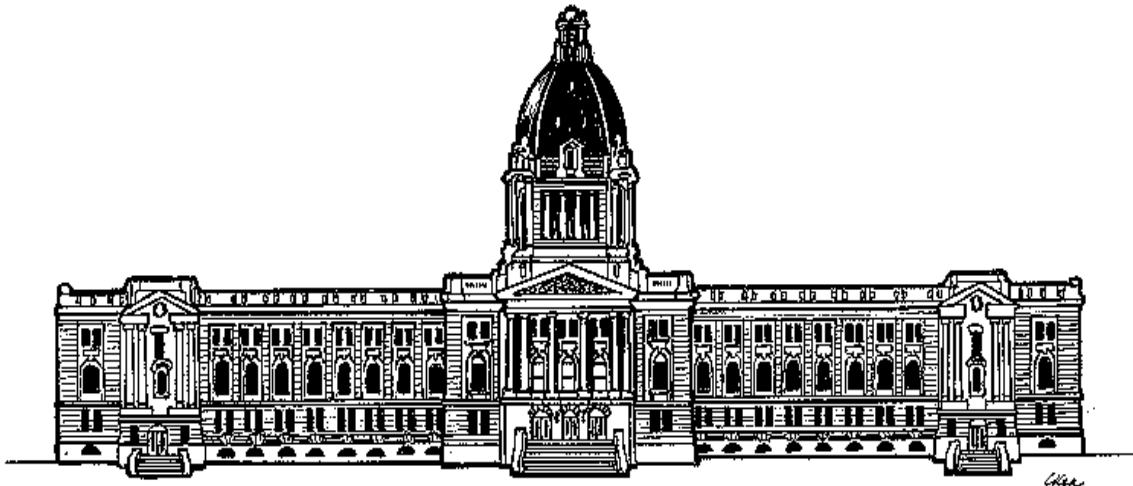




# **STANDING COMMITTEE ON INTERGOVERNMENTAL AFFAIRS AND INFRASTRUCTURE**

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**STANDING COMMITTEE ON INTERGOVERNMENTAL  
AFFAIRS AND INFRASTRUCTURE  
2006**

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[The committee met at 15:28.]

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

**Subvote (HI01)**

**The Chair:** — Okay. I'll convene the Committee of Intergovernmental Affairs and Infrastructure. We have rather a late start at our business this afternoon. The business before the committee is the consideration of the estimates for the Department of Highways and Transportation. I recognize the minister and ask the minister to introduce his officials.

**Hon. Mr. Lautermilch:** — Thank you very much, Mr. Chairman. And I do apologize for the lateness of the start of the committee. It is due to some work that I had to do at the press gallery on an issue within my purview.

And so I'll begin by introducing my officials. Seated to my immediate right is John Law, deputy minister of Highways and Transportation. And beside Mr. Law is George Stamatinos, who is the assistant deputy minister of policy and programs division. Seated to my right is Terry Schmidt, the assistant deputy minister of operations. And behind us on the right-hand side of the table is Ted Stobbs, who is the assistant deputy minister of co-operative service division. And to his left is Mr. Tim Kealey, the director of corporate support branch for the department.

Mr. Chairman, if I can I would just want to share with the committee some brief opening remarks and then we can move into more pointed questions from members of the committee.

Mr. Chairman, I am pleased to have the opportunity to discuss estimates for the Department of Highways and Transportation. The department budget for this fiscal year is \$345 million. This is the largest budget in the department's history and it represents a 15 per cent increase from last year. And before we get into the details of the budget I'd like to use this opportunity to talk about the big picture in terms of transportation.

In the spring of 1997 the provincial government made a major commitment to invest \$2.5 billion on highways and transportation over a 10-year period. The 2006-07 budget marks the 10th and the final year of this commitment. And I am pleased to report to the committee that we have not only met this commitment, we will exceed it by \$293 million.

We've made record investments in Saskatchewan's highways and roads. But as this 10-year commitment draws to a close we're looking at, I would say, a renewed approach — an approach that recognizes the changing patterns of Saskatchewan's transportation needs and the best way to align our network for economic prosperity into the future. To meet these challenges I'm proposing Transportation for Economic Renewal, a multi-year plan.

First, some background. Transportation is an enabler, possibly the primary enabler of economic development. As Saskatchewan's most export-dependent province, our prosperity now and into the future is very much linked to transportation.

Exports generate nearly 70 per cent of our GDP [gross domestic product], with the output of the province's key industries destined for markets outside of Saskatchewan.

There has been unprecedented growth and diversification in Saskatchewan's economy in recent years in areas of energy, of mining, of forestry, manufacturing, processing, agriculture, and tourism. And it really has and truly strained the capacity of our transportation network and changed patterns of economic activity. New trade and travel corridors have emerged with others experiencing traffic that was not anticipated even five years ago. Truck traffic is increasing at the rate of 11 per cent per year. Now this presents a challenge to preserving and maintaining the system in a sustainable manner.

There are other challenges. At present 80 per cent of the highway traffic runs on 20 per cent of our system. Targeting preservation on the most heavily travelled highways can have serious consequences for regional pavements, gravel, and TMS [thin membrane surface].

On the other hand by concentrating on what is, geographically speaking, the bulk of the highway system, we may hamper our ability to support economic development. Saskatchewan communities, businesses, and urban municipalities are calling for highways improvements to secure their economic competitiveness. The continued diversification of the provincial economy, while beneficial to the province, has created a misalignment of the provincial transportation system.

Saskatchewan's transportation system exists largely of a highways network that was constructed in the 1950s and '60s to support primary agricultural production. This system must be realigned to become a truly integrated multi-modal network that enables a modern and a diverse economy. It is in this context that we have developed Transportation for Economic Renewal, a multi-year plan.

This strategy will have a profound impact on economic development in the province by realigning and renewing transportation infrastructure. It is consistent with the province's economic strategy of building a green and a prosperous economy, as well as the provincial rural development strategy, and it takes into consideration the fact that many of the federal government's infrastructure programs, like the Canada strategic infrastructure program, will expire by the end of 2007. Federal officials have expressed interest in new funding agreements that are consistent with our objectives, and I'll be watching closely to see what steps are taken to make this a reality.

So now let me tell you about the three components of our transportation strategy for economic renewal. They include investing in northern economic infrastructure, investing in rural economic corridors, and investing in urban economic connectors.

Saskatchewan has already taken initiative on the first component, investing in northern economic infrastructure. Roads to Prosperity, the northern economic infrastructure strategy, was announced by Premier Calvert last fall in his three pillars in building northern prosperity. These include building a legacy through northern capacity building, providing a strategic

northern road system that serves the economic development and social needs of northern Saskatchewan, and three, ensuring northern and isolated communities have reasonable access to transportation services to advance their social and economic development opportunities.

Saskatchewan has committed \$65.5 million over the next five to seven years to achieve the goals of Roads to Prosperity. This investment recognizes the fact that northern Saskatchewan is blessed with an abundance of natural resources. There's record exploration taking place in the mining of uranium and rare earths, forestry, tourism, commercial fishing industries. Our goal is to support that development.

The second component of Transportation for Economic Renewal, investing in rural economic corridors. The department has developed a framework for expansion of primary weight corridors. This framework will guide an expansion of the primary weight highway system to allow industry to haul heavier weights, resulting in more hauling efficiencies. This will provide connectivity and efficiency for the growing oil and gas sector, manufacturing, forest development, value-added agricultural, mineral extraction, and it will link the province to international markets.

We will also improve strategic economic development routes. This work will be targeted to corridors where the existing highway is not at a standard consistent with the level of investment occurring along the corridor.

The third component of our strategy is investing in urban economic connectors. This component integrates economic transportation corridors with urban transportation mobility to ensure seamless and safe connectivity through urban areas.

The department is developing a policy and investing framework consistent with our legislative authorities, using the level of provincial interest in urban highway connectors to guide decisions on these matters. Together the department and urban municipalities have identified four key areas — safety, economic development, corridor continuity, and traffic congestion.

Implicit to Transportation for Economic Renewal is an understanding of the link between transportation and economic development. This strategy recognizes our challenge and how we must adapt to meet the needs of a changing provincial economy.

We anticipate receiving input from the province's area transportation planning committees on which project should be prioritized under our renewed strategy. Our ATPCs [area transportation planning committee] are a vital resource for the department, and we look forward to working with these groups into the future. In moving forward on the strategy of renewal, we will however face some challenges.

Because of weather challenges over the past two years, we're dedicating significant resources from this year's budget to catch up on twinning Highways 1 and 16. We want to do our best to be in a position to meet our commitments of completion by 2007. In addition we're experiencing significant inflationary pressures. The price of crude oil skyrocketed in 2005 from just

\$35 US [United States] a barrel to over \$65 a barrel in one year. Now 71, \$72 is not uncommon.

There's perhaps no other industry that's as significantly impacted by increases in oil prices as our partners in the road-building industry. And no government department is as significantly impacted as Highways and Transportation. From the fuel required to power our equipment fleet that does highway surface repair in the summer and clears snow and ice in the winter to the asphalt products that are used by road-building industries to pave our highways, we're feeling the effects of volatility in the oil and gas sector. And this significant budget increase will help to offset those effects and position us to meet our twinning commitments.

With that, Mr. Chairman, I would be pleased to answer any questions that the committee might have on this year's estimates, in the subvotes that are in our Estimates book. Thank you very much.

**The Chair:** — Thank you, Mr. Minister. I'd just like to draw to the attention of the committee that we have . . . Mr. Weekes is substituting for Ms. Draude today. And the consideration before the committee is vote 16, Highways and Transportation. Mr. Weekes.

**Mr. Weekes:** — Thank you, Mr. Chair. Welcome to Mr. Minister and to your officials. If you pardon the pun, we have many kilometres and many roads to travel and if we reach a fork in the road, I plan on going down both of them and discuss all issues concerning Highways and Transportation.

Just to start off, just out of question period today there were some questions about the RM [rural municipality] of Porcupine and the flooding up in that area. There's a number of roads and bridges washed out, I understand. What is the Department of Highways, what is your role in helping that area as far as roads and bridges? Have you done an estimate of the cost that's involved in reconstructing those problems in that area?

**Hon. Mr. Lautermilch:** — Thank you very much. Mr. Weekes, obviously the pressures on the infrastructure in that area of our province caused by nature and an unusual amount of moisture has been a challenge I guess for the municipalities, for families, and for communities. And as we work on the provincial infrastructure, we design for culverts that would give you a 1 in 25 year I guess flood opportunity, as I understand it. But there are circumstances in some years when there's an unusual amount of water and the system can't manage it.

The municipalities are obviously responsible for municipal roads. The Department of Highways would be then responsible for the provincial infrastructure. Our department officials work very closely with the local engineers and the local officials and this is certainly no different in this circumstance.

I think it might be helpful if I would ask Mr. Schmidt to give you maybe a more detailed overview of the work that has been happening and the interaction that's been taking place between the department and the local communities. So then I would turn the floor to Mr. Schmidt for his more detailed response.

**Mr. Schmidt:** — Thank you, Mr. Minister. What Highways

and Transportation does, the role we play at the rural municipalities is, we have engineers on staff that are dedicated to work with the municipalities to assist them on engineering expertise on issues around road construction and road maintenance.

So I believe some of the RMs have actually in some cases declared a disaster. In that case they will be working with provincial departments such as Corrections and Public Safety to determine if there is some assistance that can be provided for roads reconstruction, bridge reconstruction, culvert replacement due to flooding through the provincial disaster assistance program. And then our engineers will assist the municipalities in putting together cost estimates, putting together designs to put the culverts back in, to replace the bridges, putting the tenders together to undertake that work.

So that would be the role we will be playing. At this point in time a lot of the municipalities are still just assessing their damage, as the waters are still receding so there's some areas that they haven't even been able to get to. So as the waters recede and the areas dry up, our engineering staff will be working with the RMs, assisting them in putting together an assessment of the damages and the options to replace that, and costs associated with the replacement.

**Mr. Weekes:** — Thank you. Does an RM have to actually declare itself a disaster area in order to get funding for disaster assistance? And what share of funding will come from the province to a particular road or a bridge or project that is needed to be rebuilt?

**Hon. Mr. Lautermilch:** — Mr. Weekes, I'm told by my officials that they do have to declare a disaster area in order to qualify for provincial funding. That funding is not under the purview of the Highways and Transportation department but rather under Corrections and Public Safety who are responsible for that allocation under our budget.

**Mr. Weekes:** — Thank you. Just some general questions from the budget document, page 16. The highways and transportation capital — infrastructure rehabilitation, \$42.168 million. Could you just describe what that money is used for? And the increase in the budget, where is that going to be allocated?

**Hon. Mr. Lautermilch:** — Mr. Weekes, could you maybe clarify which budget allocation item. I think you said page 16. Did you mean under vote 16 or . . .

**Mr. Weekes:** — The Saskatchewan provincial Estimates, page 16, schedule of capital investments.

**Hon. Mr. Lautermilch:** — Mr. Chairman, that item number is in the amount of \$42.168 million. It is for infrastructure rehabilitation that includes pavement resurfacing, bridge restorations, which are major contracted repairs. It provides for structural restoration and rehabilitation of paved highways and bridges by using contracts. And I guess this would probably be preservation of most of our highway system. It will resurface in this year about 285 kilometres of highways at a cost of 39.9 million. It will deal with 189 kilometres on the principal system and 96 on the regional system out of that 285,000.

With respect to bridge preservation, that has been increased to 2.289 million in this budget which compares with 1.889 million in '05-06. I am also told that the infrastructure rehabilitation subvote was decreased by \$1.313 million or 3 per cent as a result of reallocation to routine preservation activities.

The inflationary costs in this amount, as I had indicated there were some costs that we have had to budget into this year's budget — increases in labour, contractor, material — that increase is budgeted in amount of \$4.4 million. I can give you other information if you would like with respect to full-time equivalents, the number of employees. I have those available.

The last year, '05-06 subvote had 198.7 FTEs [full-time equivalent]. There were 29.3 in infrastructure rehabilitation and 169 in infrastructure enhancement. The FTEs in '06-07 are down to 183.5 as a result of reallocations to routine preservation activities which are also in vote 17. And that actually I guess better reflects the utilization amongst the different capital programs that the reallocation will show.

The reallocation is as follows. There's 56.5 in infrastructure rehabilitation and 127 in infrastructure enhancement. So that is what is within the \$42.168 million under subvote 17.

**Mr. Weekes:** — Thank you, Mr. Minister. So this is basically for resurfacing thin membrane highways across the province, this budget?

**Hon. Mr. Lautermilch:** — No, this is for resurfacing the paved highways, the principal and regional highways system. This is not for thin membrane. That's under a different subvote.

**Mr. Weekes:** — Which brings me to the Highways and Transportation capital highways and bridges budget. What is that money allocated for and does the thin membrane highway fall under there?

**Hon. Mr. Lautermilch:** — Mr. Chairman, I'm told by the officials there's a capital allocation infrastructure enhancement under vote 17. But as well there is a vote under subvote 16 that deals with thin membrane. And my officials are looking those up now so we can give you a description of them.

So on vote 17, the infrastructure enhancement, this particular vote is going to be improving 643 kilometres. There will be 39.9, resurfacing 285 kilometres of provincial highways. There will be an investment of 11.3 million as part of the PGRP, the Prairie Grain Roads Program, on 47 kilometres of TMS which will be brought to a paved standard under that program.

In addition to that 11.3 million there will be \$4 million that will go towards Highway 8, Highway 13, Highway 21, 26, and 45.

There will be \$3 million to complete the rehabilitation of the northbound bridge over the North Saskatchewan River of the Battlefords.

Under this subvote as well the department will be investing \$80 million that supports traffic safety. These are TMS improvements, intersections, relocations, and twinning projects.

There will be an expenditure of 65.5 million to develop

economic development initiatives, as I've indicated, as part of this.

Overall the province will invest 226.12 million, which is a 16 per cent increase, on highway construction and surface preservation. That compares to 194.87 million that was planned for '06.

In this amount the highways and bridges budget has increased by \$19.447 million. And the strategic partnership program, under the strategic partnership program, road construction has decreased by \$1.85 million as a result of the decrease of the number of new partnerships for '06-07.

And I could take you to page 1 . . . or that's our document. I would have to find the page number for you that deals with vote 16. This is in the amount of 84 million 734. This is the TMS preservation program has been increased by \$3.408 million from . . . increased by \$3.408 million or 18 per cent — 18.914 million to 22.322 million. And we think that under normal conditions this would alleviate a lot of the circumstances that the TMS roads are facing.

**Mr. Weekes:** — I may have missed, but how many kilometres? You stated the number of dollars that are going to be spent. Could you tell me how many kilometres of road are going to be resurfaced and thin membrane highways and those types relating to the amount of money spent?

**Hon. Mr. Lautermilch:** — Okay. Mr. Chairman, I'm going to answer this in two parts. Under the Prairie Grain Roads Program we will be converting 47 kilometres of TMS road to a paved standard. The other component of that, and I haven't got a kilometre breakdown here, but we'll be injecting \$22 million on TMS roads and that's on 6,500 kilometres, Terry . . . [inaudible interjection] . . . So there'll be \$22 million going into the other 6,500 kilometres of roads.

**Mr. Weekes:** — Are there any highways going to be reverting back to gravel?

**Hon. Mr. Lautermilch:** — Mr. Chairman, and Mr. Weekes, there are some circumstances where for safety reasons it makes more sense to convert TMS road back to gravel on a temporary basis because the maintenance just can't be kept up with. An example of that would be Highway 35 which was converted to gravel temporarily. Now we're focusing on converting it back to a dust-free surface in consultation with the municipalities. We work, as you will know, very closely; the department works with the municipalities. So for the interim until we could find the wherewithal to resurface it to a dust-free condition, there was some reversion in some areas back to gravel.

Now I would assume that we'll continue to find spots where for safety reasons it would make more sense to temporarily revert to a gravel condition. I think you'll find that to be the case in some areas this summer. But it's certainly not part of a program or a plan by the government to convert TMS to gravel. We would obviously prefer, as is evidenced by the fact that we're improving 47 kilometres and upgrading that to a paved standard this year on 47 kilometres of road, that would obviously be our preference. And I think as I indicated as well in my opening remarks, the nature of change in terms of utilization of our road

system and the pressures created by economic development in some areas are in some ways driving those conversions and where those conversions take place.

So yes there will be some circumstances where we'll be reverting to a gravel condition on a temporary basis, but obviously the goal is to ensure that we have dust-free surfaces where we can.

**Mr. Weekes:** — Thank you, Mr. Chair. So you're saying that there's going to be no permanent conversions of paved highway to gravel road.

**Hon. Mr. Lautermilch:** — As I said, Mr. Weekes, I mean there is no program to permanently convert TMS roads to gravel. But I think it's obvious that when safety is a factor, it would make more sense to do that on a temporary basis.

Now when we would be able to return a conversion to a dust-free surface is more difficult to determine. But I think it's fair to say that we would work with municipalities and work with our area planning committees to help us and determine what their priorities are, based on what they know about development and the growth of their economy in their region.

**Mr. Weekes:** — Thank you. You mention Highway 35 and since you brought that up I'll continue with some questions around Highway 35. And I am assuming you're referring to the area, about a 30-kilometre stretch from the American border north.

That was an issue I believe last year, where trucks were turned back at the border because of the dirty condition of the trucks and the American authorities turned the trucks back and requested that they be cleaned off. Could you give me an update on the status of that construction or paving project and how long, how many years before it will be completed?

**Hon. Mr. Lautermilch:** — Mr. Chairman, the history of Highway 35 is as outlined by Mr. Weekes, that it was a TMS pavement structure. There was a lot of heavy truck hauling on that road. And in the fall of '04, the department contracted the rotomixing of the existing failed TMS to a gravel surface.

In 2005, 3.5 kilometres of that road was converted to a structural pavement. I believe there's about 3 kilometres that are scheduled for restructuring in the 2006 construction season, so at that rate my officials tell me that it would take in the neighbourhood of another two to three years to complete the resurfacing of Highway 35.

**Mr. Weekes:** — Thank you, Mr. Minister. Mr. Chair, considering, as you stated, the amount that highway's been used — heavy-haul loads, the importance of our trade corridors to the United States — it seems rather incredible it's going to take another two to three years to complete that project.

When this whole issue was brought forward by the member from that area, certainly everyone in the area and truckers and the industry were very, very concerned obviously when these problems develop at the border. And it seems at that pace, especially with the amount of money that your government has to spend this year, increased budget to the Highways

department, that very export-sensitive corridors like this, that would have a higher priority than what you're stating. And I'm just basically asking you to reconsider and get these very sensitive areas to the point that it doesn't affect our export relations with our friends from the south.

**Hon. Mr. Lautermilch:** — Thank you, Mr. Chairman. Obviously the member and we would like to see an acceleration of the upgrading of Highway 35. The department, when they were prioritizing their capital and their resurfacing and upgrade projects, had a number of different highways to look at. And I would want to say that the 24-hour border crossings that are at the base of Highway 39 and 24-hour crossing at the base of Highway 6 as well, both of which roads have received capital injections for upgrade to ensure that those corridors are serving truck traffic well.

There have been substantive investments made in both Highways 36 and 39. Obviously as I said, we would prefer if we could do and have completion of Highway 35 done this year. But we have to make choices and those are the choices that we've made in the past. We've done and made some progress as I've indicated last year, in '05. This year again another 3 kilometres as well as continuing to work on corridors like 39 and like 6.

I would mention other pressures that have surfaced. You will know, and it's been in the legislature and it was raised with me at the SARM [Saskatchewan Association of Rural Municipalities] convention, the condition of Highway 8 north of Redvers. We have allocated funds this year for an upgrade of some 17 kilometres. There's another 17-kilometre stretch that we would obviously like to move forward on, but we have to do it in the confines and in the context of the budget allocation that's allowed to us.

And I would only make this point with respect to the overall conditions, economic conditions of the province. We're obviously pleased that we have incremental revenue to be able to deal with our highways infrastructure and to be able to deal with our schools, our hospitals, and all of the pressures that people's requirements will put on a government.

Having said that, even those resources are not unlimited and there is a bottom to that pot. And we have not put surplus dollars into a bank vault and hid them away so as not to be able to create some improvements to our highway system. That money has been spent out. It's been spent out on health care, education, increases in the Highways budget. It's been spent out paying down debt reduction which is I think also important.

So it's a matter of maybe not being able to do everything that one would want to do in a given year. And one has to make choices. Governments do, families do, and businesses do. And these are some of the choices that we've made. But obviously Highway 35 is a priority of the government as well as it is for the people who live in that area and, you know, who trade across the border from that area.

**Mr. Weekes:** — Thanks, Mr. Chair. Well, Mr. Minister, I respectfully disagree with your government's priority concerning Highway 35.

I'd like to go on to the next item, Highways and Transportation capital strategic rural roads partnership program. The budget has been reduced considerably. Could you explain that program and why the decrease in funding.

**Hon. Mr. Lautermilch:** — Mr. Chairman, the strategic partnership program budget is somewhat changed from last year. The allocation is down 14.8 per cent. That's an \$850,000 variance — 5.75 million last year, 4.9 million this year under the strategic partnership program. Under that program \$3.5 million will be spent on road management initiatives and 1.4 million will be spent on construction partnerships. The department has now committed, through partnering with 51 communities or municipalities, on 35 projects to manage traffic on 742 kilometres of low-volume highways.

As well the department has worked with 56 partners on 36 initiatives to manage traffic on 774 kilometres of low-volume highways in the past between 1999 and 2005. The aggregate cost from those years, those six years, is just under \$50 million at \$48.3 million. The fund is mainly targeted to working with municipalities, industry, and First Nations to address again rural thin membrane, TMS surfaces.

**Mr. Weekes:** — Thank you, Mr. Chair. To the minister, I don't quite follow why there'd be a dramatic decrease when there's such a demand on thin membrane highways and partnerships with communities. I know many communities are looking for construction of various projects. Could you explain why the decrease.

**Hon. Mr. Lautermilch:** — Mr. Speaker . . . or Mr. Chairman, I'm in the wrong forum here — my goodness. I'm coming back to committee here, Mr. Weekes.

Mr. Chairman, the officials described to me that the partnerships that were, I guess, more apparent when this program started were probably easier to spot, easier to determine. And the number of those partnerships has, as I indicated a little earlier here, been more difficult to find and therefore have decreased.

Now there are two areas of cost in the partnerships. The initial one would obviously be capital by, you know . . . within that partnership, as the relationship. And as the road has been built, it would then turn to maintenance which is a much less requirement, less capital intensive. So what may appear to be a decrease may in fact be a shift in what we're doing. Because obviously when you're doing your initial capital outlay, you demand a bigger dollar and then when you're looking at maintenance, the allocation may in fact be less.

Within the department's budget it's not uncommon for dollars to be shifted from maintenance to capital and capital to maintenance. It's one of the flexibilities that the department has. So the numbers that are in the Estimates book don't always reflect the activity and the level of activity.

And let me give just two examples here, I guess, under the strategic partnership program. In '05-06 the aggregate amount here is \$5.75 million — and as I said, down to 4.9. Road management in '05-06 was 2.5 million. In '06-07 it had increased to 3.5. Road construction has decreased from 3.25

million to 1.4 million, so obvious that the focus on road construction under subvote 17 in '05-06 has decreased dramatically. But then road management has increased quite substantially as well. Another \$1 million has gone into management, although there is a decrease in capital. So what I'm saying about shifting between capital and maintenance happens as a result of the activity that you involve yourself in. And so those numbers will show a pretty dramatic percentage change that's actually reflected on activity that's taken place over a period of time and a shift from capital to maintenance.

I mean, I think we'll probably see . . . I'll give you another example of where I would expect we're going to see pretty dramatic changes. We've allocated huge amounts of capital on both Highways 1 and 16 in terms of our twinning programs. It's obvious that at some point in time as we complete those programs, the allocations under which those roads were twinned — the capital line — will be shifting. And I would suggest you would see, because you've got an incremental amount of roads in terms of maintenance — ice and snow removal and crack filling and whatever the department does — you're going to see that maintenance budget and the subvote under which those roads are maintained increase pretty dramatically over a period of time.

So that's when I talk about shift and sometimes the numbers in the book don't really reflect the activity. It just reflects in the difference of what you have to do in order to maintain the roads.

**Mr. Weekes:** — Thank you. So you're saying highway . . . the twinning of Highway No. 1 and 16 are part of this budget item.

**Hon. Mr. Lautermilch:** — I'm sorry, Mr. Weekes. If you could repeat your question. I was attempting to absorb some information from my deputy.

**Mr. Weekes:** — In your explanation you mentioned Highways No. 1 and 16 and I just asked you, is the twinning of Highway 1 and 16 part of this budget item?

**Hon. Mr. Lautermilch:** — No, it's not part of this subvote. I was only using that as an example of how under different subvotes the numbers will shift from capital to maintenance.

**Mr. Weekes:** — Thank you. What is the agreements or the partnership program? What share of funds are put up by the province? And I'm assuming the balance is put up by RMs. Would there be anyone else other than a RM that would be included in this partnership program?

**Hon. Mr. Lautermilch:** — Mr. Chair, I'm going to ask Mr. Schmidt to give you examples of partnership agreements and how they're put together and what the different requirements would be. I think he'd be much more capable than me in describing that level of detail.

**Mr. Schmidt:** — Thank you, Mr. Minister. We have several different arrangements we enter into with different partners with the municipalities. The first type is the road management type of agreements. And these are typically the ones the minister referred to as the haul route management agreements whereby we'll work together with municipalities and we'll determine a

designated heavy-haul route on the municipal system that we will then put the trucks onto and in turn weight-restrict the TMS portion of roadway so to find an alternative heavy-haul route.

Then based on the savings that we come into from the reduced maintenance on the TMS because there's no weights on it, we take those savings and we determine with the RM the incremental cost of maintenance on the heavy-haul route because they now have the additional weights. And we compensate the RM for those incremental hauls so it's cost neutral to the RM. So that depends on the traffic volumes, the type of road. But it's typically reviewed every year on an annual basis. And it tends to be a per-kilometre allowance for that incremental maintenance. So that's how it works on those agreements.

The other type of agreements we have with municipalities is construction agreements to upgrade TMS highways. And again those are each done on their own individual business analysis whereby the partners can bring various things to the table including administration of the contract, aggregate sources at reduced cost. In some cases they are bringing some money to the project, or equipment. So every one is unique in the partnerships, and every one is based on its own merits and its own business case.

**Mr. Weekes:** — Thank you for that. And, Mr. Chair, just on that point. Is there a standard amount of subsidy or funding to these projects? I mean when an RM applies for a particular project, can they count on so many cents per . . . or dollars per kilometre, or how is that arrived at?

**Mr. Schmidt:** — For the haul route management agreements, as I mentioned, we work together through municipalities to determine what the existing costs are on that haul route. And then we make some determination on what we anticipate the additional costs will be. And then on an annual basis we review that to ensure that it is a cost neutral to the municipality, and as well that it is still cost neutral to the taxpayer in that the savings realized from the TMS are at least or maybe more than the incremental cost of the haul, so that we can maintain the dust-free route for the light vehicles and provide a better level of service on that route, at the same time not costing incremental dollars for the taxpayers or local ratepayers to put the heavy-haul route on the municipal routes.

**Mr. Weekes:** — Thank you. Does Highway 35 to the American border, would that apply? Is there a partnership program concerning this highway when you mention dust-free routes? That's what we're trying . . . your government is trying to do as far as make Highway 35 a dust-free route. Is there a partnership in place for that stretch that's under construction?

**Mr. Schmidt:** — In the case of Highway 35, no. The department is undertaking that work 100 per cent as their own project right now. There has been no indication from the municipalities or willingness to partner on that project.

**Mr. Weekes:** — Thank you. I'd just like to go on to the next item, Highways and Transportation equipment storage buildings. There's an increase in the budget for that. I assume this is . . . equipment storage buildings means section shops and those types of issues. Why is there an increase in the budget



item? And just maybe elaborate on what areas that this budget item refers to.

**Hon. Mr. Lautermilch:** — Mr. Chairman, there are three facility improvements in '06-07. Carlyle, that will be in the range of \$1 million. In Yorkton, the vehicle inspection station, there will be an expenditure of 325,000. In Spiritwood there will be 150,000. That is an aggregate of \$1.475 million. Added to that will be a carryover from the facility in Meadow Lake, a carryover of \$233,000 which is based on contractor progress. So the carryover is 233. This year, new allocation, 1.475 which gives you a total of 1.708 million which is a bit more, I guess, than the 1.316 million from '05-06. And that's what accounts for those numbers and how we got there.

**Mr. Weekes:** — The next item under machinery and equipment, Highways and Transportation, ferry machinery and equipment, a doubling of the budget. Could you explain that budgetary item please.

**Hon. Mr. Lautermilch:** — Mr. Chairman, that's \$106,000 for replacement of the ferry towers at St. Laurent and Lancer ferry crossings.

**Mr. Weekes:** — Thank you. The next item is airport capital, no funding for the last two years. Could you explain the situation there.

**Hon. Mr. Lautermilch:** — Mr. Chairman, I'm going to ask Mr. Schmidt to outline the program for us and what the . . .

**Mr. Schmidt:** — The airport capital program is work that we do under the airport capital and assistance program which is a federal program that several of our airports qualify for in the North. And there are certain criteria that has to be met with scheduled flights and other criteria. And this year we did not qualify for any projects under the ACAP [airport capital assistance program] program so that is why the funding is at zero this fiscal year.

**Mr. Weekes:** — Could you explain what the funding goes towards? Is that for paving of airstrips in the North, you said, or does it apply to southern airstrips as well, municipally owned airstrips? Could you elaborate on where the funding would go to if there was an application?

**Mr. Law:** — Mr. Weekes, we'll be happy to get you the details. It's a federal program. The general criteria that the federal government uses for financial assistance for the program is that the airport has to receive regular air service. There has to be regularly scheduled air service in and out of the airport that is not . . . Charter service for example wouldn't qualify. And so there are airports of a certain size with this criteria applied to them that our airports here in Saskatchewan would have to meet.

One of the arguments we have been making with the federal government at federal-provincial meetings is that we're interested in having the ACAP program applied in Saskatchewan to recognize a regularly scheduled charter service, which would then bring a number of additional airports as eligible under that program and which we think is a reasonable provision within the spirit and intent of the federal

program.

So what we will do is we'll get you some additional detail which we don't have with us here on precisely how those definitions are used by the federal government for qualifications under the ACAP program. And as I say it's within the general provisions of that criteria that I've just described for you, that there are some additional details that we're not immediately familiar with but we can provide for you.

And that's just the background to what we have been arguing on behalf of some of the smaller Saskatchewan airports in terms of the potential to qualify for funding from the federal government.

**Mr. Weekes:** — Thank you. I look forward to that information. Mr. Chair, to the minister, I'd like to refer you to page 162 of the Estimates book that I have. It's lending and investing activities in Highways and Transportation vote 145, loans for short-line railways (HI01). Could you explain that expenditure, please?

**Hon. Mr. Lautermilch:** — Mr. Weekes, as you will know the development of the short-line system in Saskatchewan, one never knows when a proposal will come forward nor when one will come to maturity. And this isn't for any specific short-line. What it is, is a budget allocation for us to be able to supply loans to a short-line company or a short-line association — whatever entity it might be — if they were to come forward. So it's just in anticipation of a request for loans.

**Mr. Weekes:** — I don't know if I follow, but so this money isn't designated for any particular item. Could you explain last year's \$800,000, I believe? Could you explain what that money was spent on or if it was spent?

**Hon. Mr. Lautermilch:** — I'm going to ask Mr. Stamatinos to respond to that. He's our short-line railroad guru here.

**Mr. Stamatinos:** — Yes, Mr. Weekes, the money that was spent last year was really towards the purchase of Great Western Railways. And what that amounted to was really . . . The way the program is structured, there's money that comes from a special allotment that is co-managed by SARM and SUMA [Saskatchewan Urban Municipalities Association] and ourselves. And we have a group of folks that make a recommendation based on distance plans that are submitted by interested parties who have taken the trouble to organize themselves to develop a short-line operation.

The amount of 800 . . . I believe 880,000 was really the provincial share. So the province matches the amount that's set aside from what is called the Canada agri-infrastructure program years ago. That money was reserved, roughly \$3.2 million, for the acquisition of short-lines. So the province matches that amount up to total of 32 per cent.

**Mr. Weekes:** — Thank you, Mr. Chair. Now when you say 32 per cent provincial share, I mean the province has taken ownership stake in this railway. Is that what you meant?

**Mr. Stamatinos:** — It's a interest-free loan that would go to the . . . Sorry, my apologies. It's an interest-free loan that would

go to assist those operators to acquire a line.

**Mr. Weekes:** — I see. So that would be a loan guarantee as well?

**Mr. Stamatinos:** — No, well actually we actually provide them the actual money . . . [inaudible interjection] . . . Right.

**Mr. Weekes:** — The government is actually providing the money interest free and to be paid. What's the terms of repayment?

**Mr. Stamatinos:** — Terms of repayment is it's an interest-free loan, and they have to repay it within 15 years.

**Mr. Weekes:** — Fifteen. Thank you. I'd like to, Mr. Chair, turn it over to my colleague from Moosomin for some questions that he would like to ask.

**The Chair:** — Mr. Toth.

**Mr. Toth:** — Thank you, Mr. Chairman. Mr. Minister, over the past number of years the province has set up and have been working with, I believe what you call transportation authorities — southeast, northeast, southwest.

And about three, four years ago discussing highways down in the southeast area, I believe the priority at that time for the southeast transportation authority was Highway 48. Now there's been . . . work has been done and completed from No. 8 through to the Manitoba border, and it looks like it's holding up very well and certainly is a significant improvement to what was there. This past summer which was a bit of delay, we actually got into some grading. Unfortunately weather played a major role as some real concerns with whether or not the grading was packed well enough to hold up to the surfacing.

And I guess the question I have, Mr. Minister, what are the plans in regards to 48 completion of that section from No. 8 through to No. 9 which would include . . . I believe the grading is now completed, or finalizing the grading, surfacing and resurfacing from Wawota to No. 9?

**Hon. Mr. Lautermilch:** — Thank you, Mr. Toth. Mr. Schmidt will give you some of the details of the work that's taking place there.

**Mr. Schmidt:** — Thank you. Yes, as you mentioned, we've been working together with the local municipalities there in a partnership, and we have accomplished completion of Highway 48 from the Manitoba border to 8. So we're continuing to work on that partnership. The grading contract from the junction of Highway 8 to I believe Wawota, as you mentioned, was tendered, and unfortunately the contractor didn't get there till later in the year, so it's been carried over with the intentions of completing it this year.

And what will be left then in the partnership will be two projects where we will be submitting for consideration in the 2007 budget for surfacing of that project from Highway 8 to Wawota. And then subsequently as funding allows, we'll be submitting in the budget as well for completing the surfacing from Wawota to Highway 9.

**Mr. Toth:** — So as I understand this year will just be . . . The attention will be given to the completion of the grading and ensure that any spots, any soft spots that may show up are dealt with and certainly are firmed up. I think that's certainly a good policy. I know talking to councillors in the area and mayors, that was one of the concerns. As we start getting surfacing and if the road hasn't really settled, it may create a problem. In fact we're seeing it right now with some of the heavy haul that's taking place, and we'll get into that in a minute.

So when we're . . . you mention the surfacing of No. 8 to Wawota in '07. Are you also anticipating continuing on and resurfacing right through to No. 9 because that . . . from Wawota to No. 9 is really becoming . . . Well 48 just outside of Kendal right now, there's a soft spot in there that's really breaking up. And that area from No. 9 to Wawota has certainly been a mess for the last couple of years. What are the plans to get that . . . I understand that's part of it, but what are the plans to get that resurfaced and repaired?

**Mr. Schmidt:** — Sorry for that. I just wanted to confirm the work that we are doing, and I want to clarify that the work that is being done on Highway 48 from Fairlight to east of Wawota will include surfacing as well. So it will be part of the contract to complete the surfacing as well on that 10 kilometre project.

And then the remaining section of Highway 48, to complete that quarter between Highway 8 and 9 between Wawota and Highway 9 of course would be, as I mentioned, considered for work in 2007 to complete that partnership that we have in place with the local municipalities.

**Mr. Toth:** — Now is this, as far as the partnership, is this meeting the original understanding and agreement? My understanding was that the endeavour was to complete within five years and this is about . . . we've now, I believe, we're well into three or four years down the road. And it was my understanding that we'd be . . . to No. 9 and then from No. 9 through to Kipling and have that all completed within the five years. It seems to me we're falling behind here.

**Mr. Law:** — Mr. Chairman, the member is correct that we are behind schedule on this initiative. The circumstances that we've found ourselves in here is that the program, such as they were approved in our agreement with the federal government for Prairie Grain Roads, is that the federal government capped their program such that we ended up in the circumstance where there was a surplus with some of the inflationary pressures that all capital projects that we've been trying to manage have experienced in the last few years. And consequently we've had to go back in a number of these partnership agreements and talk about rescheduling the time frames — not by choice but by necessity — in terms of the availability of federal funding.

As a result, the province has been left as the sole financial supporter of the remaining work and have therefore had to make some provisions, even after our financial commitment, in terms of absolute dollars, was provided to these projects. We've had this shortfall that we are endeavouring to make up, and we're trying to do that with the co-operation of the communities who we've been partnered with to do that.

**Mr. Toth:** — Thank you. Mr. Minister, when we talk about

these federal Prairie Grain Road programs, a couple things. First of all, the minister made a comment earlier, and I guess this is something that's been on the back of my mind too as we look at the completion of twinning on No. 1. There's no doubt the significant dollars that will certainly be freed up, although we all know that there's some surfacing that's going to have to be maintained and kept up till we fall behind. But that certainly should give something to work with.

But I guess the other question is, is there any indication that the federal government is looking at renewing this agreement? Is prairie grains recognizing the need for modes of transportation systems and networks throughout the province?

**Hon. Mr. Lautermilch:** — Mr. Toth, you know I appreciate your comments. And I think we've been encouraged at the officials' level by some of the discussions that have taken place. You know, it seems the difficulty with many of these programs, the federal government always seem to want to put absolute dollars. And at the end of some of these programs, it creates some pretty difficult circumstances for us.

You mentioned the twinning program, and so I'll just say a couple of words about that. You know, every kilometre you build, your maintenance budget requires a bit more attention. And we're hopeful that the new administration in Ottawa will work with us in terms of a national infrastructure program that will not only deal with the capital to construct, but that will put in a maintenance quotient as well.

And you know, I think I'm going to ask Mr. Law to elaborate a little further on that. But just to close by saying we're encouraged by what we've heard at the officials level and obviously it'll take more discussions. But we're quite hopeful that we can see the federal government, the national government, move forward. It appears to be the priority and a priority of Prime Minister Harper. And so I'm certainly hopeful that we can bring it to a positive conclusion. Mr. Law.

**Mr. Law:** — Maybe just a couple of additional comments. The first one regarding the comment concerning the ability of the department to reallocate funds at the conclusion of the twinning program. I would simply indicate that that is a part of our longer-term strategic plan that any capital room that might be created by virtue of the completion of those capital projects on No. 1 and 16 would be retained within the department's budget and reallocated to some of the priorities that we would see within the provincial system generally. And so I can say that is a conscious part of our go-forward strategy in terms of looking after this.

With respect to the minister's comments concerning the receptivity of the federal government to discussions about a renewal of the Prairie Grain Roads Program. As the member is likely aware, we will see the expiration of the significant federal programs that we've had the benefit of participating in over the last number of years, including the twinning program, the PGRP program to name two, that we believe have been significant in where there is an obligation that we would see as a result of some of the intermodality changes — as a result of some of the federal policy programs concerning railways in particular. And so we have reopened discussions concerning our interest in a renewal of the Prairie Grain Roads Program, or a

new version of the Prairie Grain Roads Program, including some of the commitments that we are continuing to try and meet of the sort that you mentioned in your question.

This is one of three sort of priorities that the department has established on a bilateral basis for negotiations, something to replace or deal with the shortfall on the Prairie Grain Roads Program, which is consistent with our interests in rural corridor development.

A second area is in the funding we are looking for in terms of the northern economic infrastructure program where we are hopeful for some progress with the federal government.

And the third is that we have recently signed off on a renewed national highways system agreement with the federal government, provinces and the federal government. What we haven't done is received any indications as to how funding might be dealt with. But there have been commitments to include rehabilitation and the expanded routes which include some new highways in our province as part of the commitment that would be considered as part of that program.

**Mr. Toth:** — Thank you. Mr. Minister, can you give us any idea when we might see the completion of the grading and surfacing of 48 through to the community of Kipling, so that that major artery is really open to tourism, and well its access to Kenosee highway and . . . Kenosee Lake. There's certainly, even this year, just the weather conditions have certainly created a problem between Kipling and No. 9. And also can you give me an idea of what you may be doing on Highway 47 this year?

**Mr. Schmidt:** — As far as the portion of Highway 48 from the junction of 9 to Kipling, we're currently working with the local municipality, managing that through a haul route agreement whereby we are using, I believe it's grid 709 or a municipal road to put the heavy-haul route on — which allows us an opportunity to provide for better maintenance on the weight-restricted portion of Highway 48. And with the increased TMS funding that we have for this year, we anticipate we'll put more money on the TMS roads to strategically repair and strengthen some of the weaker spots that tend to reoccur and cause trouble.

So the plan for now is to continue to maintain that haul route management agreement and to target some additional funding on to some of these TMSs to ensure that we can maintain them as a dust-free, good route for the light traffic, the tourism traffic to continue along that corridor; the whole Highway 48 corridor.

**Mr. Toth:** — Thank you. And I am asked about 47 as well. I'm not sure if you happen to have that handy.

**Mr. Schmidt:** — Is there a specific portion of 47?

**Mr. Toth:** — South of No. 1.

**Mr. Schmidt:** — Okay, Highway 47. Several years ago, as you may be aware, we upgraded Highway 47 from Highway 48 south toward Stoughton under the Prairie Grain Roads Program. We upgraded that to a grid road standard. And the portion of Highway 47 from Highway 48 to Highway 1, we're currently

working with local municipalities. And there's been some agreement there to sign, I believe it's grid 616 for heavy truck route. And we want to continue to work with municipalities to try to manage the roads in the area. There's Highway 47. There's several other parallel routes — 617, 616, some other main farm access roads in close proximity there — where we want to continue to work together with the local municipalities to manage that in the best way possible with the resources we have.

So that would be our plans, to continue to work toward some type of haul route management agreement in there, to have routes for the trucks, and at the same time maybe be able to determine what would be a good route for more of a long-term dust-free route.

**Mr. Toth:** — Thank you, Mr. Minister. I know we could get into more discussion on that, but for the time being I'll have to work with that. However I do have one question I do want to get into.

As we are upgrading No. 48 Highway, and your department's quite well aware of the heavy-haul traffic on there with the lumber moving out of the Kenosee park down to Fairlight. And my colleague and I actually had the privilege of sitting down with the southeast transportation authority in Carlyle last fall discussing ways of approaching CN [Canadian National] to actually allow the haul up to Langbank, because the old Pool siding is still sitting there. It hasn't been torn up. It would be an ideal location. It's already on a heavy-haul. It gets the heavy traffic off 48.

And Parrish & Heimbecker moved into the area and put a seed cleaning plant up, and actually have been looking for 25 cars every two weeks, which when the manager called looking for his cars CN says, we've never delivered that many cars in a month. And they said, well maybe you haven't in the past but maybe that's why you didn't get . . . It's not that the grain wasn't here; you just didn't deliver it.

But I understand they're actually starting to get those cars. And a 25-car grain haul would actually really open up the door for the amount of cars that would be needed for that logging purpose on a two-week period. I'm wondering, Mr. Minister, if the department's aware of any further progress or any involvement in regards to this log haul and getting it moved off 48 up No. 9 to Langbank.

**Hon. Mr. Lautermilch:** — Mr. Toth, I appreciate your comments and we have been made aware of this issue to a degree. And if you would be willing to bring your thoughts to us we'd be more than willing to put this forward to see if we can find a solution because obviously we need to use the infrastructure available to us to our advantage and it would appear there may be some opportunities here to move this forward. And I would undertake to give you the commitment that we would . . . The department will work with you. And we can work through my office or Mr. Law's office if you care to give me a call.

**Mr. Toth:** — Okay.

**The Chair:** — Mr. Weekes.

**Mr. Weekes:** — Mr. Chair, thank you. Just before we wrap up, Mr. Minister, a couple of things. Before we meet the next time could you or your officials supply me with a breakdown of highway improvements, construction, resurfacing in each of the different . . . by the region in your department? And if you could go back, could you go back three years?

So, Mr. Minister, since we started a half an hour late, I'd like to pick up this extra half, the half an hour lost, at another time we meet. We're going to meet a number of times in the future, and I'd appreciate to get my full allocation of time in. And at this time I'd like to thank you and your officials for answering the questions.

**Hon. Mr. Lautermilch:** — We will make that information available to you. And I wouldn't want to see us miss the opportunity to pick up that extra half-hour either. So what we'll undertake to work with the chairman to reschedule so that when the media encumbers us in the way it did today, we can reallocate and readjust our time and make this a fruitful encounter. Thank you.

**The Chair:** — I thank the members of the committee. Before we adjourn, I'll bring your attention to a package of information that was passed out by the Clerk earlier in our process. It's a package of regulations that we will be dealing with tomorrow. So if the members wanted to brief themselves between now and then on the regulations, we'll be setting a portion of tomorrow's meeting aside to deal with the regulations.

With that, now being after 5, the committee stands adjourned.

[The committee adjourned at 17:05.]