Sproule: — Thank you, Mr. Chair. I beg to disagree with you on that. We're still talking about 2017, but the minister's assistant has been pretty clear in what he believes to be the case, so I don't think that we can get any further with this line of questioning anyways. So at that point, I am going to thank the minister and the officials for their responses this evening and will turn it over to my colleague.

The Chair: — Thank you for that, Ms. Sproule. I recognize Mr. Belanger. He has the floor.

Mr. Belanger: — Well thank you very much, Mr. Chair, and again I'm going to continue on with the line of questioning we had yesterday.

But I just want to recap just for folks that are joining us. I first want to recognize the Why Tower Road? group, that obviously we've heard this particular group time and time again. And now that the project is well on its way, as we indicated or was indicated yesterday by one of the minister's officials, that — you know, I don't know if I want to call it a bypass any more but more of an economic corridor or an economic freeway, if you will — that obviously we're at a point now that it's roughly 43 per cent, if my memory serves me correct, in terms of the completion target. So obviously the route is not something that is up for debate anymore. This has been done amid a lot of protest from a large group of people, in particular the Why Tower Road? group. They have tons and tons of questions, but one of the points that they wanted to raise at the outset and they wanted to share as a result of this year's budget and this year's spending around highways was two basic points. One, in the sense that they understand that the route has been completed. There was a lot of extra cost attached to it and that the people of

Saskatchewan, the taxpayers, are obviously going to be paying for that cost for a number of years, and I'm stressing a number of years.

I think the latest information I got, Mr. Chair, just for the record — and I'll see if the officials would like to challenge those figures — but I think the final payment on this particular economic corridor or economic freeway that we make reference to as a bypass, at the end of the fiscal year 2046, that the interest that we'll be paying on this particular economic corridor is \$492,544,983.87. So in that sense, we're paying half a billion dollars in interest alone on this particular project and the principal payment of course in which we're paying the contractors \$1.2 billion. So just the financing costs alone on this particular project again is going to be \$1.7 billion based on the 30-year deal that we have. And of course, Mr. Chair, we have to be very careful to say that this does not include all the maintenance contracts that I think are or have been discussed and may be negotiated.

But before I get into the challenges around this particular project, we're spending close to 46.5 per cent of this year's budget alone on, if you want to use the phrase, the economic freeway as was described yesterday. And we obviously want to do a comparison of what the costs are for other highway construction projects throughout the province.

So we've asked and we have received breakdowns of previous years of costs, and we want to continue monitoring those costs for the different levels of highways that are constructed through the province. And then we want to turn around and do some comparables on the economic corridor that we've made reference to, calling it a bypass. So I want to start off with that.

So can I get from the minister and his officials the following information. The ministry provided us with information on kilometres of highway paved a few years ago, and I want to get basically an update on the most recent few fiscal years, in particular 2016-2017. Can the minister share with us in the committee how many kilometres were twinned? By that I mean the grade and pave. Twinned which . . . the grade. Twin, pave. The fourth item is resurfaced. The fifth is paved. And then the seventh category is grade and pave. And grade and pave with granular, and finally with grade.

So those are the areas that we would need indication as to what costs were covered for 2016 and 2017. So if you can share that information to me, that would be great.

Hon. Mr. Marit: — I can go back to like '13 and '14 and start from there and give . . .

Mr. Belanger: — We would need '15-16 and '16-17.

Hon. Mr. Marit: — '15-16 and '16-17?

Mr. Belanger: — Yes.

Hon. Mr. Marit: — Okay. Now this is in kilometres. For the national highway system in '15 and '16 actual, we did 37. The rural highway upgrades in '15 and '16, we did 150 kilometres, and repaving total we did 280 kilometres. Medium surfacing, we did 30 kilometres, and this is in 2015-16 also. And we did

preservation which is our seal coats; we did 407 kilometres in 2015-16.

In 2016 and '17, the national highway system, we did 29 kilometres. In the rural highway upgrades, we did 143 kilometres. In repaving total in 2016, 2017 we did 280 kilometres. And in 2016-17 medium treatments we did 435 kilometres. And in preservation, which is our seal coats and different types of surfacing, we did just under 800 kilometres; we did 791 kilometres in '16-17, and that was actual.

Mr. Belanger: — Just for the clarification and just to make sure that the request was totally understood, I want to share with the ministry the same document — and this is your document — and it explains exactly what cost that we're looking for, so there's no confusion around what exactly I mean.

So this was a document we received from the ministry that indicated the same questions I had as it pertains to construction and the cost attached to it. So there's no confusion in forwarding the information to us and updating this information. I want to share with the ministry what exactly they gave to me as a result of the questions around the 2014, 2015 year spending, so there's no confusion. So I'll share that with the committee members.

Now I want to, there's a couple of areas I want to touch base on in terms of the whole notion around the half a billion dollars we're spending this year on the bypass, which is 46.5 per cent of the budget.

[20:45]

We understand that the premise of a number of groups and organizations that continue to argue about . . . not so much now the route but the manner in which the bypass was built. I know Highways had a number of public meetings. There was report after report. There was a number of organizations that were not consulted on a consistent basis. There was a lot of folks that were, quite frankly they felt that they were ignored by the process undertaken, to the public hearings process.

And we listened to a lot of the different groups and talked to a lot of different people about what their expectations were and what their disappointment was. So I want to share with the minister that the Why Tower Road? group really has now crossed that bridge when it comes to the arguing of the route. They understand that 43.6 per cent of the project has been completed and that that particular cow has left the barn, so to speak.

On that note, they want now to go to the next level of accountability of what went wrong, where, so that this mistake is never made to people like them or worse mistakes made that the people of Saskatchewan, the taxpayers, will be paying for a lot of extra costs that they needn't had to pay for under this particular project.

Now we have been talking about probably what I would assume is probably the most difficult part of the land acquisition process: who does what, where, when, and how. And the argument around whether we negotiate a sale with somebody

that may be occupying a piece of land, who does the negotiations? And obviously it's a question of if somebody doesn't want to sell, then obviously the province has the option of forcing them to sell.

So I want to ask the minister, can you update us as to exactly how many landowners, since the northwest bypass began and right to where we are today, how many landowners were actually impacted by the . . . I don't want to use the word "bypass" anymore, but by the economic corridor. And is it 50? Is it 100? Is it 150? Could you update that number for us today?

Hon. Mr. Marit: — It's in the neighbourhood of 100.

Mr. Belanger: — I guess I would ask the next question, obviously. We indicated that there was, or you indicated and confirmed to a conversation here that there was 100 landowners impacted since we started the project to where we are to date. Of that number, how many of the landowners and what was the percentage of land that was buyer willing and seller willing versus the expropriation percentage versus how much of the land is being fought in the court cases that are still outstanding today?

Mr. Wagar: — Okay, so I think, as you know, the ministry acquired just over 2,100 acres of land from about 100 landowners, as the minister referenced. More than 50 per cent of those were willing seller, and then in terms of the requirement for expropriation was used on the remainder.

And I think you're familiar with the ministry having a fairly well-established process around property acquisition, and which it uses for all land acquisitions across the network, no different than the approach we used with the Regina bypass. If acquisition negotiations reach an impasse, that's the only time the ministry uses its authority to expropriate.

And this isn't before we go through a lot of efforts to work with the landowner, try to establish a market value through appraisals. There are many ways in which we come to land values as well using methodologies as defined in legislation and accepted case law. So we have a again well-established process that we use.

All compensation for land is based on the current condition of the property, not the possible, unknown future state. And that's always a challenge with dealing with landowners is, you know, coming to that agreed-to land price today, not necessarily what that land's going to be worth in the future. All compensation must be evidence-based, so any time that we're in that, that's why we used land appraisers.

And when it comes to the damages, the facts that the landowners are able to provide us to verify buildings on that property, improvements that they've made, even, you know, trees, things like that, we take all of that information into consideration, and we come up with the formula that we use to establish what the damages are. So the combination of the land value through appraisals and damages through the evidence that we're able to obtain from a landowner themselves.

Landowners are also entitled to compensation, as I mentioned, for damages including trees, fences as a result of the land

acquisition. And we'll work with the owner to determine evidence-based value for any damages. We even bring in experts on some of that stuff, agrologists for example, to help us understand what those values are.

Due to a variety of different factors, including MHI proceeding more quickly through procurement, increased real estate values due to development, and disagreement with MHI projects, the use of expropriation has been increasing. A lot has to do with, you know, in the past the ministry . . . A lot of land assembly that it had to do was largely due to, and generally speaking, acquiring land to do twinning. And a lot of times this was in rural areas so a lot of it was agricultural land and we're purchasing linear strips, which is in many cases a little bit easier to acquire with a little less impact in some cases.

More recently when we think of the last decade commodity super cycle, the growth of our economy, the growth of the cities, both Regina and Saskatoon, I think we referenced last night through our traffic demand model, we're starting to see increased population. We're starting to increase traffic. That's causing us to have to make investments closer to cities like the Regina bypass. And when you start trying to assemble land in quite a, at that time, very fast-paced, growing economy, even the appraisers were referencing . . . very difficult for them to value pricing, a value of land, just because of how quickly land values were increasing at a very, very fast rate.

I'm going from memory here, but I think land was doubling within a five-year period or even less. So it was moving very, very quickly and it was difficult for them to evaluate what the land values were, so . . . And again, we were doing it in close to urban areas where you have much different types of development compared to urban areas depending on zoning. It depended on whether you were inside of the city, was that parcel inside of the city, was it outside of the city, was that parcel service ready, was it still agricultural zone, was it industrial zone, was it commercial zone, was it residential zone — many different factors like that that the appraisers had to utilize to come up with land values, again with very escalating prices when it comes to the value of land.

So I think in terms of the process, you know, it's a well-established process. A hundred or so owners that we've had to work with to acquire the property, and more than 50 per cent of them we've been able to get willing seller, willing buyer, and the remainder we've used the expropriation process.

Mr. Belanger: — Are you able to share with us an updated total dollar value as a result of whether the land was expropriated or simply buyer willing, seller willing scenario? And have you incorporated . . . When you do the updating, the total amount of dollars we paid for land on this particular project, could you also explain the percentage of those that have settled out of court versus those that are currently going to court. I understand there is nine cases as a result of our discussions last night that are still going through the court process.

Mr. Wagar: — So just one point of correction I need to make when referencing 100 land owners. When I said 50 per cent, that's of the acres. It's actually 60 per cent of the owners that we've got willing seller with. So sorry about that. I just wanted

to make that correction.

About \$83 million is what we've paid for land in total at this point. Of the active claims that we have, again through the expropriation process the landowner has the option or the opportunity to file a claim with the court to have their compensation determined by the courts. Even though they file that claim, we still continue discussions with that landowner to work toward an agreed-to sale. So for the bypass, we have four claims for the bypass currently right now and five claims associated with the west Regina bypass. So that's the total of nine that we have.

Mr. Belanger: — So ministry documents say the total land costs or total cost of land acquisitions for the Regina bypass project is around 200 million. Was that the actual value as of March 31st, 2017?

[21:00]

Mr. Wagar: — So unless I misunderstood you, the original estimate for land within our budget was \$100 million, and we're currently at 83. So I thought I heard you say 200 million, but the original estimate for land was 100 million.

Mr. Belanger: — Okay, because I understood that was on the SaskBuilds website, that the cost was around 200 million. Now the reason why I think that information is really important is we need to know whether it's 100 million or 200 million. We need to get that figured out. And obviously we need to find out whether this includes the settlements, or the anticipated high range or low range as a result of the court cases that are going on now, and some of the practice around land acquisition.

A supplementary question to that is, do you have and can you share, on any typical road project — let's say the same distance of kilometres that the bypass involves — what would your typical land costs be as a percentage per kilometre in any other project or every other project? Is it comparable to what we are paying for the Regina bypass in terms of land costs?

Hon. Mr. Marit: — I think, in all fairness, you can't compare this project to any other project in the province, just because acquiring land around the city of Regina is always going to be an issue. Even realtors reported that the industrial land around Regina doubled in value from 2008 to 2013.

And just for comparison's sake, for numbers to land values in the province: in 2008 it went up 14.9 per cent. 2009 went up 6.9 per cent. 2010, they went up 5.7 per cent; in 2011, 22.9 per cent; 2012, 19.7 per cent; in 2013, 28.5 per cent; in 2014, 18.7 per cent; in 2015, 9.4 per cent. We've never seen these kind of increases in land prices in the province of Saskatchewan's history. So I don't think, it's not even close to a fair comparison on trying to extrapolate the land values.

Mr. Belanger: — Well obviously the Department of Highways would have history as to what the anticipated land costs per project, and I would even suggest maybe, amongst the many capable people within the finance controls of Highways, would be able to ascertain what the total cost for land acquisition would be on a kilometre of highway built. I'm sure they'd have that data.

And if you look at the Circle Drive project in Saskatoon, probably a pretty comparable distance and comparable challenge in terms of building the Circle Drive and completing it a number of years ago, seven or eight years ago. So it's not as if we haven't had experience in Highways in building a bypass around the city.

So my question was very simple. In the history of highway construction — and let's use Circle Drive as an example; the data is all in — what did Circle Drive cost us for land acquisitions for that particular project? I want to compare it to the Regina bypass project.

Hon. Mr. Marit: — We can't really compare to Saskatoon because that was a city of Saskatoon project. It wasn't ours. So there was no land acquisitions from us on that one.

Mr. Belanger: — Okay. Well I want to, I just want to point out if we look — and depending on who you speak with, whether it's SaskBuilds or whether it's Highways — there's a variety of costs attached to this project for land acquisitions. We're trying to find out exactly who sold what, for how much, and why was a certain price agreed upon.

So you know, in this particular committee, I think the importance is, we're going to ask the questions for the record. And it's really important and I would encourage the ministry to answer the questions, as people I think really want to know. We're going to ask the questions. We hope we get the answer.

But can I ask the minister today for a commitment to table a list of all the parcels purchased by the ministry for the bypass, when they were purchased, and how much was paid for those parcels of land and to whom?

Hon. Mr. Marit: — Respectfully, we have to respect the privacy of the owners, of the landowners, and we're going to respect their privacy. The total number we gave last night was around 83 million in compensation for land acquisitions. And we're going to have to go on record as respecting the private landowners' privacy on this issue.

Mr. Belanger: — No, we certainly anticipated that. The second question I have, was there any land bought for the bypass that has not been needed, or at this point do you anticipate not needing? Was there any of the land that you purchased that you didn't need?

Hon. Mr. Marit: — We don't know what will be left until the project is done. We anticipate there will be some left over, but we have no idea yet what that could be. The project, like I say, is only 40-some per cent. It's a long ways from being done.

Mr. Belanger: — Would you be able to perhaps share with us what portion of the land was being used for, say for example, gravel pits or storage of product needed for the highway or for the bypass, and also things like the borrowing pits? Are you able to share some of the information on that front?

Hon. Mr. Marit: — Yes, there is land that has stockpiles on it that the bypass contractors are using and also even for equipment. And at the end of, when the contract's done . . . We're still, you know, over two years away from the contract

completion, so we're a long ways away for them to . . . And you know, in talking to the officials, I mean they'll even move stockpiles from one location to another, even in places where now they're even using the right-of-way for stockpiles. So they're always moving those stockpiles around also.

Mr. Belanger: — In terms of the actual, the whole process of . . . In a project of that magnitude, you're going to have difference of land values. You're going to have difference of routes, as we've witnessed. You're also going to have difference of opinions on how, from the engineering perspective, this highway could possibly be done. And throughout the whole process to date, are you aware of any engineers on record either being fired or quitting the bypass project at all?

[21:15]

Hon. Mr. Marit: — As far as anybody from our ministry, no, there's been nobody let go.

Mr. Belanger: — Can you confirm whether Vinci has a large number or a small number of out-of-country workers employed at the bypass currently?

Hon. Mr. Marit: — I can't comment on that. I just want to comment and touch though that you've raised that issue on the number of Saskatchewan companies that are working on this project: 95 Saskatchewan local companies, and we're at 71 per cent of total local businesses doing work on this project. So we're very proud of that record.

Mr. Belanger: — Out of the \$2 billion price tag, what is the value that these contractors and subcontractors that you've just made reference to, what is their value of work on this particular project? Of the \$2 billion. I'm talking about all the contractors and subcontractors, and if you can share with me the full list of those contractors and subcontractors participating in this project and what the total value of services would entail.

Hon. Mr. Marit: — So just for clarification, you asked for the list of the contractors working on the bypass.

Mr. Belanger: — Right.

Hon. Mr. Marit: — Okay. The Saskatchewan contractors. The list is quite lengthy, so bear with me.

It's 4Refuel Diesel Supply out of Saskatoon; A&B Rail out of Regina; Aaron Taylor Kerry out of Regina; Abell Pest Control out of Regina; Acuren out of Saskatoon; Access out of Regina; Acklands Grainger out of Regina; Adjile Online Video Advertising, Regina and Saskatoon; All North Consultants out of Saskatoon; Alliance Pipelines out of Regina; Amec Foster Wheeler Crusher Control out of Regina; Anlin Welding & Steel Fabrication out of Regina; Apperley Electric out of Regina; Armada Homes out of Regina; Armtech LP out of Saskatoon; ASL Paving out of Regina; Aussie Welding and Manufacturing out of Holdfast; Banff Constructors Ltd out of Saskatoon; Bobcat of Regina Ltd in Regina; Brandt Industries out of Regina; Broda Construction out of Prince Albert; Carmacks Enterprises out of Regina; Cindercrete Products out of Regina; Clifton Associates out of Regina; CN Rail out of Regina; Colt

Electric out of Saskatoon; Consumers Co-operative Refinery Ltd out of Regina; Core Industrial Services LP out of Esterhazy; Cowessess First Nation, Cowessess First Nation; Crestview Chrysler in Regina; Croft Aggregates out of Pilot Butte; Curtis Metz out of Regina; Dart Services out of Estevan — it was steel piles; Duncan Enterprises out of Regina; Emsco out of Regina — equipment services; Express Cleaning Company out of Regina; Finning out of Regina; Flaman Sales out of Regina; Flame Fabricators, Emerald Park; Fraser Strategy Inc. out of Regina; Giesbrecht and Sons Cranes out of Regina; Golden Acres Tree Services out of Regina; Graham Construction here in Regina; Graham Pilings also out of Regina; Guardian Traffic, Regina; Harris Rebar in Regina; Helen E. Anwender, Regina; High Line-Jatec Venture in Regina — it was traffic signage; Hymark Services, Regina; Hundseth Power Line Construction out of Saskatoon — it was utility agreements; Inland Aggregates, Regina, which is sand and aggregate supplier; Inland Concrete, Moose Jaw and Regina — it was a concrete supplier; International Road Dynamics out of Saskatoon; John and Wilma McDonald out of Regina — lease agreements; JR's Welding Ltd out of Regina; Keller Foundations out of Regina; Kinder Morgan out of Regina, which was utilities; KMS Construction Ltd out of Tuxford; Knight Vision Inspections out of Regina; Kullman Engineering out of Saskatoon; Lafrentz Road Marking out of Saskatoon; Lonesome Prairie out of Saskatoon, aggregate supplier; Loraas Disposal Services out of Regina; Marksmen Vegetation Management, Regina; McDougall Auctioneers Ltd. out of Saskatoon; McDougall Gauley LLP, Regina, was legal services; McElhanney out of Regina, design; Neskor Cutting and Coring Services, Regina and Saskatoon, was concrete cutting and coring; NIS Contractor out of Regina; Noremac out of Saskatoon was equipment; Northern Strands Company Ltd. out of Regina was rigging supplies; Pavement Scientific International/PSI is out of Esterhazy and Saskatoon, was a sand and aggregate supplier; Plains Midstream out of Regina was utilities; Potzus Ltd out of Yorkton was road milling; Prairie Micro Works out of Regina was computers; Pre-Con out of Saskatoon was concrete barrier suppliers; Redhead Equipment out of Regina was the plant; Reinforced Earth out of Regina was MSE [mechanically stabilized earth] wall supplier; Regina South Pipeline, Bethune and Regina; Richards Transport, out of Regina, was equipment hauling and delivery; SMS Equipment out of Regina; Sakimay First Nation was fuel; SaskEnergy, Regina, was utility moves; SaskPower, of course Regina, utility moves; SaskTel, utilities; Spectra Energy out of Saskatoon was utilities; Supreme Steel out of Saskatoon was steel girder supply and insulation; Technical Workforce Inc., Regina, professional labour; Tetra Tech Inc. out of Regina was design services; Traditional Contracting out of Saskatoon was earthworks; TransGas out of Regina was utility moves; Urban Systems out of Saskatoon was design services; Vertex Resource Group Ltd., Regina, was utilities agreement; Wilco out of Regina was installation of piling work; and WSP Canada out of Regina was survey and three techs with CAD [computer-aided design] station.

So those are the Saskatchewan companies that we're proud to say are working on this project.

Mr. Belanger: — Okay, thank you for that list. Now could you give us a list of all those companies out of Saskatchewan that are working on this project?

Hon. Mr. Marit: — Yes. We don't have that list, but SaskBuilds probably would have it.

Mr. Belanger: — Right. So I'm to understand you have the list of the contractors working on the bypass that are from Saskatchewan, but as the Highways minister you don't have the list of people or the companies working on the project from outside of Saskatchewan. Is that correct?

Hon. Mr. Marit: — I don't have it with me here today.

Mr. Belanger: — Can you table that document with me within the next week or so?

Hon. Mr. Marit: — I would probably ask that you ask SaskBuilds for that list.

Mr. Belanger: — Well it is a Highways project, and I'm just trying to figure out . . . You've given us a list of all the companies that work in Saskatchewan on this project, or from Saskatchewan. And you were able to give me that list, provide that list to me just now. Now I ask the question, how about out-of-Saskatchewan companies? And you're saying, well I don't have the list. I don't have it with me now or go and ask SaskBuilds.

So I guess I'll have to reframe that question in a different way. How much of the \$2 billion we're spending on this project — you can give me a good guesstimate on a percentage basis — how much of that \$2 billion that we're spending will stay in the province of Saskatchewan?

I think what you were trying to do is impress upon me that you had a long list of contractors, and I want to know what the value of that work for the contractors as it relates to the \$2 billion price tag and as it relates to how much of this money is heading out of the province. That is what I would like to know. So are you able to share with me how much of the \$2 billion we're spending on this bypass is actually staying in Saskatchewan versus leaving our province and leaving our country?

[21:30]

Hon. Mr. Marit: — You have to understand that the agreement is with the Regina Bypass Partners and those subcontractors have all signed contracts with the Regina Bypass Partners. We are not privy to those contracts as anybody would be as to what those amounts are and what percentage of the contract those companies have. That's a contract between Regina Bypass Partners and the individual contractors.

Mr. Belanger: — One of the interesting things that I bump into from time to time is I see the Regina bypass, they've got these white trucks. You see them all throughout the city now and then, and some of them are parked at gas stations. Some are at hotels. I'm assuming that they're staying at these hotels, but a lot of these vehicles have Alberta plates on them.

Now I'm just trying to figure out, okay, we have a Regina bypass decal on their door. We have Alberta plates, and they're parked inside what I'm assuming is where they're staying at, at the hotel. So I'd like to know from the perspective of representing Saskatchewan's interests, we're paying \$2 billion

on this project, \$2 billion, and I'm just trying to ascertain here through questioning, the line of questioning, how much of that is going to really benefit Saskatchewan.

Because this project involves, I think it's 54 kilometres of highway around the city of Regina. We're paying \$2 billion just on the project itself. Never mind the service delivery; never mind the interest charges. I'm just telling you it's a lot of money, so I think we have to know from you as the minister . . . Well there must be somebody within the government that knows how much of that money is staying here in the province for the good of the people of Saskatchewan.

Hon. Mr. Marit: — The contract was tendered as the Regina bypass project and that's what the ministry looked at. And the contract was awarded to the Regina Bypass Partners, and the components of the contract within that are what they negotiated with the contractors to move dirt, to do everything else.

I want to make it very clear; this is a lot bigger than 54 kilometres of highway as you've just stated. You've heard one of our senior ministry officials last night talk about the integration of 12 bypasses and the detail of working with and constructing those and 33 bridges.

And this is a lot more than 54 kilometres of a twinned highway. This is much bigger than that, and that project is that magnitude. This is a design-build P3 [public-private partnership] project with the partners, and we have to respect as a ministry the confidentiality of those contracts within the design-build partners.

Mr. Belanger: — Well this is the challenge that we see from the opposition. Certainly I think there's a lot of folks out there that have a million questions on the process attached to this particular project — \$2 billion, largest infrastructure project in the history of Saskatchewan as it pertains to highways. And you can't fault people for having all kinds of questions on this one. There's a lot of questions from a lot of people.

And the Saskatchewan people are paying \$2 billion. As a province, we're all going to pay that. Taxpayers are paying. They are responsible for that. And they want to know what benefit are we getting for our companies, for our people, and for the future based on \$2 billion. And that's a pretty fair question. That's a pretty fair response from them as it pertains to this project.

But it kind of confuses myself and confuses others in the province when you come along and say, well here's the list of the Saskatchewan-based companies of whom we're all very proud of, as everybody's proud of their Saskatchewan-based companies, that are working on the bypass project. Then I turn around and ask you, well how about the out-of-province companies that are doing that particular work on the bypass project? And you say, well that's somebody else's responsibility.

Well I think people have to know. If you're able to provide me a list of people from Saskatchewan that are working on the project, it should be just as easy to find a list of companies that are working on the project that are not from Saskatchewan or not from this country. And that's part of the frustrating process

that people are finding when they ask questions about this bypass project.

So you're saying to me today that you don't have a list of the companies, or you don't have it with you. Which is it? You don't have it, or you don't have it with you right now? Or is it somebody else that has that information? I would like clarification, please.

Hon. Mr. Marit: — I don't have that list.

Mr. Belanger: — All right. So the question I would ask is, on the contractors scene, on the contractors that you've identified — this is Saskatchewan-based contractors — you don't need to write me the list, but give me the percentage of which are involved with construction versus a service delivery, like the provision of fuel or accommodation services, that kind of thing. Are you able to break down those costs for me, construction versus other costs attached to building that highway?

Mr. Wagar: — So in terms of your specific question, SaskBuilds has the list of the contactors both in and out of province. We've brought the list of Saskatchewan-based contractors. So SaskBuilds has the total list. We know that about 70 per cent of them are Saskatchewan-based. The process . . . We went through a competitive process to select the contractor himself. SaskBuilds led that process. The ministry entered into a contract with Regina Bypass Partners, as the minister referenced.

The subcontractors and the relationship between the Regina Bypass Partners and the subcontractors, we don't have the insight into how that relationship, what that looks like and what money's going where. That's pretty standard practice. We enter into the contract with our contractors. Their subcontractors, we don't necessarily know who they're using and how much money is paid to each one of them. We deal with the total project and the delivery at the end of it.

When we went through the competitive process, the P3 approach was chosen. And when we did the value-for-money analysis on all this project, what it returned back to the province was just shy of 400 million, I think about \$380 million, in terms of going this process compared to a traditional design-bid-build process. So there is value that's being returned to the province in terms of bottom line and using this model.

There's also significant benefits with a project that, once it's delivered . . . what we talked about last night: the safety elements and safety benefits associated with having a facility like we're going to have with the many interchanges for the communities — Balgonie, White City, Pilot Butte — to be able to utilize interchanges to access the Highway No. 1; rerouting Highway No. 1 out of the city of Regina, the travel time savings associated with that; tremendous benefits to Saskatchewan citizens, not only during the construction period but also after when we have an operational facility.

So we appreciate the concerns in terms of Saskatchewan-based participation, but we have to respect the competitive process we went through, the bid process, the selection of the P3 proponent — in this case, the Regina Bypass Partners — and we're certainly appreciative of them sharing their contractor,

subcontractor list with SaskBuilds.

Mr. Belanger: — Thank you very much for the question. I would also ask that in the process of building this \$2 billion project, was Highways involved in any way of determining and ensuring or working on a guarantee of any sort of percentage of benefit for the people of Saskatchewan? Was there any of those type of negotiations that Highways themselves . . . Because it is deemed a Highways project. It's the largest ambitious highway infrastructure project in the history of Saskatchewan. Was Highways as a department privy to the process to ensure that there was maximum benefits for the people of Saskatchewan?

Mr. Wagar: — So in terms of the question, I think again I'd reiterate we went through the competitive process. All of the criteria in the RFP [request for proposal] laid out what the criteria was that we were evaluating on. That process was led by SaskBuilds so everything that was being looked at, what was being evaluated, and how it was scored, was being led by SaskBuilds. The input that we had was mostly around the design inputs into that, to set out the tender documents so there was some parameters as to what we were looking for from a design perspective.

[21:45]

But I wanted to maybe have Dave talk about . . . because your question I think is around, again, the benefits to Saskatchewan citizens, and I just wanted Dave to touch a little bit on kind of where the benefits come from beyond the savings with the procurement process, and the value for money when we're looking at using this process, saving ourselves close to 400 million. On top of that, using this process leveraging another 200 million from the federal government into the province. So we want to make sure that the benefits really start to come from when the infrastructure is built. That's where the benefits are to the people of the province for generations to come.

Mr. Belanger: — Just before we go to Dave, I just want to just make a supplementary comment to the whole process as I perceive it from here. One of the key things is that, as I looked and I read into the record the highway and the Regina Bypass Design Builders 101 document, the process began in May 1st, 2016, where we pay an interest payment of 5 million with a principal payment of \$3.33 million for the month of May 2016. That's where the process begins.

It ends at the end of 2046. At the end of 2046, we are paying \$492,544,000, so roughly \$492.5 million in interest to the Regina bypass design-build team whom I'm assuming includes Vinci. But we're also paying a principal payment of \$1.2 billion. So just to the Regina builds design team, we're paying almost \$1.7 billion in interest and principal costs. So \$1.7 billion gone. It's going to this company, according to these documents.

And when you look at the P3 project, if memory serves me correct, I think the federal government of the day came along and said, if you guys go through a P3 project process — we're talking about the Saskatchewan Party government — I think the amount that they put in place was 200 million, if memory serves me correct. So on a \$2 billion deal, the federal government came along to the Saskatchewan Party and said,

look, we'll give you 200 million bucks, but let's make it into a P3 deal. So what happened was the \$200 million wag of the tail in Ottawa contributed to us putting \$1.8 billion on the table for this project. So you look at the \$200 million, what was put in front of us for P3 — I think the prime minister at the time was Harper — and said, we'll do our part for the Regina bypass but we want to make sure it's a P3 deal. Here's 200 million. Well \$2 billion later, we're still stuck in this P3 deal.

And then you throw in the land costs. You say 100 million, but we're getting the figures from SaskBuilds. They say 200 million. Well between the federal government's contribution of 10 per cent of the project and 10 per cent for land costs, clearly this is the case of the tail wagging the dog because those 20 per cent in costs are basically telling the dog what to do with \$2 billion worth of Saskatchewan money.

So over the process, it's very clear that we're going to ask as opposition, well do we as opposition say, okay, the P3 cost is there. We're paying \$1.7 billion. And not only does this P3 developer get to charge us interest on this project, but they get to build it. And of course, in the build of this thing, there are significant dollar values attached to the actual construction of the site. That's why we ask these questions: which companies; and how much of the benefit is staying in Saskatchewan.

And the third shot they give us is that we want to maintain the project. So all through the process, maintenance of the bypass goes to out of country. Construction and build and design around the bypass is controlled by out of country and out of province. The benefits — interest payment included; 1.7 billion — is going out of province.

And then about the only place that we could see that the Saskatchewan government had any influence on was around land sales. And so we say, well what was done there? And that's why we ask all the questions on the process of Highways as it pertains to whether you are buying them from willing partners or really whether if the land is being expropriated. And what process did you use? What process did you use? And which assessor or assessment tool did you use? What appraisal companies did you use? Because about the only place that I see the Saskatchewan Party government have any influence on this front was around the land purchase component of this where there is actually two ministries getting involved in buying land. The Ministry of GTH was in the business of competing with you guys on land acquisition and this is why we're in court today. There's nine cases that are pending and six have been settled out of court.

So as the opposition we're saying, oh my goodness, you've given pretty much \$1.7 billion to a company out of country? They decide who they're going to hire and who's going to get the benefits of the construction, but they also have the maintenance. And in the meantime we're sitting here as parties in the province of Saskatchewan arguing over location and design and also arguing over how you bought the land. So \$2 billion of taxpayers' money is gone to some country overseas.

We've got a bypass that's overpriced and, some still argue to this day, in the wrong location. But we're not going to belabour that point. That's the reason why we ask very specific questions around this bypass. And there's a lot of folks that aren't going

to let this go. They are not going to let this go and there's a lot of questions.

Some are of the mindset that, this happened to me and I want to make sure it never happens to anyone again, of how they were treated and how they were maliciously treated and almost threatened with expropriation. And at the end of the day the cost for land moved up. The minister made reference to that cost.

Well I think the auditor was basically saying, why did Highways announce out of the blue that this where the Regina bypass route is? Because in essence you opened up the government and thus the people of Saskatchewan to speculation of land. That's what happened. And then when all heck broke loose, the auditor made the report. And I quoted the auditor's report and I shared with the minister what the auditor said.

And so what does the Sask Party government say? Oh, we made a mistake; we'll never do it again. But guess what, folks? Too late. The money's paid out. And certain people made good money. Certain people made some really good money.

So I want to kind of summarize what I think the bypass project really is all about.

One point seven billion is going to a country or to a place overseas, to a country overseas. It's not staying here. We're paying that. The cost to construct that bypass is decided by a country overseas. But guess what? We're paying that. The increased land values and the speculation of land and the irresponsible position of announcing where this bypass was going increased the value overnight of that land where many speculated and many benefited, and guess what? The taxpayers are paying for that cost. And today we're asking about the benefits specific to that project for Saskatchewan, and Highways is unable to give us an answer, as most of this stuff is housed under SaskBuilds.

So this is the reason why a lot of the people out there are of the mindset that they lost the battle on the route. Some of these people lost the battle on the route. But what gets them really angry is that neighbours were treated radically different when it came down to the value of land, not just a few years apart, but a few kilometres apart. And they want answers so it never happens again. That is the crux of their argument, and why there is so much anger. And that's why we had 15 court cases settled — six out of court, but nine pending — because they felt they were untreated fairly, and now they're going through the legal process.

This is not going to go away. I think once the people of Saskatchewan find out the details on how this was mismanaged right from day one, then I think there's going to be a lot of anger, a lot of anger that will be expressed over time.

Two billion dollars, there's a lot of questions attached to that. And I for one, Mr. Chair, I think that spending \$500 million on the Regina bypass alone, from this year's Saskatchewan Highways budget, I think it accounts for 2 per cent of all the demand out there. And the 98 per cent of the people that don't live next to the Regina bypass, well they have to wait for a number of years to see any kind of construction or improvement

to their highway system. And that's the unfortunate problem when we sit here and look at how the Regina bypass evolved over the life of the Saskatchewan Party government. So I think my final question would be, Mr. Chair, is I would, I asked a question of the minister and Mr. Stearns was going to give me an answer. I look forward to that answer.

The Chair: — Thank you. I'll just remind the committee we have about three minutes left so I'll give the minister or officials the last chance to answer any or part of that question, keeping in mind we have just a few minutes left.

Hon. Mr. Marit: — I don't know if there was a question in the member's statement. I just want to close by this, Mr. Chairman. I think we believe the project is a great project for the province of Saskatchewan — 8,200 jobs connected to the Regina bypass of workers living and raising families here in this province. And we're proud of that. We believe that it was obviously a project that had to be completed and done if we want to grow the economy of this province and that one of the biggest factors of all, Mr. Chairman, is this is going to save lives. This is going to unconditionally save lives, and you can't put a value on that.

We're seeing the growth on the east side of the city of Regina to numbers we never expected. And if you talk to the mayors of White City, Pilot Butte, and Balgonie, they're very appreciative of this project and what we're going through.

We have opportunity for economic growth in the GTH, and we've seen that already, companies looking to locate there. And this project was all part and parcel of economic growth, and it also gives opportunity for manufacturers and industry in this province to value add or to grow their business here in the province of Saskatchewan.

So I take great pride in this project and the work that's being done on it. We know that in 30 years we are going to have an expressway around the city of Regina that will be brand new. It will be maintained and refurbished, and we will, at the end of the 30 years, we will have a brand new expressway. And I think that's all part and parcel.

But there's a significant number of companies that are doing business here, and I know I have had discussions with some of them and even with the Cowessess gas station out there where the Regina Bypass Partners are getting all their fuel, and they're very grateful to that company doing business.

And so I want to take this, also thank the Provincial Auditor for the thorough review of our land acquisition process. And we're very proud of it and we've honoured all the recommendations that she made, and we've fulfilled those recommendations also, Mr. Chairman.

So with that, I will close. I will thank you and thank the committee members. But first and foremost I really must thank the ministry officials here that have been here and supported me in this process of budget estimates, and I want to go on record of thanking all of them for the work that they do on behalf of the province and behalf of the Ministry of Highways. So thank you, Mr. Chairman.

The Chair: — Well thank you very much, Mr. Minister. And I

would like to echo that on behalf of the committee. Thank you for appearing the last few nights, and your thoughtful and thorough answers and the work you do on behalf of the people of the province. We've reached our agreed-upon time for adjournment so I need a member to do that. I'll recognize Mr. Bonk. There's no shortage of members willing to see that happen. So Mr. Bonk has moved that. Are we all agreed on the motion of adjournment?

Some Hon. Members: — Agreed.

The Chair: — That is carried. Thank you very much, committee members. We will meet back here, or in the Chamber, we're not sure when, but next meeting will take place on Thursday, May 4th, 2017 at 1:05 p.m. We'll see you then. Thank you.

[The committee adjourned at 22:00.]