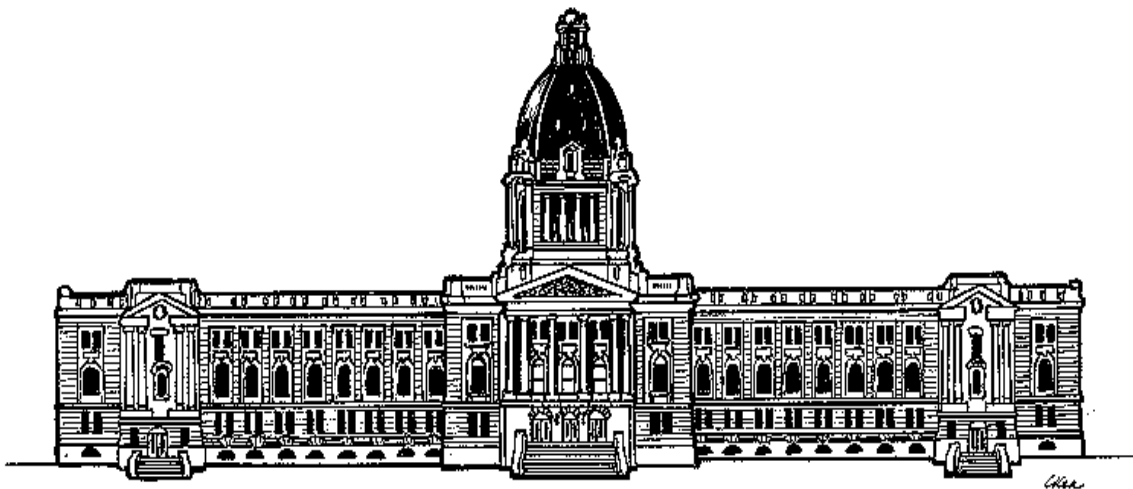




# **STANDING COMMITTEE ON THE ECONOMY**

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## STANDING COMMITTEE ON THE ECONOMY

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Ms. Jennifer Campeau  
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Mr. Larry Doke  
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Mr. Bill Hutchinson  
Regina South

Ms. Victoria Jurgens  
Prince Albert Northcote

[The committee met at 14:58.]

**The Chair:** — Being near 3 p.m., I'll call our committee to order. Joining us today are committee members Larry Moe, Fred Bradshaw, Jennifer . . . Pardon me. Larry Moe, pardon me. Larry, yes . . . Scott Moe, pardon me. Scott Moe is filling in for Jennifer Campeau. And Larry and Victoria Jurgens and Cathy Sproule. And who did I miss?

This afternoon we have a number of items. Actually this afternoon and evening, the committee has a number of issues that we'll be dealing with.

And we're going to begin with the Minister of Agriculture. And we will resume consideration of vote 1, Agriculture, central management and services, subvote (AG01). I invite the minister to introduce his officials and give his opening remarks.

**General Revenue Fund  
Agriculture  
Vote 1**

**Subvote (AG01)**

**Hon. Mr. Stewart:** — Thank you, Mr. Chair, and committee members, Ms. Sproule. I'm pleased to be here today to continue our discussion on the Ministry of Agriculture's estimates for 2014-15.

With me this afternoon I have Alanna Koch, deputy minister; Rick Burton, ADM [assistant deputy minister], policy; behind me, Karen Aulie, ADM, programs; Shawn Jaques, CEO [chief executive officer] and president of Saskatchewan Crop Insurance Corporation; Jeff Morrow, vice-president, operations at Saskatchewan Crop Insurance Corporation; Ray Arcsott, executive director, corporate services; Wally Hoehn, executive director, lands; Scott Brown, executive director, policy; and Tyler Lynch, chief of staff.

I don't want to take up too much time with any kind of a rambling intro, but before we begin I just want to take a minute to address two outstanding issues from our first appearance at estimates.

First I'd like to answer a question Ms. Sproule raised about \$600,000 funding to Ag-West Bio. The 600,000 to Ag-West Bio was made up of two areas of funding. Approximately 400,000 was funding to support commercialization of the agricultural bioeconomy in the province, which is the core work of Ag-West Bio, and the remaining 185, 185,000, was for advisory and logistical support for the establishment of the Global Institute for Food Security. In the initial development and set-up of GIFS, Ag-West Bio acted as part of the working group to get the initial memorandum of agreement in place.

I'd also like to clarify a response in regards to federal pastures and non-reversionary land. Ms. Sproule asked a question about which federal pastures had non-reversionary land in them, and we provided a response that said six pastures had non-reversionary land: Excel, Fairview, Ituna, Keywest, McCraney, and Newcombe. I would like to add that Lone Tree and Wolverine also have non-reversionary land. We missed

mentioning these two in our first meeting.

I'd like to say that I appreciated the tone and approach of our first meeting, as I always do with Ms. Sproule, and I look forward to continuing our discussions this afternoon.

**The Chair:** — Thank you, Minister. We'll now take questions from the floor, and I recognize Ms. Sproule.

**Ms. Sproule:** — Thank you very much, Mr. Chair, Mr. Minister, and thank you for those updates on that information. I appreciate that response. I knew Lone Tree was supposed to be on the list, but I didn't know Wolverine, so that's good to add to the record.

The first question I want to raise today comes from our discussion the other day as well, and it's about the report that KPMG did for the ministry. And they're looking at, I understand, it's a partial benefit cost analysis in terms of the bang for the buck, so to speak, that we put into research and development. And I was looking at their executive summary, and I'm just going to read. Near the end they talk about some of the weaknesses. It looks like there's a lot of really strong things happening, but there are some weaknesses. And I believe it's on page 7 of their executive summary. And I'll just read this paragraph. It says:

There are a few weaknesses apparent. The only major one, at least based on PBCA [or the partial benefit cost analysis], is that the livestock/forage area does not appear to be performing as well as the crops/environment areas in terms of translating R&D into practical economic impacts, although the reasons for this are unknown.

So that's my first question is have you done any, any work around that to determine why the R & D [research and development] isn't performing as well in that area?

And then the second point they made is, I'll quote, it's, "A more minor sector-based weakness is that few substantial economic impacts in processing or value-added areas were found, although the potential here is equally unknown."

So that's the end of the quote. So there's two questions there. One is why, you know, have you done any work to understand livestock, forage R&D isn't performing as well, and secondly in the processing of value-added areas.

**Hon. Mr. Stewart:** — Well thank you, Ms. Sproule. The livestock and forage piece is . . . We recognize that that part is lagging the crop side a bit. And you know, accordingly we're working with the U of S [University of Saskatchewan], Western Beef, producer-led forage network funded by \$75,000 to help support and coordinate research efforts.

We think that probably in the past that maybe this area has been left behind, and we're trying to put more effort into it and play a little bit of catch-up. But it's easy for the livestock sector to be sometimes overlooked a little bit in Saskatchewan where the crop side of agriculture is so big. So we're trying hard to catch up with the livestock and forage piece. On the value-added piece, that is a focus of ours is to try to increase value add in the

province. I think we're at \$4.2 billion a year now in value added, most notably canola crushing, and it's our goal to raise that to 6 billion by the year 2020. And accordingly efforts have been under way on all of our trade missions to try to attract investment into that sector in the province. And as recently as last week, I spent most of the week in and around Toronto doing just that with a number of companies there. So we recognize those weaknesses in the program, if we can call them that, and we are making efforts to bring them up to speed.

**Ms. Sproule:** — Thank you. Thank you very much. I guess I'm just going to move on. I just have a number of topics I want to cover in the short time we have today. We know that the federal government has introduced Bill C-18 to bring us in line, I guess, with UPOV '91, [International Union for the Protection of New Varieties of Plants], and there are some concerns about the draft bill. I know it's a federal bill, but I'm just wondering if the province has any sort of plans for dealing with these concerns, especially after the bill is passed, or if there's anything the province is intending to deal with it.

The first concern is with respect to the definition of farmers' privilege, and the rights are things like produce and reproduce propagating material and to condition propagating material. The concern that's laid out in the article I'm looking at right now from *The Battlefords News-Optimist* — this is from March 13th, 2014 — and it's a commentary by Terry Boehm and Ann Slater, and they feel and they've stated that the right "to stock propagating material" is laid out in 5(1)(g) and is not included within the farmers' privilege provision. And it goes on to say in fact that section 5(1)(g) gives the plant breeder exclusive control of stocking. So the concern they're expressing is that farmers' privilege provision does not include stocking, and that will lead to situations where farmers could be accused of infringing on the rights of plant breeders if they clean and store two or three years supply of seed to protect against crop failure, disease, or frost.

Are there any concerns on the part of this government with respect to the definition of farmers' privilege under this planters' rights or plant breeders' rights bill?

**Hon. Mr. Stewart:** — Thank you, Ms. Sproule. Plant breeders' rights under UPOV '91 are a tool for the protection of intellectual property that balances, we think, the interests of the breeder with those of the farmer. Bill C-18 will define farmers' privilege, which allows farmers to reuse seed from their harvested crops on their own farms. The adoption of C-18 will create incentives for companies to invest in plant variety development and signal to seed developers that Canada is open for business in this regard.

We hope that some of the investment will be in Saskatchewan where we have one-third of Canada's biotech industry. The development and use of advanced plant genetics will be a great benefit to Saskatchewan producers as they continue to increase production and to improve their own profit margins. You know, the legislation, I understand, provides producers with the right to clean and reuse their own seed and the question of storage I don't think is, you know, I really don't think that that's in question. I don't think it's dealt with one way or the other as far as we're aware in the bill. Mind you, if that is an issue, it may be something that could be dealt with in the regulations in the

fall.

**Ms. Sproule:** — I guess that leads to the second concern that was raised in the article and the fact that the new bill, C-18, section 50 allows the Governor in Council to limit the farmers' privilege provision through regulations. And there's a number of items that they can limit the privilege, including exclusion of classes of farmers, plant varieties, crop kinds, uses of harvested material, or restrict or put condition on farmers' use of harvested material and stipulate what is considered conditioning of seed.

And the commentary is that that's really the opposite of enshrining the farmers' right to use their own seed. So there's a number of concerns about that long list of restrictions on farmers' privilege in the regulatory sphere. So have you any concerns about that list?

[15:15]

**Hon. Mr. Stewart:** — Thank you. The Act as it's written, where it's specific, gives producers the rights that they currently have to save and use their own seed. And I think the areas that you referred to in your question are possible areas for regulation that are not specified in the Act, and certainly there will be an opportunity to ensure that the regulations suit the needs of producers when it comes time to deal with them.

**Ms. Sproule:** — Okay. Thank you. Another article that I pulled up from actually 2012, but it deals with April this year, and that's another federal issue as well. The Canadian Food Inspection Agency was in the business of seed crop inspection, and the announcement was they were going to get out of it starting in April of 2014. Do you know if that's still the target deadline? Have you heard any update on whether or not they're going to privatize that?

**Hon. Mr. Stewart:** — Yes. Apparently CFIA [Canadian Food Inspection Agency] has got out of that business, and that work has been turned over to the private sector, a group called CropInspect, which is I think a spinoff from AgCall out of Alberta. And the ministry met with the Saskatchewan Seed Growers Association last week or the week before, and they didn't express any concerns about that piece. So yes, CFIA has moved out, and it's been replaced by CropInspect.

**Ms. Sproule:** — Do you have any information on the fees? I understand that they can set their own fees and that they may not be uniform. Although if it's only one company doing it, I don't know. Do they have regional fees, and are there any concerns about the skill level and the training for these seed inspectors to ensure that they're doing the same level of service as the CFIA?

**Hon. Mr. Stewart:** — Yes, we understand that there's no substantial change in the fee structure. A flat fee is charged for each field inspected, \$90 per field and \$3 per acre above that. We understand that that's right on or very similar to previous charges. And we understand that a number of the CFIA people, or people who were employed by CFIA to do this work, have switched over to CropInspect and continue to do the work. And I expect that they'll be also training new employees that come on stream through time.

**Ms. Sproule:** — Okay, one final question on that. The CFIA at the time said that there could be increased costs for non-governmental organizations such as the CSGA, which I assume is the Canadian Seed Growers' Association. So it seems strange that — was it the Saskatchewan group you met with last week? — that they haven't expressed these concerns, and yet the agency identified that there would likely be increased costs. But if they're not bringing a concern to your attention, then I guess we'll wait and see why they announced that the CSGA would be getting increased costs.

**Hon. Mr. Stewart:** — I don't understand that, but no, they didn't bring concern to the ministry's attention. And possibly they're likely aware of the numbers that have been recently published and so that likely alleviated the concern.

**Ms. Sproule:** — I'm sure if there is a concern, you will hear from them, yes.

**Hon. Mr. Stewart:** — Absolutely.

**Ms. Sproule:** — Right. Now I just want to move back again. We talked a little bit last time about the Farm Land Security Board. I'm just looking at the '12-13 annual report. It's the most recent one I have and just looking at some of the exemption statistics. I don't know if you have that in front of you. It's on page 9 of the '12-13 annual report. And I just wanted to ask a couple of questions about some of the exemptions that were granted and particularly the mining, forestry, and petroleum area where there was an actual doubling from the year before — from 7 it went up to 15. So it seems like a large jump. And also the acres. By far this is a very large part of the exemptions in terms of acreage. Yes, if you look over the years, this is a really large number for exemptions. So I'm just wondering if you could give more detail about those exemptions and why they were granted.

**Hon. Mr. Stewart:** — Yes. What I know off the top of my head is that these exemptions have always been granted for the mining and petroleum industries. Likely the reason that the acres are so high is because of the establishment of some new potash mines, and they tend to be solution mines which are spread over a wide area rather than concentrated under a single shaft. So I suspect that that is the main reason that the acres are so high in these exemptions now.

**Ms. Sproule:** — I just want to see how many quarter sections we're talking about here. So it's 95,000, and I'm going to divide by 160. So it's 600 quarter sections divided by four, 150 sections. That seems like a lot more than what a solution mine would take up. But there could be forestry in there as well.

**Hon. Mr. Stewart:** — Yes, there could be, and I'm sure there likely is. But solution mines generally get an exemption on a fairly large area. And then they'll only, typically only buy a portion of each quarter that they actually establish their drill sites on. But they . . .

**Ms. Sproule:** — They may not actually acquire the entire area.

**Hon. Mr. Stewart:** — That's right.

**Ms. Sproule:** — Just the exemption's there if they need it.

**Hon. Mr. Stewart:** — Just let me check to make sure we're on the right track here before we mislead you.

It sounds like we're on the right track, Ms. Sproule. It looks like forestry would be a factor, but I think the main factor are probably the expansions to existing solution mines and particularly the new mines being developed by BHP and K+S.

**Ms. Sproule:** — All right. There was also an exemption again granted to an investor. I would like more information, and I understand your officials aren't here today, so if that's something I could just leave with you, unless somebody here does know. But I'm just curious about that exemption to an investor. And then I guess the other one is there's three exemptions this year for a border farm, if you could explain that.

**Hon. Mr. Stewart:** — Like you observed, Ms. Sproule, our officials from that area are not present. I wonder if we could get that information for you.

**Ms. Sproule:** — I would certainly appreciate that. Thank you. Thank you. The next area I want to go back to a little bit more on is the . . .

**Hon. Mr. Stewart:** — Could we get clarification on as to which investor . . .

**Ms. Sproule:** — If you have that right now? Is that what you're saying? Oh, no. There was one exemption for an investor. I just wondered if there was more information on that. And the other one is border farm. There were three exemptions granted for a border farm, or border farm. Again I'm assuming that may be land along the border, but if you could double-check that.

**Hon. Mr. Stewart:** — Well we'll try and find out for you.

**Ms. Sproule:** — Thank you. I'd like to move on to PFRA [Prairie Farm Rehabilitation Administration] just for a few minutes. I actually only have one more question for PFRA, but it's good to have Mr. Hoehn up at the front so he can help us out.

Actually I have two questions and more may flow from this. But in terms of the non-reversionary land, in the situation where a First Nation selects the land under the treaty land entitlement process and the lands are added to reserve and they're in the middle of or somewhere in the provincial lands that form the community pasture, do you have sort of a . . . And I know you have issued a licence to the current associations for those lands. Do you have an arrangement with the federal government about what will happen once those lands become reserve?

**Hon. Mr. Stewart:** — If and when those lands, if or when those lands become reserve land where that is the . . . We have no agreement in place. That's what we're working on with the federal government at this point in time. At one point we thought we had a protocol established for that, but it turned out that it was okay with the ministry, the federal Ministry of Agriculture, but not so much with Public Works Canada, and there may be others. So we're back to the drawing board with that piece, but we're hopeful that something workable can be arranged.

**Ms. Sproule:** — Given that that puts the patrons in a bit of an awkward situation, are you asking the feds to delay devolution until this is sorted out?

[15:30]

**Hon. Mr. Stewart:** — Well we have asked the federal government to delay devolution of the whole program previously, and we did get a delay of one year on the first five pastures that were slated to be turned over to the province, but we have been refused any further delays.

**Ms. Sproule:** — Okay. We understand that when the notice will come to get off of the non-reversionary land — I assume that's when it's added to reserve — the notice that the patrons get under the licence is 30 days, but I understand that the federal government has given the province a much more extended period. Can you advise why there's a discrepancy there?

**Hon. Mr. Stewart:** — The 30 days does not pertain to this situation. It's something that we keep in our lease agreements for special circumstances like, you know, developments for higher and better use and so on, municipal issues, roads and so on. But the deal with the federal government requires them to provide at least 90 days notice and not in the grazing season.

**Ms. Sproule:** — So I don't imagine there'd be a lot of roads or commercial developments going on in these pastures. And 30 days, it just seems unusual to have it such a short time frame. Had you given any consideration to having it longer or more on par with the federal period?

**Hon. Mr. Stewart:** — I think this is the agreement that we have on all of our provincial lease land. Is that correct, Mr. Hoehn?

**Mr. Hoehn:** — Correct. We have to give 30 days notice, so it's not particular to the transition patron group, but more if an RM [rural municipality] came in and a certain group wouldn't release that land, then we would give them 30 days notice and we could remove it from their property. So the 30 days is applying to all provincial lands in that lease as well.

**Ms. Sproule:** — So it applies to the entire lease and not just the non-reversionary lands?

**Mr. Hoehn:** — Correct.

**Ms. Sproule:** — And that's because that's your standard in any other provincial lease.

**Mr. Hoehn:** — That's correct.

**Ms. Sproule:** — Okay. So you're just using the same measure for the reversionary and the non-reversionary lands.

**Mr. Hoehn:** — Correct.

**Ms. Sproule:** — Okay. There, that was painless. Yes, thank you. Recently in the news we've seen a lot of concern about treatment of temporary foreign workers, and I just wanted to ask you, Mr. Minister, if you have any statistics for those types

of workers on farm land in Saskatchewan and whether any concerns have been raised with your ministry in terms of their treatment or Canadian residents being denied employment.

**Hon. Mr. Stewart:** — No, Ms. Sproule, we haven't had any complaints at all about foreign workers displacing Canadian workers in any circumstance around this issue.

The complaints that we've had have been quite the opposite from the agriculture industry, suggesting that access to the temporary foreign worker program is too difficult and time-consuming, and in that way it doesn't work as well for them as it could if it was a little easier program to access.

But as far as numbers for 2013, these are estimated and rounded, I guess. The vegetable industry had about 40 temporary foreign workers; the fruit industry, 20; the greenhouse and nursery industry, 55; and ag and general agriculture, 180. Particularly the horticulture and bee industries have complained about access to the program being too difficult.

**Ms. Sproule:** — In that light then, are you making any representations to the federal government to make this something more easier for producers to get access to?

**Hon. Mr. Stewart:** — Yes. Yes, we have made representations of that nature.

**Ms. Sproule:** — And in terms of numbers — I'm just focused on the agriculture one — is this something that is steadily growing in terms of the numbers or is it stable or is it dropping?

**Hon. Mr. Stewart:** — We don't have our numbers from previous years here with us today, but if you like, Ms. Sproule, we'll take a look at them and see which direction the trend is going. I would suggest it may be demand is certainly growing for them. I don't know if the industry's been able to access more. They certainly haven't been able to access as many as they'd like.

**Ms. Sproule:** — Okay, thank you. In terms of lean, we spoke a little bit about a particular program under Growing Forward 2. I think it was called SLIM [Saskatchewan lean improvements in manufacturing]. But we didn't talk about lean in your ministry, and I'm just wondering if you could provide us with any information regarding lean training for your ministry, lean events that your ministry is anticipating or planning, and what sort of costs your ministry is expending on these programs.

**Hon. Mr. Stewart:** — Yes, Ms. Sproule. No expenditures have been made to hire lean consultants. No external people have been used to train ministry or Saskatchewan Crop Insurance personnel on lean. But there are ongoing lean discussions within the ministry and within Crop Insurance, and internal reviews of lean procedures.

**Ms. Sproule:** — When you say internal reviews of lean procedures, is that using lean methodology from staff members that are already trained in the procedures?

Because last night I had a discussion with the deputy minister responsible for lean. I was in estimates, and we talked quite a

bit about the services they're providing across the board to ministries. So when you say there are . . . You said ongoing discussions. But are there actual formal lean events that are taking place within the ministry or planned events?

**Hon. Mr. Stewart:** — There is internal lean training that is carried on. I think we had, the ministry had a consultant in 2010 — is that correct? — that trained some of our people and they pass that training on and review processes and so on.

You know, we've had problems such as the administration of AgriStability program move from the federal government to Saskatchewan Crop Insurance. From 2010-2011 to 2012-2013, the AgriStability program avoided \$11.7 million in additional costs, reduced the average cost per file from 1,200 to 800. Crop Insurance had to find ways to improve customer service and efficiency and process producer applications, and through lean methodology, they managed to answer 100 per cent of telephone calls within 25 seconds, that sort of thing. If you would like more detail, I can ask Alanna Koch to provide it.

**Ms. Sproule:** — Just some details around last night. The deputy minister responsible for lean was talking about, I think he calls it strategic positioning. I can't remember. It's hoshin kanri. It's the Japanese term for, I think it's strategic positioning. I can't remember. They have things like wall walks and different sort of techniques identifying . . . And some of the efficiencies would be using tape to put on the floor where certain machines go — and I don't know if crop insurance needs that kind of stuff — or you know, pictures on the wall where the scissors go so that you put the scissors back where they belong. Are those the types of things when you're talking about these efficiencies that you're finding or are you using lean-specific tactics or strategies?

**Ms. Koch:** — So I think in the ministry of . . . Alanna Koch, deputy minister. In the Ministry of Agriculture and Saskatchewan Crop Insurance Corporation, which perhaps I'll ask Shawn to reflect on here in a moment, we are using lean methodology. I think, you know, we are not using hoshin kanri. That is for strategy deployment. We're not currently using any wall walks per se, though we are using the fundamentals of lean methodology to really be how we do our work. It's really about continuous improvement, and it is something that we really think is focused on better customer service, you know, more efficient delivery, quicker turnaround time, reduced costs, ensuring that our staff are doing, you know, higher value work, that we're reducing waste. And really what we're doing is sometimes we're using value stream mapping, you know, to go through that process. In many cases they're just do it. So it's just asking our staff to take a real lean approach in how they're doing their work, and so it's to constantly be reflecting in a lean methodology way on how we get our work done.

So through lean I know that SCIC has created some new online tools which I'll ask Shawn to reflect on. We've certainly received some tremendously positive feedback from producers and other clients. And I guess what I would really mention is, before Shawn reflects on some of the AgriStability examples, is for example the ministry's weekly crop report is a high-value document in the ag industry, and in fact we have used lean methodology to change the way for example we're collecting our crop report summaries that are coming in from our crop

reporters around the province.

So in 2013, using lean, the ministry improved the way that crop reporters report their information, providing a new online option. And one reporter said for example anecdotally:

Just wanted to let you know how well I liked the new email format for reporting. It worked great from my phone. I love the new rainfall calculation. It's a very easy process and worked slick. Congratulations on [his comments on] taking the lean approach.

Lean has provided our volunteer crop reporters with a better way to report their information which provides a better product for Saskatchewan producers and the ag industry.

[15:45]

And then I may just mention another example of our livestock loan guarantee program which provides ag lenders with a 25 per cent guarantee for providing loans to producers to purchase livestock. We had actually had a chance to talk a little bit about our LLG [livestock loan guarantee] program the last time we were here at estimates.

And so it is one of the ministry's longest run programs, longest running programs, and the forms and processes were quite cumbersome and really entirely paper-based. So using lean and with input from lenders as well as our employees, we redesigned the forms and the database, and we made them electronic. So as a result, producers get their loans quicker and pay less interest to the livestock seller.

And although this process has just been implemented, we already have had a great deal of input from the livestock association members saying that they're really eager for the change. They're looking forward to this new lean approach to how we're doing the LLG process. And they're enthusiastic supporters of the change, saying that the less paperwork and less filing and less driving to financial institutions is certainly of huge benefit.

And so moving to these online applications for some of our farm business management programming is also in our plans, and this is very much again using that sort of lean methodology in the work that we do, focus very much on customer service, quicker turnaround. Employees in the ministry and SCIC, as the minister noted, are taking lean training, and this is a way for us to support this continued work and this lean approach to our work. And I may, if possible, ask Shawn to reflect on SCIC's [Saskatchewan Crop Insurance Corporation] work on lean because I think that's where we've really seen some tremendous improvements in customer service.

**Mr. Jaques:** — Shawn Jaques, president and CEO of Saskatchewan Crop Insurance. As Alanna and the minister mentioned, you know, we've implemented a number of changes at SCIC, and using the lean methodology. And one is we've created an online tool called AgConnect. And the minister spoke about AgriStability. When SCIC took over the delivery we had to look at different ways of processing the files.

And so we've developed, you know, the online tool, which has

been very successful. We've received some feedback from producers who have used the AgConnect. And, you know, for example I have one producer called our call centre in regards to his AgConnect experience. He submitted the information on April 2nd, 2013 and his file was completed on April 11th, 2013. He was very impressed with the time frame and how easy the program was to use.

And I think that's a huge success when, you know, AgStability used to take, you know, several months and maybe even longer to process files. You know, we have, AgConnect allows producers to check on the status of their file. It used to be they would have to call a different administration and try to find out where their file was. The producer called us and said, you know, I just wanted to let you know that I checked the status of my 2011 file. He was really impressed with AgConnect and he said it should have been implemented years ago. And as well, some of the accounting firms that complete files for farmers have also called us and complimented on the program.

Alanna referenced some just-do-its, and that comes from feedback from our staff, ways that we can improve our processes. And one that I would like to highlight here is what we call the AgriStability calculation of benefit form. And what that form is, is a lengthy form that details the calculation of their AgStability file. And they used to be multiple pages, as many as 12 pages per producer. We have since, because of the online tool, some of our staff said, well we should just make that a one-page summary and post all the information online that producers or accountants can access whenever they wanted.

And so that's what we did. So instead of mailing out multiple pages to producers, we've gone to a one-page summary, resulting in an annual cost savings of about close to \$50,000 a year. And so I think that's a good example of a just-do-it. You know, the way we collect payments at offices, we streamlined some processes there so producers can pay their premiums quicker, get the money applied to their account. We reduced some time savings there as well.

And another one is some inspections on some of our crop types. We've streamlined how we complete those inspections using lean. So we've seen a number of benefits to our client, our producers through lean.

**Ms. Koch:** — If I can just mention one other that I forgot, which is regarding our sale of Crown lands to citizens when they're going through the sale process. And so the time to process straightforward sales has been reduced as a result of our lean approach from an average of 90 days down to 76 days, which is a 15 per cent reduction in time that it takes to get the sale process completed for our clients.

And the process that we go through with Information Services Corporation for these sales, the processing times have been reduced sometimes from an average of 12 months down to one month as a result of the lean approach that our ministry is taking and how we're working with ISC [Information Services Corporation of Saskatchewan] and some of the Crown land sales. So that was one that I had neglected to mention and wanted to note for the members.

**Ms. Sproule:** — Something that I find really hard to tease out

of this is much of what you're describing in terms of being effective and finding efficiencies is not new to the public service. I mean, I know. I was a public servant in the '90s and the 2000s and that was something we continually tried to do as a public service. And we would come up with ways to reduce forms, or get them online I mean. So I understand that. And I think any good public servant is doing that all the time.

So when you're saying lean methodologies, in my mind that's things like hoshin kanri and the gemba and these sort of ways that the deputy minister spoke very passionately about last night, about getting to the gemba, which I understand is the workspace. And you know, it sounds funny when you say it maybe but like when you see lean methodology, is it just not finding efficiencies? And what sort of methodology are you using to get that that's different and focused on the acronym lean that comes from a Toyota production line as opposed to ordinary efficiencies that all public servants are always looking for and engaged in? Like what's specific about this new style that has made these examples possible, in your view?

**Ms. Koch:** — Well I think, you know, I think your point exactly is that this is really how the public service should be delivering programs. I think the focus on lean has just allowed us to refresh and rejuvenate the focus on seeking out efficiencies. And it's really, a big part of public service renewal really is taking a lean approach to our work and focused on citizens, focused on reducing waste, focused on better customer service, quicker turnaround. These are the kinds of things that really are all part of lean and a lean approach to our work. It is how the Ministry of Agriculture and SCIC is here doing our work. It certainly is a part of how the Government of Saskatchewan is focused on doing work. So you're right. It should be just part of how we do our everyday work. That is how we view lean in our organization, but I think what some of the training and what some of the methodology has done is it has allowed us to kind of refocus and perhaps give some new tools to staff to allow them to really be able to drill down into where some of those efficiencies might be, where some of those save steps might occur.

Some of the tools, the value stream mapping, for example, is one of the tools that we have used both at SCIC and the ministry, really allows staff to really I think have the tools and the understanding of, you know, how do I get from this old way of doing things, asking the right questions to get to a new way of doing things.

And so for us, you know, maybe we haven't done hoshin kanri. Maybe we don't use words like the gemba. But we certainly do have some of the basic principles that are fundamental to lean methodology at play in the ministry. And we really do see it as a cultural piece for us as far as how we do our work at the ministry and SCIC. So it's really fundamental to kind of how we get our work done, the same way as we would talk about being focused on our clients and customer service. And so for us it's really been meshed in with how we get our work done in our organizations versus, you know, something that is a different way of, you know, supporting our work. It's really fundamental to how we do our work. And all lean has done is it's helped us to really rejuvenate our energies towards some of those, really, efficiency measures and save steps and higher value work.



**Ms. Sproule:** — Right. And certainly all those things are laudable and something I think public service has done from the get-go when it was first established. For example, value adding mapping, I was engaged in that in 1994 when I worked for the Department of Indian Affairs. We used that mapping process to identify a better work stream for the treaty land entitlement actually. And so it's not new, and that's what I'm confused by. Because much of what you talk about is pretty normal ordinary things, and then you attach the word lean to it and it becomes, I think, I appreciate your word refocusing, because maybe that's probably the value of this more than anything else. It's just, you know, turning things sideways a little bit.

But you know, in terms of the public service just discovering value-added customer service, that's not the case. And I know that because I've been involved with other public service programs that are delivering customer service or cutting waste or reaching out to the citizens. So that's part of the frustration, I think, with trying to tease out what the capital L-e-a-n is, and what is just what the public service does. And that's my rant, and I'll stop there.

One other thing I wanted to ask on lean. Oh, last night the deputy minister for lean spoke at length about the importance of the gemba, and being in the gemba is, particularly for managers. And he said that his world turned around as a health care manager when he actually went to the work floor. And he said he stood there for several days to actually appreciate what the front-line workers were doing.

Now I don't know in the Ministry of Agriculture whether that would apply because it's different than Health. But I'm just wondering, and perhaps with the crop inspection or something like that, have either of you ever gone to, using that lean approach, and just gone and stood or drove in the car with the crop inspectors, or sat at the customer service desk and experienced their work? Is that part of how you're doing the methodology?

**Ms. Koch:** — Maybe I'll reflect on that and then Shawn can. You know, I will admit that I have not. For example, I'll take LLG as an example, or our livestock loan guarantee process, for example, you know, the changes that we've made there. Have I been there, sort of on the front line along with our staff, who are our front-line people serving our clients, you know, on the phone and online? No, I have to admit, as a deputy minister, I've not done that.

But I do know, for example, that our executive director of our financial programs branch will be there, and if you want to call that the gemba, then I suppose that's what that is. Really it's just looking at your front-line staff, observing their processes, being there sort of shoulder to shoulder with them, saying, how do we problem solve? How do we make things easier, better, or more streamlined? And that really is what lean is about.

And so we don't use the words gemba and things like that in the ministry and at SCIC, but we do talk about things like being there with our front-line staff, observing. And I do know that our executive directors of our various branches, for example, will, you know, roll up their sleeves and be shoulder to shoulder with our front-line staff, observing processes and trying to decide how they would streamline the process. And you know,

so I can just reflect on that. And I'm not sure, Shawn, if you wanted to reflect on the experience at SCIC.

**Mr. Jaques:** — Sure. We do a similar thing, Alanna, that, you know, our executive directors or our vice-presidents will sit in with the staff when we go through these different events to look at the processes. I haven't attended every session, but I have attended a number of them, parts of them, to sit with the staff and see, you know, as they talk through, you know, how we're doing our work. Is there, you know, a different way we can do it? What are the steps that we're following? So you know, we're very much following the same process as the ministry.

**Ms. Sproule:** — Mr. Chair, I see my time is fast coming to a close. I would like to ask just one more question, if that's all right, and this is on crop insurance. And I had a number of calls last spring and summer about disputes about flooded lands and unseeded acres. And I'm just wondering how many complaints Crop Insurance received and how many of those were resolved. There's quite a few fairly unhappy farmers that gave me calls on this.

**Hon. Mr. Stewart:** — Before Mr. Jaques finds the answer, I want to say that I think what happened there that probably made some of these producers unhappy is that we had established processes before I think 2011, and the number of claims was so great in 2011 and 2012 that we couldn't even adjust them, so we just paid them. And when we got sort of caught up again in 2013 and we got back to adjusting claims, and of course when you adjust claims, you refuse some. I think that's largely where the confusion came in. It's not that the program changed. We just couldn't follow our own rules as far as checking on these claims and doing our work properly because we couldn't keep up for some time. So I'll let Mr. Jaques continue with the question.

**Mr. Jaques:** — So in 2013 we paid out \$75.2 million in unseeded acreage payments to producers, representing about 6,600 claims. As the minister indicated, we did have some challenges in 2013 and the corporation did reinspect a number of those. We reinspected 175 producer complaints when they called our offices and then we reviewed, we went back and took a look at another 375 calls to our office as well, and took a look at those.

[16:00]

**Ms. Sproule:** — As always, I run out of time, Mr. Chair. It's a fascinating area. Thank you very much, Mr. Minister, and to the staff for coming again. And I look forward to the next time we meet. Thanks.

**Hon. Mr. Stewart:** — Thank you, Ms. Sproule, and committee, and my officials from the Ministry of Agriculture. It's been another good discussion. Thank you.

**The Chair:** — Thank you, Minister, and officials, for attending this afternoon. The committee will recess for a couple of minutes as we rotate from one ministry to the next.

[The committee recessed for a period of time.]

**The Chair:** — Well we've rotated ministers and I'll call the

committee back to order and welcome Minister McMillan and his officials as we look to discuss Bill 136, *The Oil and Gas Conservation Amendment Act, 2014*, clause 1, short title. Before we do that, first of all acknowledging Mr. Nilson who is with us, has joined the committee. And I invite Minister McMillan to introduce his officials and make a few short comments.

**Bill No. 136 — *The Oil and Gas Conservation Amendment Act, 2014***

**Clause 1**

**Hon. Mr. McMillan:** — Well thank you, Mr. Chair, and thank you to the committee for the time today. We are keen to talk about our Bill 136, *The Oil and Gas Conservation Amendment Act, 2014*.

Joining me today I have deputy minister of the Economy, Mr. Kent Campbell. I have Mr. Ed Dancsok, the assistant deputy minister of petroleum and natural gas; and I have Mr. Laurie Pushor, assistant deputy minister of performance and strategic initiatives.

Mr. Chairman, the oil and gas sector in Saskatchewan is in a time of substantial growth and investment. It is one of the key revenue-generating sectors for the province's economy and is an industry that has experienced substantial and sustained growth in recent years.

The proof is in the numbers. We have seen record oil production in 2012. We saw that record broken in 2013. We're breaking records on the number of horizontal wells being drilled in our province almost on a yearly basis. This is why the timing is right to update our oil well levy system.

The Bill 136 will amend *The Oil and Gas Conservation Act* and will replace 10 existing fees with a single well levy. The current 10 fees that will be eliminated will be the fee to drill a new well, the fee to transfer a well licence, the fee to license a structure test hole, the fee to change a well's name, the fee for a facility licence, the fee to transfer a facility licence, the fee to deepen or respout — spud I believe that's supposed to be — an abandoned well, a fee for a new pipeline, a fee to amend a pipeline licence, and the fee to extend a pipeline.

This here will enhance efficiency and remove 20,000 transactions which is currently taking place between the Government of Saskatchewan and the energy industry. It will also allow us to enhance our services and our oversight for the industry in coming years to better reflect the importance of the industry and the level of service that we think that it demands. It will also enable us to collect a 90 per cent cost recovery for the oversight, regulation, and costs that government sustains to monitor this industry.

I think my last comments would be that through the process to get to this bill, a substantial amount of consultation and work has taken place with industry. In fact industry was here on budget day and made some very positive comments. If I could quote Mr. Gary Leach, president of the Explorers and Producers Association of Canada, he said:

We support the new oil and gas well levy as it is

anticipated to bring significant improvements in timely project licensing and regulatory oversight, while enabling Saskatchewan to remain a leading North American destination for oil and gas investment.

We heard similar comments from CAPP [Canadian Association of Petroleum Producers] and some of the producers themselves, Mr. Chair. But with those brief comments, I would be pleased, we would be pleased, to answer any questions that the committee might have in regards to this Act.

**The Chair:** — Thank you, Mr. Minister. The floor is open for questions. I recognize Mr. Nilson.

**Mr. Nilson:** — Thank you, Mr. Chair, and good afternoon. This legislation appears to meet quite a number of needs of the industry. Can you explain the history of how these changes have come about? Is it a request from the industry? Is it an administrative process within your ministry that has brought it forward? Or what is the history of this particular piece of legislation?

**Hon. Mr. McMillan:** — I guess the big picture is over the last several years we've undertaken the PRIME [process renewal and infrastructure management enhancement] project which has looked at all of our systems, all of our touch points between government and the energy industry. There has been a large IT [information technology] component, an investment made there, partnering with Petrinex to make it more efficient so there'd be one system that industry could use across Western Canada.

There's been many improvements that allow us as government to do our role as regulator more efficiently and allow industry to make their investments in a more efficient manner too. I'd like to clarify though that doing our regulation in a more efficient manner in no way means that we do a lesser job, that the responsibility and oversight responsibilities that government has as a regulator in no way are compromised by the changes made in the past or the changes we've made here.

So at this point as we continue to look at how we are providing permits and fees, why are we asking for these permits? Why are we requiring a payment of often very small amounts of money to change names on wells or pipelines? We think that work needs to be done. We need to have our records up to date, but is it efficient to send out a small bill 20,000 times or to charge a flat rate based on oil production per company once a year? We again spoke with industry at length and came to a system that we thought met their needs for an efficient way to interact with government, and met our needs which will allow us to keep the data we need and give the oversight that we think is absolutely essential.

**Mr. Nilson:** — Thank you for that explanation. The overall PRIME project and basically making the Saskatchewan situation hospitable to local and national companies I think is something that we all are pleased about, and I agree with you that regulation or a change in regulation doesn't mean that you're easing up on what you're doing. But are there . . . Just for the record, this is then a small piece of a bigger policy. Are we moving towards situations like the North Sea where information is shared broadly in sort of a virtual . . . I can't

describe what it is but a virtual room where you can actually go in and see the whole of the province's assets on some new technology?

And so then, by doing this kind of a bill, you're also signalling to the industry, let's help you get the best out of all of the different resources we have in the province. Am I picking this up correctly about what's going on? And how far down that road are we at this point?

**Hon. Mr. McMillan:** — I would say that to your point, yes, this is part of the bigger package, that PRIME is moving forward and creating that larger environment. The message in that is we want to be a preferred destination for your investment. And we as government will do our job by trying to stay out of the way of you doing yours.

And I may be on the wrong track here, but having a room or a space where industry can go in and see as much data as possible, today, at our core lab, there is a terrific amount of data and core available. And I know that when we have land sales, it's a very busy place in Regina as industry sends their geologists and they pore over that data that's free to them. It's data owned by the people of Saskatchewan and made available for them to look at and understand.

The other area that I might highlight would be the PTRC [Petroleum Technology Research Centre] and some of the research that's going on. When the government is a funder of this research, it becomes public research in which we have seen some technological advances which are specific to the Saskatchewan resource and geology that has allowed our industry to move forward and the province to benefit.

**Mr. Nilson:** — Okay. I appreciate that. The next question relates to the specific fees. On average, how many of the 10 different fees that you're combining would an ordinary well use in its lifetime? Struck me that it might only be three or four of the various fees. And are you getting any objection because of that?

**Hon. Mr. McMillan:** — If we do a quick extrapolation, we have currently, from when we started drilling wells in the '40s, '50s to today, we have 80,000 wells in Saskatchewan and we're adding about 4,000 a year. What we are reducing for industry is 80,000 transactions a year. So 20,000 transactions over 80,000 wells, that would be one transaction per well every four years. So over the lifetime of the well — the lifetime could be 50, 60, 70 years — there'd be several transactions on average. Now some wells would be substantially more and some less. What we're replacing it with is we have 300 companies operating so each of those companies will now have one transaction a year. So we were seeing that in some cases just the paperwork costs for industry to send us a cheque or to do whatever transaction they needed to pay their bill was more cumbersome than the money they were sending out.

**Mr. Nilson:** — Okay. Well that gives some scale to what we're talking about here as it appears to make sense. Now the other side of that would be that you will collect the well fee each year as it goes forward. Or will you just collect it once for the life of the well?

**Hon. Mr. McMillan:** — No. The fee is based on the production and the wells of each company and as we looked at how we would want to structure our levy system, we looked at a few different options but ultimately we adopted the same breakout of categories that Alberta is using. Industry understands it. It's modelled very similar to the models that we had put together organically ourselves so it was easily understood and it simplified it again that other provinces were using it. So it's based on oil production per well and then a fee on each well in each year, on a yearly basis.

[16:15]

**Mr. Nilson:** — No, that's helpful to understand as well. I know that some of the other changes that have been made, not necessarily around well fees but some of the other fees, have generated concern by leaseholders, the ranchers and farmers, because certain . . . And I think it relates actually to the bonds and things that are required, where certain wells were just closed in because they're not economic and so then the lease payments that go to the surface landowners end. Is there any kind of a fallout like that or unintended consequence like that that would come out of these fees?

**Hon. Mr. McMillan:** — No. This here is purely the transactions between government and industry. So anything to do with the landowner or . . . Yes, that would fall likely under the service rights legislation which is currently . . . we consulted with the public on that this past year.

**Mr. Nilson:** — But my question is, will there be any wells where this, the kinds of fees that you have here, will increase to a point where they'll be shut in or shut down because the production is so low?

**Hon. Mr. McMillan:** — The tiered structure which we adopted from Alberta and was very similar to what we had organically modelled, if it is zero production, it has no fee. If it is a very high producer — we can expect a high economic driver as well — it has a higher fee. So you know, there may be on the very low end some effects. But no, that shouldn't be a large concern.

**Mr. Nilson:** — Okay. That's good. I just know that in the, you know, quite a few, it was a few decades ago now, but there were some acreage charges that were very small, but the net effect of them was to basically have companies divest of interests and leave the province. So in this situation, it doesn't appear that there are any pressures to shut down wells just so you can save fees, and that's I think a key point.

**Hon. Mr. McMillan:** — I actually could provide for the committee a schedule of what the costs would be, and I'd be pleased to table that. But if a well has zero production it would be zero fee. But if a well has very low production, minimum production of point one cubic metre per year, its fee would just be \$114, so very unlikely that that would tip the balance when we're talking about a 3, \$400,000 investment to drill a well. Technology likely, or we have seen historically, has reinvented some of these wells in the past.

**Mr. Nilson:** — Perhaps you could file a copy with the committee because it would be good for the record and if anybody wants to take a look at what kinds of fees we're

talking about.

Now my next question relates to the services that are provided for this fee. Will there be enhanced services for the industry but also I guess for the community as a result of these particular fees?

**Hon. Mr. McMillan:** — Yes, on both fronts. I will start with industry, that the timing and the turnaround times are very important to them, that when they're putting out a drilling program and they have a rig waiting, it can be tens of thousands of dollars a day waiting for government to do the due diligence and get their manpower that may be stretched because we're trying to do more with less all the time. If it takes an extra day or two, it can be tens of thousands of dollars of cost to industry.

So they have asked, we want an enhanced level of service and that requires more staff and likely more cost to government. That's part of the reason that I think this was so well supported by industry is that they want enhanced level of service, and for the fees that it would cost, they're willing to pay. In fact, they're keen to have that level of service so they can make their investments in Saskatchewan.

We have another situation where potentially a well will be drilled on a piece of government land administered by Agriculture, and a company may have to go to three separate government agencies to get their approvals in place to drill a single well. They may need to get approval from Agriculture, from Environment, and from Energy and Resources. We will be moving towards a model where there's a single window where we will still have Agriculture's approval, we'll still have Environment's approval, and Energy and Resources, but to industry, they really just have to have contact with the one agency that does that legwork behind the scenes for them.

On the benefits that we also will be seeing for communities, there will, in this model going forward, we will be enhancing our oversight and regulatory responsibilities on environmental, on air quality, having more funds into airshed monitors, into our formation deep underground, ensuring we have the appropriate resources to keep pace with the rapid growth that we're seeing, to ensure that the reservoir, which is owned by the people of Saskatchewan, is being respected and the production is happening in a sustainable way. So yes, that's built into this as well.

**Mr. Nilson:** — You'd indicated earlier that the fees are based on 90 per cent of the cost. My understanding I think is that in Alberta it's 100 per cent of the cost. Why the difference?

**Hon. Mr. McMillan:** — Alberta and BC [British Columbia] both have 100 per cent cost recovery. Their model is they have a stand-alone regulator that I think has some advantages; it has some disadvantages. But ours is a government regulator, and I think that that is an important distinction. I think that the oversight we're providing here is important and it should be largely paid by industry but it is I think a role of government to provide this service as well. And I think it is appropriate for there to be roughly 10 per cent cost covered by the people of Saskatchewan who want this service, who want to ensure that their communities are safe and that everybody who's operating in them is following all the appropriate rules.

So we came to the 90/10 split quite deliberately. That was skin in the game. It holds governments accountable on the spending that they're putting in place, but puts 90 per cent of the onus on industry who's looking to develop in our province.

**Mr. Nilson:** — So this rule applies obviously to oil and gas. And looking at the definitions, it appears that it includes things that are called illegal gas and illegal oil, which I'm not sure . . . Well I suppose that's used in a way to deal with some of the financing. But are there other products besides oil and gas that are covered by this that would be wells?

**Hon. Mr. McMillan:** — In regards to what else would be covered in here, the only other two would be helium where there is some exploratory drilling in that regard, that through Energy and Resources we provide oversight and regulation, and to the potash industry as well, and I would say any other industry as well that uses a disposal well. So potash uses disposal wells substantially, but there potentially is other industries that would use disposal wells that would have the oversight and regulation of the ministry.

**Mr. Nilson:** — And so the fees would apply to those wells as well. Does that include the CO<sub>2</sub> sequestration wells then as well?

**Hon. Mr. McMillan:** — In the Midale field where they are injecting the CO<sub>2</sub> for enhanced oil recovery, the well that's injecting down is an injection well, and it would be counted. And on the other end where it's being produced with all the oil, again the oil is being counted and those would be charged through the metric, the chart that I provided.

**Mr. Nilson:** — So for an injection well, how would you charge a fee? And what would the fee . . . Is there a special fee for that?

**Hon. Mr. McMillan:** — On the schedule that I provided for the committee, there's a column, service wells. And based again on volume per year of cubic metre per year, your charge would then be delineated out.

**Mr. Nilson:** — Okay. So . . .

**Hon. Mr. McMillan:** — Yes. I'm going to correct that, Mr. Chair, if I could. The service well is column no. 1, and it is the fee of \$114 regardless of volume.

**Mr. Nilson:** — Right. Okay. So if the oil's coming out, all these other fees apply. If something's going in, whether it's oil or waste or whatever, the service well fee is charged. Are there any implications of this legislation as it relates to the oil sands possibilities in Saskatchewan given that they're so deep underground and you'd probably be using wells to get down there?

**Hon. Mr. McMillan:** — Absolutely. If they are producing oil through an oil well, be it SAGD [steam-assisted gravity drainage] or a different technology, based on the volume of production it would be captured here and the regulatory oversight would be our responsibility on the other side.

**Mr. Nilson:** — So are there any implications for this whole area around the potash mines in the Rocanville area that's

restricted from drilling? And so we know we have some issues that the surface rights holders have because that oil can't be accessed, but would there be any special considerations or these fees apply if there's any kind of work done in that area?

**Hon. Mr. McMillan:** — If it's an oil well drilled outside of that area and they're producing, it would be based on the volume that's prescribed here. They would pay the appropriate fee. If it is a disposal well, likely a potash disposal well disposing of brine, they would pay the service fee of the well.

**Mr. Nilson:** — Okay. So the net effect for the potash industry, this is not really an expense to worry about at all because they're obviously not using it to generate income but to deal with the waste from the potash mine.

**Hon. Mr. McMillan:** — Yes.

**Mr. Nilson:** — Okay. Now it appears that the whole plan and policy makes sense. What would be the next step in this PRIME initiative? Will we see next year a similar review of another area of fees so that we can have something as straightforward as this system appears to be?

**Hon. Mr. McMillan:** — I guess if I could just clarify, when we talk about waste from a potash mine or a waste disposal well, we're talking about brine water. In potash mines we often have salt water inflows from underground formations. The way that is handled is it is pumped back underground where it once came from to a safe formation at a safe depth. So I just want to be clear that when we're talking about waste, it's underground salt water being put back underground.

No, under PRIME, as I mentioned earlier, we started off several years ago with this project and have partnered with Petrinex to have a common platform for well registry. We're moving through it. I believe there's another year and a half we have scheduled for PRIME. And yes, there will be continued improvements to service, to efficiency for both industry and for government.

[16:30]

**Mr. Nilson:** — How does this apply to abandoned wells that are under the responsibility of the Government of Saskatchewan? Will there be fees for those wells that are no longer used or need to be cleaned up in some fashion?

**Hon. Mr. McMillan:** — What we are talking about today is purely the fees for producing wells. We have an orphan well program. We have those others. But that's not in any way related to this legislation. This is, if you are producing, you pay; if you're not producing, there is no fee.

**Mr. Nilson:** — Okay. And so the fees to deal with the orphan wells come in another area completely. Presumably the companies pay some kind of a fee on an ongoing basis, but that's not included in this specific fee. Would that be the way to describe it?

**Hon. Mr. McMillan:** — They pay an upfront fee when they drill a well. Every new well in Saskatchewan, they contribute at that point into the orphan well fund. But that's a completely

different set of legislation.

**Mr. Nilson:** — And there is no annual fee. It's just that one upfront payment that goes into the orphaned wells fund to deal with that long-term liability. What we also know is there are a whole number of these orphaned wells that basically are the responsibility of the government.

**Hon. Mr. McMillan:** — On the orphan well, again a completely different set of legislation. There is an annual fee based on the well count you have, but it is completely separate from this and no, this will have no effect on it.

**Mr. Nilson:** — Thank you for that. And obviously there will be some regulations that will have to be created to implement this program. When will those regulations go into effect? And what are the initial regulations that are going to be presented to the public?

**Hon. Mr. McMillan:** — The regulations that are required to enable this legislation have already been enacted. That is these 10 fees and charges. The regulations have been changed so that those as of the start of this fiscal year have not been charged. When this is enacted, it will allow us to send out the one invoice to each company.

**Mr. Nilson:** — Okay. Well that confirms what it says in the Act which is that the Act comes into force on assent but it's retroactive to April 1st, 2014. So regulations are similarly retroactive to that date because they'll be authorized that way.

Well I have no further questions, and thank you for the explanation. I think if there are any concerns about it, maybe we've asked enough questions here that we can help lawyers trying to sort this out in a court case by using our conversation. So thank you very much.

**The Chair:** — Thank you, Mr. Nilson. Any further questions from committee members? Seeing none, just a reminder that the minister has tabled the Economy 10/27, levy classes and base fees, for committee members.

Seeing no further questions, we will go through clause by clause and we'll start with clause 1, short title. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried.

[Clause 1 agreed to.]

[Clauses 2 to 19 inclusive agreed to.]

**The Chair:** — Her Majesty, by and with the advice and consent of the Legislative Assembly of Saskatchewan enacts as follows: *The Oil and Gas Conservation Amendment Act, 2014*. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Carried. I would ask a member to move that we report Bill No. 136, *The Oil and Gas Conservation Amendment Act, 2014*.

**Mr. Bradshaw:** — I so move.

**The Chair:** — Without amendment, pardon me. Mr. Bradshaw moves. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. Carried. Having completed the business before the committee for this afternoon, before the committee will recess, thank you to the minister and his officials, committee members for being here and assisting us this afternoon. And with that, this committee will recess until 7 p.m. when we'll get into further discussion. Thank you.

[The committee recessed from 16:38 until 19:00.]

**General Revenue Fund  
Innovation Saskatchewan  
Vote 84**

**Subvote (IS01)**

**The Chair:** — It now being 7 p.m., we'll call this committee to order. Joining us tonight, committee members Victoria Jurgens; and sitting in for Jennifer Campeau, Scott Moe; and Larry Doke and Bill Hutchinson and Fred Bradshaw. And last but not least, Warren McCall is joining us this evening. And we're pleased to have the Minister of the Economy with us, Minister Boyd, and his officials. So I'll invite Minister Boyd to introduce his officials and give his opening comments.

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. Good evening, committee members. It's our pleasure to be here this evening to consider the estimates of Innovation Saskatchewan. Representing Innovation Saskatchewan is Dr. Jerome Konecni — am I close, it's a tough name to say for me for some reason — chief executive officer of Innovation Saskatchewan. On my right, Mr. David Grier, Innovation Saskatchewan's chief strategist, and behind me at the next table is Mr. David Katz, Innovation Saskatchewan's chief policy and science officer.

Mr. Chair, these officials will answer all the difficult questions that come forward here tonight. And we will provide a good conversation, I think, and they will be introducing themselves when they're called upon.

Mr. Chair, we live in a province that was founded on innovation and the entrepreneurial spirit. It's what drives us forward. It makes Saskatchewan a great place to live and work. Innovation is a part of our heritage, and it is equally important part of our future. Our government recognizes the role of innovation and ingenuity that it plays in growing our province, our economy, and our population. We live in a time where the status quo is no longer an option. To be prosperous, we must push the boundaries and find new solutions to existing problems.

Mr. Chairman, our guiding strategy, the Saskatchewan plan for growth, recognizes innovation as one of the pillars of economic success. That's why agencies like Innovation Saskatchewan are so crucial. They are the driving force behind our innovation agenda. They advise, guide, and implement the innovation strategy.

Since its inception in 2010, one of Innovation Saskatchewan's key accomplishments has been to set up multiple learning and research institutes. This includes the Sylvia Fedoruk Canadian Centre for Nuclear Innovation, the Institute for Global Food Security, and the International Minerals Innovation Institute. Each of these organizations demonstrates Saskatchewan's ability to be leaders in innovation and research.

Mr. Chairman, Innovation Saskatchewan is also responsible for the Saskatchewan Advantage Innovation Fund, which ensures strategic innovation investments are being made right here at home. Through this, they fund innovations and initiatives that will help our province's key sectors grow. An excellent example is enhanced oil recovery projects which are aimed at increasing oil production and developing new technologies through access to our oil reserves. Whether it is investing in industry-changing research or elementary school programs, Innovation Saskatchewan is truly leading the charge on our innovation agenda.

We are blessed to be in a province with a tremendous economic opportunity, be it in oil, gas, mining, manufacturing, agriculture, and so on. Our untapped resources and untapped potential are just waiting for new solutions and new technologies. Our greatest resource in tapping into all of that potential, of course, is our people. We need agencies like Innovation Saskatchewan to encourage our residents to dream big and then assist them in turning those dreams into a reality. That is how innovation happens and that is how our province will continue to grow.

I am pleased to say that this budget is one that continues to support innovation in Saskatchewan. Mr. Chairman, Innovation Saskatchewan's operating budget for 2014-15 totalled \$11.59 million. You may notice that this is a decrease of 16.45 million from the '13-14 fiscal year. That is a result of the removal of one-time funding, the one-time funding increase which was used for the construction of the cyclotron.

In this year's budget, 2.55 million will be allocated from the fund to the Saskatchewan Advantage Innovation Fund. This includes continued support for the International Minerals Innovation Institute, for enhanced oil recovery projects, and for further growth plan innovation initiatives.

Mr. Chairman, Innovation Saskatchewan will also continue to support the nuclear research and development strategy, including the Sylvia Fedoruk Centre for Nuclear Innovation, a cornerstone of this government's nuclear and innovation agendas.

New to this fiscal year, Innovation Saskatchewan will also be using a portion of its budget for core funding to the Petroleum Technology and Research Centre. The \$2 million in funding for the PTRC that previously sat with the Ministry of the Economy has been transferred to Innovation Saskatchewan. This will support the overall mandate of the agency in fostering a co-ordinated public sector research development and technology transfer targeted at economic growth in the province.

For the past five years Innovation Saskatchewan has been assisting this government in setting and achieving our

innovation agenda. This budget allows ample opportunity to continue doing so.

Mr. Chair, this concludes my opening remarks, and I'll be prepared to open the floor to discussion questions from the committee members on the estimates of the Ministry of the Economy.

**The Chair:** — Thank you, Minister. As the minister has already indicated, we're considering vote 84, Innovation Saskatchewan, subvote (IS01). The floor is now open for questions. I recognize Mr. McCall.

**Mr. McCall:** — Thank you very much, Mr. Chair, Mr. Minister, officials. Welcome to the committee. Welcome to the consideration of estimates for vote 84, Innovation Saskatchewan. I'm here on behalf of my colleague, Cathy Sproule. She sends her regards, Mr. Minister, officials, but I will certainly try to provide good consideration of the estimates in front of us here tonight.

Thank you for the overview at the start, Mr. Minister. I guess if we could just back up to make sure that we've got everything in the correct focus. If you could break down the \$11.5 million and its allocation to the different endeavours under the aegis of Innovation Saskatchewan?

**Hon. Mr. Boyd:** — Thank you, Mr. Chair. \$2.55 million, an \$820,000 decrease for the Saskatchewan Advantage Innovation Fund; \$1 million to the International Minerals Innovation Institute; \$1 million provided for enhanced oil recovery initiatives; \$550,000 unallocated funding for priority projects that meet the plan for growth commitments; \$1.87 million, which is a decrease for TRLabs, SpringBoard West Innovations, and carbon capture utilization and sequestration; \$4.72 million for nuclear research and development.

Together with the estimated carryover of 6.22 million from the previous fiscal year, the total spending for nuclear in '14-15 will be \$4 million for the Sylvia Fedoruk Centre for Nuclear Innovation; \$6.1 million for construction of the cyclotron facility and related nuclear substance labs; and 840,000 for activities under the Hitachi Saskatchewan MOUs [memorandum of understanding] on nuclear technologies. The 4.72 million would be offset in '14-15 by a transfer to the general revenue from the Crown Investments agencies in support of Saskatchewan's nuclear R&D [research and development] strategy. Two million dollars for the Petroleum Technology Research Centre; this funding is a transfer from the Ministry of the Economy for responsibility for grant funding. Operations, a total funding of \$2.32 million is for recognized salary increases, totalling the budget for '14-15 of Innovation Saskatchewan at \$11.59 million.

**Mr. McCall:** — Thank you very much, Mr. Minister. I guess and thanks for that overview of the expenditure under consideration here tonight. I guess starting from the top with the . . . Could you or your officials describe what's happening with the Saskatchewan Advantage Innovation Fund, the 2.55 million you'd referenced off the top in allocation to that? Does that add to funds that have accumulated and are there for disbursement? Could you explain to the committee what the status is of the SAIF [Saskatchewan Advantage Innovation Fund]?

**Mr. Konecsni:** — Thank you. My name is Jerome Konecsni, the CEO of Innovation Saskatchewan. Thank you for the question. I would add these comments to the minister's overview of our budget allocations: 1 million of the 2.55 is allocated to the IMII, the International Minerals Innovation Institute; 1 million as is committed by the provincial government for enhanced oil recovery projects; and \$500,000 is allocated for other priorities, related initiatives that are under development that are targeted as part of the growth plan. Our contribution to the growth plan is working on a number of areas, one of which is developing the innovation capacity of Saskatchewan companies, international engagement activities, and some agricultural biofeed stocks for applications in other sectors.

**Mr. McCall:** — So with the 1 million to the International Minerals Institute, could you describe what purpose that is going towards?

**Mr. Konecsni:** — The \$1 million is our contribution to the operations of the IMII as well as project funding. Are you looking for a more specific breakdown than that?

**Mr. McCall:** — I guess, again recognizing that it's my colleague that normally carries the file, please be as explicit and as thoughtful as you can in your responses. But really, just to see where the current expenditure is going, how that lines up with ongoing commitments of the government's, particularly as regards multi-year funding arrangements, and how that lines up alongside other possible funding sources in terms of be it federal or private sector dollars coming into Innovation Saskatchewan's sphere of operations.

**Mr. Konecsni:** — I'm going to ask David Grier, who is Innovation Saskatchewan's representative on the IMII [International Minerals Innovation Institute] board and he has much more knowledge of the specifics, but it's clear this organization is a partnership between industry, the academic institutions in Saskatchewan, and the government, represented by the contributions of Innovation Saskatchewan. So with that I'll turn it over to David Grier.

**Mr. Grier:** — Thank you very much. IMII has got six private sector companies that have made commitments of \$1 million each over a five-year period. So that's 200,000 a year from those six companies, so that totals 1.2 million. The government is bringing in 1 million this year. To date they've contributed 1.7 million so far. So another million on top will be 2.7 as a total contribution from government to this point.

We've invested in six separate projects. In every case there is other investors as well — some of them public, some of them private — and the leverage is about 3 to 1. For every \$1 that IMII puts in, \$2 from somebody else is into the projects. Most of them, because of the interests of the industry, have been related to accelerating some things on the education side. The industry was saying we needed to have some more specific kinds of training for our people. They're coming out of school with not enough knowledge of what they need to know to work in the mining sector. So there's elements that we've been targeting to try and address that issue and then helping the institutions to accelerate that rather than going through the normal process. So it's a way for industry to invest in those

things.

We've also done two research projects. Or not done; we've started. Nothing's done at this point. Investments have been committed but very little money has transferred so far.

**Mr. McCall:** — Okay. I might ask you to hand in the assignment. But I guess with the six projects that you'd referenced, if you could take myself through those and what's represented there in terms of activity.

[19:15]

**Mr. Grier:** — The first one we invested in was mining engineering options at the University of Saskatchewan. This is for chemical engineering, geological, and mechanical, so specific classes for people in those programs to have a mining-related piece of their education. The longer term goal is to get mining engineering back at the U of S. That is a longer term goal. The U of S is partnering with Queen's to help build towards that, but it'll take time to build the faculty up to get themselves reaccredited. We did have mining engineering here back in the '70s and earlier, but the mid-'80s I think, is when it ceased to operate due to the lack of students. So that was the first one. That was 1.7 million of our investment, sorry.

**Mr. McCall:** — In terms of that drive for reaccreditation in mining engineering with the U of S [University of Saskatchewan], is there a timeline that is in mind, sort of a ramping up of the project to drive for reaccreditation?

**Mr. Grier:** — Our initial goal was five years. I'm thinking that was a little optimistic as we begin to understand better how universities work and how difficult is to get positions approved through their whole system, but we're advancing.

**Mr. McCall:** — So five years was the initial horizon identified, I guess. Where's it at now, Mr. Grier?

**Mr. Grier:** — No one has made an estimate. My guess would be seven. No, I'm just guessing.

**Mr. McCall:** — Okay. Fair enough. Thanks for that. The next project?

**Mr. Grier:** — Okay. A centre for minerals innovation. This is at SIAST [Saskatchewan Institute of Applied Science and Technology]. They were again trying to have a more focused minerals training program. They came in with a fairly broad description and we said, that's too broad; we want more specifics. They said, well we don't have the people to actually put the specifics together. So we invested half a million so they could hire a person whose full-time job it was to put those details together. They're looking for something like a \$3 million expansion to their programs around mining.

And then there's something that sounds similar, but it's in Northlands College in La Ronge. It's called Mine Training and Research Institute. Our commitment to that is 1.8 million and they got 8.2 million from other funders. And our interest in that is particularly because it's in the North, because it's focusing on Aboriginals, and of course some of our mining companies are operating there and they want to employ those people, but many

of them are a long ways away from being employable. Or some people come in at entry level and they don't have the background to grow beyond that, so this is to give them the opportunity to get that.

**Mr. McCall:** — Okay.

**Mr. Grier:** — Then there's introduction to mining at Parkland and Carlton Trail colleges. These are somewhat similar, but serving a different community, sort of the northern fringe of the agricultural belt. And there's electrical safety training with the Cumberland College. So those are the six education-related ones.

And then there's two research projects. One is on safety cultures at the U of S and SIAST. So they're working together to develop, basic to try and understand what you need to do to build a safety culture because many of us are, especially those of us that came from — I'm one of them — came from a farm background, we're a little bit, let's just get it done rather than let's do it safely, and that attitude kind of pervades into industry. So there is a couple of psychologists working on this, trying to figure out how to break that attitude and, you know, change that into training programs for the schools.

And the other one is related to removing salts from effluent, so it's more of an environmental-related project that the U of S geology department is doing.

**Mr. McCall:** — Well I'll be interested to see how the safety project works out. And certainly I note your engineering ring and I also note you've still got all your fingers, so I think that bodes well for the approach.

But in terms of the six projects you had identified, certainly there is a great range of educational institutions from across the province, and certainly Northlands has a very particular focus on northerners, First Nations, and Métis. But is there anything in particular being done with the Saskatchewan Indian Institute of Technologies or with the First Nations University of Canada?

**Mr. Grier:** — There has been a number of initiatives attempted. Neither of those institutions have been able to put together a project that sort of addresses specific industry needs. We're — what's the word? — courting them heavily. Before this institution was even formed, we went through a very major effort to try and bring all institutions in the province sort of inside the tent, I think may be the way to put it, to understand what we're trying to do.

And we have a research and development panel and an education training panel, so all institutions come on the education training panel, contributing their ideas, hear from the companies who are also on the panel saying, these are where our needs are, things we would like to see changed, and then they put together proposals that try and address the needs of these companies that have articulated them. Both SIIT [Saskatchewan Indian Institute of Technologies] and First Nations . . . First Nations University is farther along that path. SIIT hasn't quite figured out how to address those needs yet, so we're trying.

**Mr. McCall:** — Okay. I guess not to . . . On the projects that



have been undertaken to date, how many individuals has that touched? How many people come through those programs and what have the outcomes been like?

**Mr. Grier:** — It's a big question. I don't know the answer. It can be figured out because every proposal has, you know, there is going to be 24 graduates per year, that kind of number, but I'd have to sit down and add them up and I haven't done that. You could take a rough average of say 20 times six and that would be sort of close, but I really am kind of guessing.

**Mr. McCall:** — Well if it's not too much hassle, it would be good information to have in terms of these being the ultimate return on this investment, people that are skilled up and ready to take a place in the industry . . .

**Mr. Grier:** — Sorry. Depending on the kind of program, some of them are, four years from now they'll get out and some of them are two years from now, and so on.

**Mr. McCall:** — I think it's an interesting approach and a good way to sort of deploy those investment dollars throughout the province. And again on the research projects, okay, one on safety, one on . . . What was the other one?

**Mr. Grier:** — It's removing salts from effluents, so it's less of the salts in the water that's dispersed from mines, from the potash mines.

**Mr. McCall:** — Okay. Are the research . . . Those projects are ongoing or have they been completed? Where are they at?

**Mr. Grier:** — They've just started. They were approved at the December board meeting. The contracts were being negotiated the last three months and they're just starting. The only one that's had longer term is the university mining engineering thing. That's a year ago. The other ones were all just approved in this past December and details are being put in place right now.

**Mr. McCall:** — Very interesting. In terms of getting a new institute up and running like the IMII — and again correct me if I'm getting the acronyms wrong, I've got too many vowels in there or something — but in terms of getting that board up and running, it's been how long since the institute was started? And is it sort of hitting its stride in your opinion, or where are we at in terms of the development?

**Mr. Grier:** — It's definitely hitting its stride. It was two years ago exactly that it was announced. The board was in May of two years ago, and the first board of 12 organizations was formed and put in place in June. And then it's been going for two years since then.

The board structure is, the six big companies that have put in the major dollars each automatically have a seat on the board, and there's still three others we're still trying to woo — Areva, Rio Tinto, and Vale — because they're significantly sized companies obviously. And so there's potential that there could be nine like that. We've also got a seat on the board for mid-sized companies and smaller companies, one seat each. And then we have three seats for institutions, and that could be SRC [Saskatchewan Research Council], U of S, U of R

[University of Regina], SIAST. And we started with U of S, U of R, and SIAST because they're the three largest. And then we have a mechanism in place to over time create rollover, that somebody's got to come off and a new one comes on.

**Mr. McCall:** — Okay. Gordon Barnhart is still the Chair?

**Mr. Grier:** — He's still the Chair, yes.

**Mr. McCall:** — Okay. Very good.

**Mr. Grier:** — Again that was, an innovative model was to get somebody who didn't have any skin in the game. He was just somebody who knows governance and could manage meetings, manage these companies. And it's worked very, very well.

**Mr. McCall:** — [Inaudible] . . . you couldn't pick better. Okay. I guess moving on through the expenditure, the next tranche I believe was \$1 million. Could you refresh the committee's memory as to what that was for and how it was deployed?

**Mr. Konecsni:** — The \$1 million is for enhanced oil recovery projects. Innovation Saskatchewan works with the Saskatchewan Research Council and the Petroleum Technology Research Centre to develop proposals but we'll also receive proposals from other people who have unique technologies that will address the challenges of how can we keep oil production growing in Saskatchewan, and that's clearly our objective. And these projects proposals are brought or reviewed. They're brought to our board and our board approves them based on the thorough analysis, rigorous analysis, that we do. We've developed . . . We've talked about this tool at previous sessions that we've developed and it really focuses on aligning projects with the impact on the Saskatchewan economy and their alignment with provincial priorities, 11 criteria that are based under that.

We just announced recently \$1.9 million of projects that were staggered over two years of our funding in enhanced oil recovery and they varied in size somewhere between 400,000 and . . . How big was the largest one?

**A Member:** — The largest investment from our side was 650.

**Mr. Konecsni:** — 650. And these projects are now under way. The contracts, the funding contracts are being negotiated and these projects will be up and running over the short period of time. So we'll continue that process with the funds that would be allocated for this year.

**Mr. McCall:** — Could you give the committee a flavour of what sort of projects are represented in that expenditure?

**Mr. Konecsni:** — Sure. Again I'm going to ask Dave to talk a little bit but I'll introduce them generally. These projects range in terms of the kinds of capabilities we try to balance. Our initial task is to look at projects that are going to give us a quick return on investment and that have strong industry support and are heavily leveraged by industry. Those are really important criteria, for if industry is in the game and is willing to contribute more than half of the funding, then those are some of the thresholds that we use in terms of our criteria for evaluating these projects.

And to give you one flavour, we brought in a technology from a Dutch company that was a spinout of a Dutch university, that it's a micro sensor technology. And one of the challenges in oil recovery is that the oil . . . What's going on is a big mystery. They have very little information. So the more ways we can bring more data so the oil companies can experiment with different techniques and different technologies, they can actually get more data saying here's which one is working and here's which one isn't. And the environment in those wells differ from well to well.

So that is a very upstream, and that's one of the more upstream projects that is just designed to give the industry . . . And it was very well subscribed to by industry. They were very keen on this because again, this is high-risk, early-stage stuff, stuff that they felt, gee that's data that will help us apply a lot of technologies. So that's one example. And Dave, I'm going to turn it over to you. We had one that's looking at microbes and their use in down the well and then more standard-type of technologies. One of them is a water meter cut, but I'll let Dave talk about the specifics of those.

**Mr. McCall:** — Just on the partnership with the Dutch spinoff, how long did it take to get that? And that, I'm assuming that has been commercialized and is ready to go. Is that a correct assumption?

**Mr. Konecni:** — Their technology is ready to go and they've licensed it. And they also have a number of other applications of their technologies that they're looking for in Saskatchewan. Environmental water remediation is another application, for example. And in fact they're very seriously looking at setting up operations in Saskatchewan because they've been . . . their technology, they see a wealth of opportunity for their technologies in Saskatchewan. They're really seriously looking at an operation here in Saskatchewan.

**Mr. McCall:** — So what happens to the intellectual property in that case, and how does Innovation Saskatchewan maintain a relationship to applications that have been licensed and are commercially successful?

**Mr. Konecni:** — Well they bring their technology to the project, and the project has investments from a number of different parties. And so as those project agreements are put together, the understanding is up front. So they have the right, if they've contributed to that project and there is new IP [intellectual property] that's generated, then that will be determined by the negotiations and the project agreement. In which case, usually the ownership and the rights are proportionate to your contributions, and the company is bringing in the know-how and the technology. That's their contributions.

So the royalties, then this company would likely be paid royalties by the companies that have utilized the intellectual property. And those companies who've invested in the projects have the right to license that technology.

**Mr. McCall:** — So what kind of volumes of sales are you talking about?

**Mr. Konecni:** — Well it's still early stage and it's hard to

determine. I think what you have to do is just determine what the actual data that will be generated to see what will be the applications, but they would even look at, at some point in time if this works, they're going to want to look at maybe manufacturing these micro sensors in Saskatchewan. That's one of the reasons they're looking at setting up an operation in Saskatchewan.

And this is really part, it's an example of our innovation strategy is to look at the innovation ecosystem in the supply chain. So we're also looking to build a local supply chain for the resource companies in Saskatchewan, so they're on the ground, they're in Saskatchewan, recruiting jobs in Saskatchewan. We're creating new know-how, and that technology could then even be licensed to other places in the world who had similar issues. And I'm sure those are the kinds of things that we'd negotiated.

[19:30]

**Mr. McCall:** — Sure thing. Thank you.

**Mr. Konecni:** — I'll turn it over to David to add some details on the other projects.

**Mr. Grier:** — It's just a little bit of more information on that one. The technology they have is ready to go, but the application of using it downhole in oil wells, is not ready to go. That's what this project is about.

And so there isn't an IP in the normal sense of it that's being created. It's will this work in the situation. And then the oil companies are excited because they'll be able to see where the things go. That's what they're interested in; they're interested in information. So they don't care about the tool itself, they care about the information. So the manufacturers that Jerome has talked about, they'd be the ones to be caring about opportunity to make this thing. And they would do that in their license to the Dutch, and that's how that would work.

**Mr. McCall:** — Okay.

**Mr. Grier:** — Just a little bit more about the leverage in that one. That one was a total of 1.69 million, of which 4.68 comes from us. And 1.22 comes from the other partners, the Dutch being the largest investor, but the companies in the heavy oil consortium are also a major contributor in that project.

**Mr. McCall:** — And again, it's always great to hear about a good lever. That's a good, great use of dollars.

**Mr. Grier:** — You did ask earlier about where this started. And it started with Petroleum Technology Research Centre met these people through their normal course of action with the Dutch, and said this is an opportunity, let's see if we can make it work in our oil situation. So that's where the opportunity, the seed was generated was just a meeting between these two organizations.

**Mr. McCall:** — Okay.

**Mr. Grier:** — Another project is the RF [radio frequency] heating of EOR, an enhanced oil recovery using radio frequency

heating. So it's just a different way of, some EOR technologies put steam down to create the heat to make the oil flow better. This is just using RF heating. It's something that this company has tried in the oil sands. And the oil companies of course know each other, and they said, you know, this looks like it might work there. Let's see if it'll work in heavy oil in the Lloydminster region.

So this project is about . . . it's actually just phase one of the project to see, well does the economics make sense? You know, can they build a model that will explain what's going to happen to the degree that the oil companies would say, yes this is worth investing in. And if makes sense, we're out of it. They just carry on. If it doesn't make sense, then it's over. So it's one of these relatively low-cost things to find out, first step, is there something here or is there not something here that we can take advantage in our oil situation.

So that investment is a total of 690,000 — 275 from us and 415 from the technology provider and the oil companies involved. Then there's microbial-generated biosurfactants. There's been lots of different opportunities that people have considered for using microbes in the oil patch. This is a variety of things that they want to test out to see what's possible both from indigenous microbes, microbes that live down there now, and also ones that you find somewhere else and inject in the well.

And the biggest opportunity that they think is there is for plugging off channels, that previous oil removal techniques have caused channels and now you're just pumping water round and round and round. If you can plug that off with a microbial-generated plastic, is kind of what they're trying to create. Then it'll take different paths and start picking up more oil again. That's one thing they want to look into. Another is it can also just change the viscosity of the oil so again the oil will flow more readily. So that's another possible opportunity.

**Mr. McCall:** — So what kind of conditions would you . . . What does a test look like for that particular technology?

**Mr. Grier:** — Well it's a genomic thing, was identifying the various genomic characteristics of the microbes themselves, both the ones that are existing in situ and the ones that . . . This company that's kind of leading this project has a bank of a number of microbes. So identifying their characteristics and seeing that this bug will produce this result; this bug will produce that result and saying . . . and finding ones that look like they're going to produce the best result. And then it's trying it, so you still end up with the old, let's give it a try and see what happens kind of situation. But it's . . .

**Mr. Konecni:** — Dave, if I could add, biology is more my background than the engineering, but that these microbes, there's a DNA [deoxyribonucleic acid] technology. So there's a whole community of microbes that are down there that you want to apply, and you've got to be able to identify each one. And the surest way to do that is using their DNA. So once you've identified what's down there, and then you identify which ones, you can replicate that. You can repeat it because you know which ones were working and which ones didn't work. So this is first of all, well all about the first stage was identifying all of the microbes and then starting to separate them based on their utility.

**Mr. Grier:** — So the number is 1,000,095 — 500,000 from us and 595,000 from the industrial partners.

And the last one is a thing called oil cut, water-cut meter development, which is basically trying to have a meter that accurately tells you how much oil you have in the fluid that you're pumping out, which you would think is not that hard, and apparently it's quite hard.

And you can buy \$50,000 versions of this that work and exist, but the companies say that's too much. If they knew what every well produced, they could start closing down ones that were not producing and increasing, bringing other ones on stream that are. But they don't know. They just know what ends up in the tank. And they say, well that's just . . . We know we are leaving stuff in the ground that we shouldn't be, and we're pumping water where we shouldn't be pumping it, but we don't have a meter to do it. So this project has developed that meter at a price point that industry can afford. I can't disclose the price point, but they're not . . .

**Mr. McCall:** — It's smaller than 50,000?

**Mr. Grier:** — It's more than 50,000. You're right — bigger than a breadbox. In this case, we're in for \$650,000. The partner is in for 2.1 million, so a total project of 2.75 million. So this will end up with the product, as opposed to some of the other ones are more process related.

**Mr. McCall:** — The next tranche in dollars under consideration, moving on from EOR?

**Mr. Grier:** — Two things that we're . . . Moving away from EOR, did you say?

**Mr. McCall:** — Well I guess is there anything else to go under EOR? Are we on to the next . . .

**Mr. Grier:** — We've talked about what we've funded so far. We've just been given another million, so we're considering things. We haven't nailed down anything for sure as to what we're trying to do. But doing something at tight oil, the Bakken region is very interesting because they're very low. They get tremendous returns for a short period of time and then it slows to a trickle. So how do we extend that and get more out of each oil well is something that's of big interest.

There is another technology that Jerome and I went to look at in Israel. It was developed by a man who worked for Royal Dutch Shell for 35 years and now is working for an Israeli company that looks like it might have potential in our oil sands. And oil sands have challenges that the Alberta side doesn't have. And so again we're looking at that. We're not sure what we're going to do there. But those are two things that we're considering for the future money kind of thing, for the this-year money.

**Mr. McCall:** — Sure. Sure. If you don't mind, tell me a bit more about the Israeli prospect.

**Mr. Grier:** — Well this fellow was the chief scientist for Shell for 35 years. He's now the chief scientist for this Israeli energy initiative, it's called. It's actually a company, but that's what they called it. And in his time, he developed a technology that is

actually being used by Shell in the Alberta oil sands, but he's got an enhancement to it where he's going to use molten salt to convey the heat to the ground and continually reheat the ground. The challenge is to put the energy in there without putting water, which is what we typically do now with steam mix assisted gravity drainage types of recovery. And so that's the innovation that we would like to try.

And our challenge is we don't have caprock on our oil sands, so you can't pressurize it because there's nothing to hold the pressure in, whereas on the Alberta side there is caprock and they are using pressurized techniques. So we need other ways so this will convey the heat down there enough so the oil can flow. Then we can pump it out, and that's the opportunity. But again it's a little ways from a done deal.

**Mr. McCall:** — Sure. Very interesting. Anything else in this year, money for potential allocation?

**Mr. Grier:** — Those are the two things we're looking at for now.

**Mr. McCall:** — Interesting. Anything else under EOR, or should we move on to the next tranche of allocation? Well if we could then . . .

**Mr. Konecsni:** — We'll move on to the next. The next area are a number of things that we're looking at. One of them is a program related to building the innovation skills and capacity of Saskatchewan companies. There's a scientist, a professor at the University of Saskatchewan who has developed a world-recognized process and tool, a system for evaluating the innovative capacity of companies and organizations. He did the world's first benchmark with Fortune 1000 companies.

And we thought if we're looking, we need to have some measure. We wanted to find out how innovative Saskatchewan companies are and that, as a benchmark, then that enables us to measure whether our programs and activities are working. Are we helping companies improve their innovation? How do we know how well we're doing? And so we engaged him to do a study in Saskatchewan.

And we're pleased to report that Saskatchewan companies, and with a large enough sample that is statistically valid, we scored one point higher than the Fortune 1000 average. And that's a fairly significant indication that, as Minister Boyd talked about, the innovative culture of Saskatchewan, that's a pretty good signal.

Now there are jurisdictions that are better than we are, like Finland and Switzerland and Germany. And so part of our goal is, how do we get to go to the next level? How do we do that? And it's a really basic, simple process. We tested it with our board, who has a number of CEOs on the board, and they were very enthused and excited about this tool and how it would help them in their own companies improve their innovation capacity and skills.

**Mr. McCall:** — And this is the work of Jeremy Heigh?

**Mr. Konecsni:** — No, this is the work of Dr. Brooke Dobni with the School of Business at the University of Saskatchewan.

And so what we're now . . . We have a number of partners who are going to be working with us. IRAP [industrial research assistance program] has contributed some money. We're going to do, first of all starting with sector seminars, and this will be part of the program offering for the manufacturing centre of excellence that we're looking at, the innovation component. And we're also going to be working with the agriculture sector. And we have partners such as Innovation Place; the chamber of commerce, the provincial chamber of commerce; and IRAP; and the Raj Manek mentorship program, which is a charitable foundation that provides mentorship to entrepreneurs. So those are our partners in getting the word out and beginning the training and moving this knowledge that we've gained from Dr. Dobni into our business community. And it also represents part of the government's support to the manufacturing centre of excellence.

**Mr. McCall:** — I guess this would be a good time. Manufacturing centre of excellence: how is that coming along and how's Innovation Saskatchewan's involvement in it?

**Mr. Konecsni:** — Well when you look at the overall plan, we work closely with our colleagues in the Ministry of the Economy. Our contributions and our expertise is on the innovation side, and so we're particularly working on building the innovative capacity. And some of the ideas that the manufacturing group from Saskatchewan that was created by the CME [Canadian Manufacturers & Exporters], basically they've identified some of the activities that have worked in other jurisdictions across Canada. And so we're evaluating them.

And we think the logical process, we always believe it's good to do a diagnostic first before we start implementing. You should know what you're treating and focus on those areas that need improvement, not just doing what I call a spray and pray — let's just shoot at everything and hopefully something will hit something. So our approach is always let's go in, let's do an analysis, let's identify where the strengths, where the weaknesses are, let's target those weaknesses. And we think that we'll be more wisely spending taxpayers' dollars and we'll have a greater impact.

So that's the same approach we're proposing with the manufacturing centre of excellence. Dr. Dobni has given us a really good tool for assessing. And so we'll work with the manufacturing organization, the Saskatchewan centre that has been created, and help them identify their specifics. And then we can drill down. Once we do the sector level we can then enable the individual companies to do more detailed analysis of their specific operation, and IRAP will contribute to that analysis. They've made a commitment to our effort.

**Mr. McCall:** — All right. Next up in terms of the menu iterated by the minister off the top, are we on to nuclear yet?

**Mr. Konecsni:** — Yes.

**Mr. McCall:** — Where are we on the . . .

**Mr. Konecsni:** — The nuclear strategy. David Katz is our lead official on the nuclear file.

**Mr. McCall:** — Well bring on the lead.

**Mr. Konecni:** — Pardon?

**Mr. McCall:** — Well bring on the lead, by all means.

**Mr. Konecni:** — Okay, we'll turn it over to Dave quickly. I serve on the board of the Sylvia Fedoruk Centre and I just want to talk a little bit about that. The program is very . . . The organization has very nicely rolled out. You had asked about the progress. There's been 12 projects that have been funded. Again very good leverage, more than 1 to 1 leverage is generated by that.

One of the objectives in the creation of the Sylvia Fedoruk Centre was to create the capacity, the expertise in the province to generate a nuclear industry, building on the strengths that we've had historically in nuclear medicine, looking at utilizing value-added, also looking at safety of nuclear materials. And now with the linac and the projects in terms of isotopes, we see that the production of isotopes can help our crop research, can help our animal research, as well as human health. So that's a significant component of how the Sylvia Fedoruk Centre will contribute to all of our other core sectors, in agriculture and mining and oil and gas.

[19:45]

So that gives you an overview of how the Sylvia Fedoruk Centre is up and running and is really generating some projects, building the capacity. Every one of the four priorities that were identified in the business plan and the strategy, the Sylvia Fedoruk Centre has just, the board has approved a strategic plan which is going to target those priorities, identify strategies for continued development of resources and funding, and specific focus areas under those four priority areas that we've identified for them to move forward.

And we expect that within a year's time we'll be producing our own isotopes that we'll be able to . . . We will not be dependent. Saskatchewan will eventually be independent in terms of its isotopes and hopefully marketing them in other places in Canada.

So with that, Dave, I'm going to ask Dave to talk a little bit more specifically about some of the initiatives and things that we've been working on.

**Mr. Katz:** — Sure. So as Jerome said, we've funded the Sylvia Fedoruk Centre. Its areas of emphasis are on nuclear medicine, material science, safety and reactor technology, and nuclear technologies in society and the environment. So that's the broad area. They're approaching that through funding of research projects. A small correction for Jerome: it's actually 16 projects, not just 12, that have been funded, five that have gone through to completion.

One for instance was in the area of diagnosis of kidney function using PET/CT [positron emission tomography/computerized tomography] and radioisotopes and being able to accelerate the speed at which diagnosis can be made so that there's less wait time so that appropriate treatment can be started sooner. As an example, the leverage that we've gotten on those is about one

and a half to one, so for every dollar we put in, they have found partners bringing forward about another dollar and a half, so good leverage on that again.

Second is the construction of the cyclotron facility. So that's a new device that is used for material science and for the production of radioactive isotopes. One of the immediate uses of it, as Jerome pointed out, is the manufacture of a drug called FDG [fludeoxyglucose] which presently we're buying from Eastern Canada. We should be starting to produce FDG sometime around this time next year.

Just to give you the time frame on what's happening, the cyclotron facility is under construction, the actual physical construction of the facility. I'm happy to say that on April 22nd the cyclotron itself was successfully installed in the vault. And when I say vault, I'm talking about a room that is built with 6-foot thick concrete walls to protect against radiation from the cyclotron. So it's been quite a massive endeavour. The cyclotron was dropped into the vault, placed gently into the vault, on the 22nd. So that that was important milestone.

We expect the physical construction of the facility to be completed this fall. After the physical construction, then the next step will be approval to operate from the Canadian Nuclear Safety Commission. And then once it starts operation, then they can begin to produce FDG. As soon as they start to produce FDG, then they have to go through a second licensing facility by Canada Health in order to guarantee that what they are producing meets the manufacturing requirements for drugs administered to human beings. So there's quite a series of steps that go on in this.

We should be producing FDG about this time next year. It will be a while until that ramps up in production, till, as Jerome said, we become self-sustaining on FDG. But we're on course according to the plan that Innovation Saskatchewan has agreed to support.

Then the final one that we're doing is a series of research projects with Hitachi global energy, and those are around particularly small, medium reactor technology, if you have a reactor. The series of projects we're working on right now, the reactor produces electricity, but it also produces steam. Once the turbines have finished using the steam for the purpose of generating electricity, there's still a lot of quality heat in there. So what can you do with that heat? There's issues first off about isolating that heat from the reactor technology so if something happens with the reactor, you're not taking that heat out . . . or not taking radioactive materials out in that heat, I should say, to other applications.

And then the applications are things like use in desalination, in enhanced oil recovery. Dave was talking about some enhanced oil recovery technologies. One of them is called SAGD, steam-assisted gravity drainage, and you can use the steam from a reactor for those sorts of things for community heating, for greenhouse purposes. And the reasoning behind these is that the more that SMR, small and medium reactor, technology has additional applications other than just the generation of electricity, the greater the market potentially may be for them. And the end game from the province's point of view is to enhance the market for Saskatchewan uranium. So that's the

direction we're heading.

We've just started discussions on a second tranche of research projects with Hitachi. One of those is on use of synchrotron radiation for looking at corrosion within reactors, and although Hitachi themselves have their own synchrotron — they don't need to come to Saskatchewan — they're intrigued by what the researcher at the University of Saskatchewan has been doing. And so we don't have any agreement on a project yet, but their ears perked up, and they said, we're really interested in finding out what's going on in Saskatchewan in this area.

Another is again with respect to corrosion within reactors. One of the professors at the university thinks that he has a coating that can be used in the steam tubes within reactors to reduce the rate of corrosion, and Hitachi is very interested in starting a research project on that. So kind of the little engine that could, from my point of view. You look at Hitachi and their sales which are about \$118 billion a year. Their research budget is probably a very large research budget, and yet they're looking at Saskatchewan and saying, you guys are doing interesting things we'd like to tap into. So those are the projects that we're doing with them.

**Mr. McCall:** — It's good to get those kind of ears perked up. In terms of the . . . I guess this question would apply for the other spheres of activity as well, but in terms of not just the leverage of other research dollars or other partners, what has this meant in terms of the job opportunities for the research community, and again the graduate students we've got on campus or various of our scientists, professors, and then attracting these kind of individuals from across the country, around the world? What's the leverage been like for Innovation Saskatchewan in that regard?

**Mr. Katz:** — So far at this point, not too significant because we've just started into projects. As you can appreciate, when working with a company like Hitachi, it takes quite a while to feel out what projects might be of interest to them that need the capabilities of researchers in Saskatchewan. So in fact we've just initiated the first projects. It took about two years to get to the point of signing of definitive agreements on what those projects would be. The expectation is that, through doing this, we will build in Saskatchewan expertise at the universities in various aspects of nuclear technology, the ones particularly that I mentioned for the Fedoruk Centre: nuclear medicine, material sciences, reactor safety and technologies, and nuclear and environment.

So we'll build that capacity within the universities, and we will graduate students with those capabilities. All of the projects that I mentioned with Hitachi are projects that have students involved in them as well.

**Mr. Konecni:** — I would like to add to what Dave said. When you look at innovation-related jobs or the innovation sector, if you look at how many jobs are created, you can say that for example every \$100,000 that's spent on research, the majority of that, unless there's a specific capital request, is typically 80 per cent of that is typically on labour. So for \$100,000 invested, you're going to have one position. So the scientist who is leading it can't do and doesn't do all the work himself. He, when he gets new funding, what he does is he brings in

post-docs or grad students. And typically he'll bring in one per \$100,000 worth of funding to enable him to do that.

That's a formula we used to use in research organizations. So if we're putting in \$500,000 on a project, and let's say we take out \$100,000 for capital, there's \$400,000. We're creating four positions. And then if there's a leverage of two to one, we're creating another eight positions with the leverage or eight jobs for, you know, highly skilled workers.

So one of the things that we have talked about, and we're just working with our colleagues at the university and other ministries, we thought it might be very useful to get a sense of how many jobs are actually in the innovation community. And then you have to . . . it'll be a fairly massive project, but it'll be looking at, we have CLS [Canadian Light Source]. There's 150 employees at CLS. There's VIDO [Vaccine and Infectious Disease Organization] has 150 employees. You have NRC [National Research Council], which has 200 employees. You have Ag Canada, which has a similar number. And not to mention the university, then you look at all of the other organizations, SRC.

So we have a large number of jobs and capabilities and economic activity that is in, if we define that as our innovation sector, that we are creating. And this is what builds the capacity to create new industries and to enable us to tackle projects, capital projects, whether it's helping mining companies build their facilities, taking on something like Boundary dam. It requires highly skilled workers to do that.

So it really is an important part of building the knowledge on the capacity base. And that expertise creates jobs and attracts more business. If you look at all of the places in the world that are considered high-tech centres — like Boston and their medical research, like Silicon Valley— it starts with a huge capacity in public institutions and the knowledge and the ability to train and develop skilled workers.

So we're just getting our heads around trying to get those, put some of the numbers together. And it'll probably take us several months to put some of this together because the consultation will have to be . . . [inaudible]. But we think once we start getting our head around that, we'll get a true understanding of how big our innovation sector is and what its economic contributions to the province are. And that doesn't even account the value of the research. You know, like how do you put a value on producing isotopes that are going to shorten, you know, your ability to diagnose kidney disease.

[20:00]

**Mr. McCall:** — I guess, thank you. Thank you very much for all of that. This is a fascinating discussion. And I guess I'm sorry that we've only got this hour to go and we've come near the end of it. So I guess at this point I'll say there are a couple of other things that I wouldn't have minded discussing, but perhaps there are other ways to get at those. But I would go on record saying good to see the investment in the Petroleum Technology Research Centre. I'm not contractually obligated to say that as a University of Regina grad, but certainly I think that's a very worthwhile investment.

But thank you very much, Mr. Minister, officials, for a very interesting discussion.

**The Chair:** — And thank you to the minister and his officials for joining us this evening and I would recognize the minister.

**Hon. Mr. Boyd:** — Thank you, Mr. Chair, committee members. Thank you very much for a very interesting discussion here this evening about the innovation agenda here in our province. And thank you to the Innovation Saskatchewan people for a very informative discussion and answering of the questions that's been put before us.

**The Chair:** — Thank you, Minister. With that, we will take a short recess as we transfer from one ministry to the next.

[The committee recessed for a period of time.]

**The Chair:** — It now being 8:05, we will call the committee back to order. And we have with us tonight the Minister of Highways. And we will be resuming consideration of vote 16, Highways and Infrastructure, central management and services, subvote (HI01) and vote 17, Highways and Infrastructure Capital. And I'll just invite the minister to introduce his officials and any further comments, and then we'll get into questions.

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

**Subvote (HI01)**

**Hon. Mr. McMorris:** — Thank you, Mr. Chair. I will introduce my officials. I have no other comments; I had quite a bit to say the last time. We don't have a lot of time in these estimates.

So to my right is Nithi Govindasamy who is my deputy minister. To my left is Jennifer Ehrmantraut who is my associate deputy minister, operations division. And I'm not going to go back in order but they're sitting behind me, at the table behind me, Ron Gerbrandt who is the assistant deputy minister, design and innovation division; Blair Wagar who is the assistant deputy minister, planning and policy division; Wayne Gienow who is the executive director, corporate service division; Gary Diebel who is the director, finance services branch; and Doug Hansen, executive director for the northern region, which we spent an awful lot of time with in the last estimates.

**The Chair:** — Thank you, Minister. And just a quick reminder, although I'm sure the minister and his officials are aware of it, if they're answering, to just give the names for the sake of Hansard. And we're open for questions from the floor, and I recognize Mr. Belanger.

**Mr. Belanger:** — Thank you very much, Mr. Chair. I guess just to be . . . We have obviously limited time here this evening. So I'm going to ask some very specific, I'd use the phrase, rapid-fire questions in regard to highway. So hopefully we can get some rapid-fire answers back. There's no question that we will attempt to do the questioning as quick and concise and precise as we can.

But I guess one of the things that we want to talk about obviously, the three areas that I want to spend a bit of time with is of course the bypass. The Regina bypass is probably one of the biggest if not the single largest project that we're going to have in the province of Saskatchewan. So we're going to spend a bit of time on that because there's obviously some very, very important issues that need to be addressed on the bypass itself.

Obviously many communities are impacted and we, I think the minister as well, I'll share with him, received a letter of April 28th, 2014. And the letter is from a lady out in Emerald Park, I believe. And her name is Carmen Sasyniuk, if I pronounced that name correctly. But anyway Carmen basically sent this letter to your ministry and cited a number of issues as it relates to the impact of the bypass to the people that live in Emerald Park and other places. And I want to just take a very, very quick read of a few comments that she made:

These are some of the concerns that need to be addressed. Every person who lives in Emerald Park, White City, Balgonie, Pilot Butte, Edenwold all have a child, a spouse, a parent, a sibling, a friend of whom they worry about when travelling this stretch of highway. As well as local traffic, out-of-area drivers who use the highway are also expressing concern, including my own family members from Yorkton who try to avoid Highway No. 1 East whenever possible.

And the concerns that she was talking about, and again I'll just quote them from the letter:

As a resident of Emerald Park and mother of children ages 14 and 12, my children learning to drive is troublesome to say the least. Some friends and neighbours already have children driving, and they all seem to say the same thing. The moment their child leaves home to make that left-hand turn on Highway No. 1 into Regina is gut wrenching. My neighbour made the comment that after her son would leave their home to go into Regina and she followed shortly after, she was sick all the way to Great Plains Road until she arrived at the same left-hand turn on to the highway, praying he had safely crossed. One mother of a 15-year-old has even told me that her and her husband have thought about not letting their son take his driver's licence test until things improve on Highway No. 1.

So Carmen Sasyniuk, if I pronounced her name right, has written a letter to you. And obviously we have a copy here that I'll share with the minister directly. What response do you have for Carmen?

**Hon. Mr. McMorris:** — Well you know, it's a very poignant letter of course, just dated yesterday, I believe. Am I correct it was April 28th? So you're not asking how we have responded, but what our response may be in committee?

**Mr. Belanger:** — Right.

**Hon. Mr. McMorris:** — What I would say, kind of just in general before I get to the specifics of this particular letter, is that we have seen an increase in traffic over our whole highway infrastructure over the last number of years and over the last probably four or five years quite significantly. And we could

get to that as far as what those highways, certain highways were carrying as far as traffic to where they are now. So we've seen an increase right across the board. This letter is specific to the east side of Regina. There is concerns, of course, up around Saskatoon, Martensville, Warman where traffic has increased. And so driver safety is our number one priority absolutely. We want to make sure that people enter on to our highway system and exit off of it as safe as they possibly can.

I understand the concern of this parent. We had our one son for a short time, a very short time, probably too short of time, attended school in Balgonie. He turned on and off of that highway on a regular basis and was a new driver, so I understand the concerns. I think I understand the concerns of parents when they send a new driver out. Probably not a whole lot different than any parent when their child gets their licence for the first time, whether it's driving on grid roads back and forth, for me, 25 miles back and forth on a grid road to a high school or a parent who has their child driving on to a major intersection.

And so there's three ways to deal with that really, I think. I mean there's the 3Es. There's enforcement, education, and engineering. And so a lot of people look at engineering as the only solution. And that is one of the solutions, and that's what we're moving to. There's been an announcement of what we plan on doing as far as engineering those intersections to be safer. I mean the safest intersection isn't not a level grade intersection. It's a bypass. It's an overpass. That's the safest grade intersection or intersection to take the grade away.

There's also moving traffic off the highway — right turn, left turn, and acceleration lanes, deceleration lanes. There are street lights. There are warning signs. There are a lot of things that can be done around all of these intersections. We've worked hard. I mean the ideal is what we are moving towards, and we've made the announcement. And I really hope the opposition will support, you know, any announcements that's made over the next week or two, for example, on moving that project forward because it absolutely addresses this letter.

In the short term, and what we've done over the past year and a half, is put in millions of dollars, whether it's at Balgonie or White City, Emerald Park, to have deceleration lanes off the highway separate the traffic, acceleration lanes, left turn lanes on to the highway where traffic can speed up before it gets into the driving lane. So that's the engineering piece, you know, and we can talk about that quite a bit more because we certainly do that.

There's the education piece and making sure that new drivers understand the impacts of their decisions when they first get out there and drive. And you know, I'm not going to say that they should limit the students, and we've gone through a graduated driver's licence. There's just been a lot of changes made by SGI [Saskatchewan Government Insurance] on that whole process to make sure that new drivers are safe and understand the ramifications when they start driving.

[20:15]

And then there's enforcement. So there's the education piece, the engineering piece, and then there's enforcement. And you

know, we could all say that there should be perhaps more work on enforcement, you know, whether it's more officers at the site. Perhaps it's expanding photo radar and if that was the case, I would hope the opposition may support us into the future if that was the case.

So those are the three areas that you can address the concerns of this letter, because these concerns are very real. And you know, I spent 20 years of my life before I was in politics in traffic safety and I was the traffic safety coordinator for the Saskatchewan Safety Council. So I understand these issues pretty well and I do know that there are the three ways that you can prevent them. And it's just not all on one, it's just not all on engineering and it's just not all on bypass and all of that. There are the other two Es: education and enforcement. And I hope the member opposite would agree with that.

**Mr. Belanger:** — One of the things I think is important is Carmen obviously wants you to see first-hand, and that's the premise of the letter. She ends it with a clear invitation, and I quote from the letter: "I invite you and your team to take a drive out our way from Regina to Balgonie, particularly during rush hour, and witness first-hand why our communities are urging your government to act responsibly now for the safety of all who travel it."

So that's one of the invitations that she wanted to make sure that we expressed, and we did get her permission to use her letter today. But will you accept her invitation to go out there and spend time with them to see exactly what they're dealing with during rush hour?

**Hon. Mr. McMorris:** — I would say that I would drive that stretch of road, on a 52-week basis, 40 weeks of the year, at various times of the day for sure but the majority through the rush hour period. Not every week of the year but certainly probably 40 weeks of the year, I would drive, and of those 40 weeks, five to six days of those weeks, those intersections. I know it very, very well. I access the businesses on the south and north of No. 1, whether it's going in towards Emerald Park, White City, whether it's on the other side, and not to give any plugs, but PowerSports or Sea-Doo or any of the other businesses on the other side. I access those intersections and turned back on to the highway. I understand, I think I understand the complexities. We have people within the ministry . . . People within the ministry just don't live in Regina. We have people within the ministry that live in Emerald Park and White City and Balgonie.

My constituency assistant turns on and off of that highway going into Balgonie and coming out of Balgonie. My administrative assistant within my minister's office lives in Balgonie and drives that section of road every day, in the morning and in the evening. And they all realize the seriousness and the complexity and the traffic volume increases. So I don't think that if you're trying to allude that lack of action is because we don't understand what is going on out there, I don't think that's fair because I truly do believe that we have, through the ministry employees and the minister's office as well as myself as the minister, have a pretty good understanding of that section of highway. Not to say that I wouldn't take the invitation up, but I do believe that we have a pretty good understanding of that section of highway.



**Mr. Belanger:** — Thank you. Obviously our time is ticking away here, but I just want to quickly jump into the overall strategy around the bypass project. The Regina bypass project is estimated at \$1.2 billion, which is a major project. It's all connected. It's all, of course, intending to be as efficient as possible in terms of moving the public safety and of course the goods and supplies that the Saskatchewan economy needs to move. But at one time, the minister has expressed that he too had concerns around the location initially in terms of the bypass project, but he's since changed his mind. Would you elaborate on why you changed your mind, just for the record?

**Hon. Mr. McMorris:** — Well I am so glad that you asked that question. Thank you very much. Absolutely, you know, again I said I was involved in traffic safety for 20 years before I became the minister and worked for the Saskatchewan Safety Council as its traffic safety coordinator and thought I had a pretty good grasp on the needs of traffic safety. And when I was first named the minister by the Premier, which was grateful after coming from Health, is that I wanted to question the decision of Tower Road and whether that was the right location. I guess maybe I had the privilege and the opportunity, but definitely the privilege, to talk to the engineers that have been working on this project, not just over the last two years that I've been the minister or not just over the last seven years that we have been government, but for the last 12 to 13 years, where that intersection as the pinpoint to move traffic around the city was named because it was named well before we became government. It was studied by a previous government, your government, and that was decided that was the point to move traffic off. I didn't agree with it, but I had the opportunity then to question the engineers at that time and say, why here?

You know, the first time we went through it kind of made sense, but then I talked to people in the area and I talked to other people. I went back and asked those same engineers all the questions that I had heard. How come there? You know, and what does it affect? If we move that intersection out, for example, and you're very specific on the intersection you're talking about, so if we move that intersection, the pinpoint of where traffic gets off out to, for example, and I don't know if you're familiar with all the terminology but gravel pit road, if we moved it out there, what does that then do to the interchange for Pilot Butte? But if you want to move, okay then let's move Pilot Butte out further, which then doesn't align with entering into their community. And if you move Pilot Butte out, what does that do to Emerald Park and White City? Does it affect 48? So it's not just one intersection that you're affecting when you change the dynamic.

And after listening to the engineers — not once, not twice, but the third time — and going through all the pros and cons of the various locations of pinning where that traffic comes off of No. 1, it became very, very clear. And I understand that, you know, I am fortunate. I have had the opportunity to ask all the questions and I'm very comfortable as the minister now, promoting it. Because if you would've asked me a week into being the minister, I may not have been. But I've had the opportunity to ask the questions, to understand the engineering, to understand the design of the traffic flow to get around Regina, to understand what it means to be a limited access or a zero access, in other words, not what we're experiencing on Victoria East where the city of Regina, fair enough, would put

traffic lights up so that there's more entrances into business. That's not necessarily our first responsibility.

Our first responsibility is efficient and safe traffic flow. And I'm very comfortable with where we are after being able to ask the questions I needed to ask, over and over again, to make sure that I'm comfortable and totally recommend where we're at.

**Mr. Belanger:** — Yes. We had the opportunity to have a number of people take us out on a tour most recently, like within the several weeks. And there's a lot of questions, a lot of confusion I think from the residents of Emerald Park and White City, the Regina business community, the number of them that are impacted by the changing vehicle traffic patterns. They have a number of issues and concerns. They have a ton of questions.

And I guess the message that we would have is that this is the single most, probably the biggest project in terms of highway infrastructure in a long time in the area, and we need to get it right. That was their message. And we're getting so many conflicting comments from different sectors that I begin to wonder whether there was the time taken to really thoroughly figure this thing out. Now we obviously are going to be taking other tours in that area to talk to a few more people because it's something that's quite important from our perspective.

Like simple questions people have asked, like why is the southern leg of the overpass 5 kilometres away from the city when the eastern leg falls within the city limits? Like how does that make it a bypass? Why was there a 60-foot high overpass selected? Will it remain at that height? Do you see any potential dangers or threats or safety issues? You know, how many other jurisdictions in Canada have this type of overpass? And you know, when the government was provided with alternatives that cost less, were less complex designs with fewer safety issues and also had less impact on the residential and the commercial developments, as I spoke about, why was the Tower Road the only option explored? These are some of the questions that were peppered our way. And obviously as the minister, we're going to turn them back to you. So can you answer those three questions?

**Hon. Mr. McMorris:** — Yes. It's too bad that we only have five minutes left. And I don't know how far you want to get into the numerous questions you asked because you asked many questions, and maybe you want time to ask one more. I don't know, but you've given me five minutes, ask a number of questions.

It started with — no, let me finish — it started with, why is the south around the city like 4 or 5 kilometres out, compared to when we pull off at No. 1 and Tower Road? Because we're entering in by the GTH [Global Transportation Hub]. You can't run parallel to No. 1.

And perhaps you know better than the engineers where you would tie into No. 1 sooner that would be not just a service interchange — and I hope that, as the Highways critic, that you would know what the difference is between a service interchange and a systems interchange is — where you would tie back into the GTH with a systems interchange that would allow free-flow traffic from, for example, Balgonie all the way around the city, in past the GTH if they didn't want to go into

the GTH, on to Moose Jaw at highway speeds. Because if you don't want a systems interchange, you can go to a service interchange and you could maybe tie back in at a service interchange. And it's very important you know the difference between service interchange and system interchange.

I mean, it doesn't take a lot, when you start looking at the need to be out far enough to tie in to where the GTH interchange is, to go back on to No. 1 that you'd have enough room to move that traffic out and move it back in on to No. 1. When you're coming off on Tower Road . . . And it's interesting because under the previous government, they pointed Tower Road as the road. I mean the study was done under the previous government: that's the road. That's the area to get off of No. 1 Highway.

And I understand that you've heard from businesses. And I've heard from businesses, and I've met with them in my office, and I understand their concerns. They're legitimate concerns, absolutely. I've also heard from people from across the province and trucking firms and many other interested parties that coming all the way in to Regina just is not an option. You need to do something.

Right now we have the agreement of the city of Regina; the community of White City; the RM of Edenwold, which means Emerald Park; the community of Pilot Butte; and the community of Balgonie all agreeing as to where we're coming off of No. 1 Highway by Tower Road. That is all in agreement. And I understand there will be concerned residents within those groups, but we have agreement of all, which was pinpointed by the previous government, to get off of No. 1 by Tower Road and move around. And why you've got to move around further south of the city is so that you can tie back into the GTH, which was never there a number of years ago when this route was suggested.

And in the last minute that I have, I find it really interesting because we had estimates three weeks ago. So you must have received all these calls in the last three weeks of the concern of where the east bypass and the west bypass will go around Regina, because for three and a half hours, quite frankly, you never asked a question about it.

**Mr. Belanger:** — The points I would raise that we have a number of questions that we have asked you. And we obviously would encourage your office to forward the answers that I've asked the questions on this evening because obviously half an hour is not a lot of time. We want to make absolutely sure, when we do the tours and the visits of places that we want to learn more about, that we take the time to understand all the detail. And it's a very complex issue, and we need to take a lot more time to understand it thoroughly. But I would say this though, as the Minister of Highways, it is a very complex and very costly endeavour in terms of trying to figure this out.

[20:30]

So our point is that you must be able to take the proper time and must be able to take the proper study to see what's going on, engage as many people as you can. And all we are hearing from a number of sectors, from a number of organizations, and a number of people such as Carmen, and I made reference to her

letter, well they're calling us and they're again quite concerned about a lot of the changes and the challenges attached with the bypass. So are their concerns going to be lessened as a result because we're only allocated half an hour this evening? Well I should certainly hope not. And are we going to have more discussions and more opportunity for the public, for the business community, for the communities to understand what is being done and being changed here? Where's their option to begin to debate the merits of some of the choices that you made as a minister?

So our argument is the largest single project, we should take the time to completely understand exactly what is going on and engage as many people as we can. That's the fundamental point here. Now whether I spend half an hour or two hours, I think the people in the region need to have a heck of a lot more of your time and attention on engaging them and discussing with them this very important issue. So my only point is a half-hour this evening, my message to you is that the people want to be engaged. And they want to be engaged a whole heck of a lot more than they have been.

And I would surmise that that's the result of your inability or unwillingness to go out there and deal with the folks that have these concerns. Now whether you are dismissing their concerns or not really giving them any merit on some of the points that they raise, I don't know, but certainly I would suggest to you that you take the time to understand those concerns.

Now I want to move onto another area if I can. Just in terms of . . .

**Hon. Mr. McMorris:** — Excuse me, Mr. Chair. We have 30 minutes. He asked the question.

**The Chair:** — Yes. We started at 8:05.

**Hon. Mr. McMorris:** — But he asked me a question, and he wants a comment. Did you want a comment?

**Mr. Belanger:** — No, my question . . .

**Hon. Mr. McMorris:** — You don't want a comment?

**Mr. Belanger:** — My question is going to be on the lean initiatives.

**Hon. Mr. McMorris:** — You had enough to say. You don't want a comment?

**The Chair:** — We started at 8:05. We had 30 minutes, so there's still a couple of minutes. But the member needs to place his question.

**Mr. Belanger:** — Okay. Your ministry has indicated that you've engaged in 14 5S [sort, simplify, sweep, standardize, self-discipline] events. First of all, could the minister indicate where these were held? How much did each of these 5S cost? And can you explain what happened to the materials that were moved from the repair depots and shops? And the other few questions attached to this is, are there records of where this supposed, so-called waste goes? And then could the ministry also provide my office with records of these transfers and how

much did each of these events cost?

This is all around and attached to the lean initiative. And I guess I would turn the mike over to the minister to answer the questions around the 14 5S events.

**Hon. Mr. McMorris:** — So I'd be glad to answer the first question. First of all he asked about consultation. There have been numerous public open houses. For a number of years there have been public open houses as to where the location would be, what the impact would be. There's been consultation with municipal governments, First Nations. There's been consultations with business, utility companies, and other stakeholders.

This bypass and where it's been pinned — because this is the first question that came up — have been dealt with and dealt with and dealt with over a number of years. And that doesn't mean that there still aren't concerns, and we're more than willing to hear it. There's been face-to-face meetings with directly impacted landowners. All of that has been done.

The member opposite said, I hope I don't just say that, because I only ask questions in the last five minutes or ten minutes of four hours of estimates, that I'm taking it lightly. I sure am not taking it lightly, and I'll tell you that right now. I'm not taking it lightly. That's why I've met with all these stakeholders, a number of the stakeholders.

What I am amazed about is how the opposition would come in here and talk about taking it lightly after four hours of estimates and start asking questions on such an important issue, absolutely important issue, with 15 minutes left to go in estimates. That's taking it lightly . . . [inaudible interjection] . . . Oh, so okay, so he shows a letter that was received yesterday. In fact, so the only concerns he's ever heard started yesterday.

**An Hon. Member:** — It was raised last time by myself as well.

**Hon. Mr. McMorris:** — No, I'm asking the Highways critic. The Highways critic, yes? You know, the opposition raised it. But the Highways critic didn't have enough time in three and a half hours to raise this? Quite unbelievable.

**The Chair:** — Order. Would the members . . . Order. Mr. Belanger, would you allow the minister to respond? We allowed you to place the question.

**Hon. Mr. McMorris:** — Quite unbelievable, quite frankly. I understand the concerns and we're going to continue to hear those concerns. But what we are going to do, instead of talk about projects like the former government did, we're going to move on projects. We're going to move with communities, municipalities, and stakeholders to make sure that there is safe . . . because that's the question, and that's the letter the member offered. And when we come up with a solution, for example and let's hypothetically say it's a P3 [public-private partnership] solution, I know the member opposite will support it completely because he said on record that we don't want to leave money on the table. We don't want to leave money on the table.

So if there is an announcement in the next couple of weeks, I

expect the member from Athabasca to stand in the House, or wherever he needs to stand, and support it because it's exactly what he has asked for.

**The Chair:** — I thank the Minister and his officials and the member, opposition member for the questions he's raised. And as was indicated earlier, there was an agreement with the House leaders for 30 minutes, and we're at 8:35. And so the committee will recess for a minute as we move from Highways and Infrastructure to, I believe, SaskBuilds.

[The committee recessed for a period of time.]

**The Chair:** — It now being 8:40 and we've transferred from Highways to SaskBuilds. And we're now discussing vote 86, SaskBuilds Corporation, subvote (SB01). I'll invite the minister to introduce his officials and make any opening remarks that he'd care to. Thank you.

### **General Revenue Fund SaskBuilds Corporation Vote 86**

#### **Subvote (SB01)**

**Hon. Mr. McMorris:** — Thank you, Mr. Chair. What I would like to do is introduce officials and then I have some remarks, fairly lengthy remarks so bear with me. But to my right is Teresa Florizone who is the CFO [chief financial officer] for SaskBuilds. Over my right shoulder is Kyle Toffan who is the executive director, capital planning and infrastructure, and to my left is Rupen Pandya who is the CEO [chief executive officer] of SaskBuilds.

Thank you, Mr. Chair. I was going to start reading I am joined by, but I don't have to read that now because I've already introduced them. I am pleased to be here to review the estimates of SaskBuilds, and in particular to discuss the important work staff in this still-new treasury board Crown are leading.

SaskBuilds is now just 18 months old, and it's accomplished an impressive number of important undertakings in this short period of time. Since the committee met one year ago, SaskBuilds has launched two public-private partnerships or P3 procurement processes, the first for the Swift Current long-term care centre. And just this morning our government announced, along with members from the North Battleford area, announced that we would be building the Saskatchewan Hospital in North Battleford integrated corrections facility as a P3. There are more important achievements for, these are important achievements for our government.

As we announced in the Saskatchewan growth plan in October, the Saskatchewan plan for growth, in October 2012, our government would meet the challenges of growth by seeking innovative solutions that improve the quality of life for the people of Saskatchewan. SaskBuilds in an important part of our success in this achievement.

While the province continues to enjoy economic growth and the corresponding rise in population, the phenomenal growth is placing new demands on our schools, highways, health facilities, and other public infrastructure. To meet the challenge

of building a number of new, large public assets by creating SaskBuilds to explore the alternative ways of financing these projects so that we can deliver the infrastructure people need today as quickly and as cost effectively as possible, this is in addition to a record level of infrastructure investment in the province — \$2.5 billion over three years.

[20:45]

SaskBuilds' mandate is to drive innovation in infrastructure financing, design, and delivery to build the infrastructure that's needed today but can't be achieved through traditional means alone. We also said, Mr. Chair, that we would only pursue a P3 or other alternative financing approaches over a traditional approach where there was value for taxpayers. We would compare the two approaches and if, after careful analysis it made sense, we would move forward with a P3. That's why it's very satisfying to provide you with the update on the projects SaskBuilds has been involved with to date and to share with you the important strides we have made along with the ministry and other partners in this short time.

With the help of external expert advisors, SaskBuilds staff have advanced the Swift Current long-term care centre for the request for qualifications or RFQ stage and invited three short-listed proponents teams to proceed to the RFP or request for proposal stage where it is now. Once complete in the spring of 2016, the new Swift Current long-term care centre will replace three facilities owned by the health region authority.

The current health authority's facilities are half a century old and are in very poor condition. In fact my first visit into any facilities across the province in long-term facilities were in Swift Current as the Minister of Health, so I know the shape of these facilities. The new 225-bed facility will have 27 additional beds and create a home-like environment for the residents.

Significant infrastructure and mechanical challenges exist in these facilities and they no longer provide the appropriate physical environment to meet our modern care standards. Because consultation with the public is very important in the design of these facilities, the health authority and the Ministry of Health have actively engaged with the families, staff, patients, and other users, the principles of lean design. These design principles will help inform the final design of the facilities to ensure optimal patient safety and a comforting, home-like experience. As with all P3s, the public sector will own the facility. In this case the Cypress Health Regional Authority will own the building, and existing health region staff will continue to provide services to the residents. Our government is very pleased with the work that has been done to date, and we are looking forward to opening this facility in 2016.

This morning, Mr. Chair, our government announced that we were also advancing work in a new integrated mental health facility in North Battleford to replace the Saskatchewan Hospital North Battleford and aging correction facilities. The Saskatchewan government committed to build a new hospital to replace the 100-plus-year-old Saskatchewan Hospital North Battleford.

The new Saskatchewan Hospital North Battleford will better meet the mental health needs of patients who require in-patient rehabilitation, ensuring they receive the care and support they need, in a modern environment. The new complex will include a 188-bed replacement of the existing 156-bed hospital, and an adjoining 96-room corrections facility that will house both male and female offenders.

As my colleague, the Minister Responsible for Corrections and Policing, said:

The new integrated facility will be built with a vision to provide important support for offenders living with mental health issues . . . [and it] will also provide effective correctional programming for offenders, which will assist in reducing crime and contribute to public safety.

SaskBuilds will lead the procurement, in partnership with the ministries and the Prairie North Regional Health Authority. In the coming days, SaskBuilds will release an RFQ for the project, a request for qualifications for this project, making it our second P3 project in procurement.

In partnership with the Ministry of Education and five school divisions, SaskBuilds is also actively leading the due diligence for nine new joint-use elementary schools in the high-growth communities of Regina, Martensville, Saskatoon, and Warman. These new schools are targeted to be ready for students by the fall of 2017. This is an important project for our province to address the pressures faced by existing schools in these high-growth communities.

And lastly but not least important, Mr. Chair, SaskBuilds is leading a new review of the Regina bypass for the other hat that I'm wearing as Minister of Highways and Infrastructure. When the bypass proceeds to construction, it will be the single largest transportation infrastructure — not just transportation, infrastructure — project in the history of Saskatchewan.

The bypass plan includes the location of new roads as well as several roads and locations of intersections and overpasses. The proposed twinning highway begins on Highway 11 northwest of Regina and runs south on Highway 1. The bypass will then wrap around south of the city about 5 kilometres south of Highway No. 1 and be routed 400 kilometres east of Tower Road to connect back to Highway No. 1 on the east side of Regina. It would probably be easier if you looked at a map than hear my explanation.

The project will also include three overpasses at Pilot Butte access road, Highway 48 at White City, and Highway 46 at Balgonie. Under the P3 model, once construction starts, all components of the project could be completed within four years. It will respond to the province's tremendous growth, position the region for more growth in the future years, and be an important part of a broader provincial and national transportation system.

Simply put, the Regina bypass will create jobs, reduce traffic congestion, and significantly improve safety. SaskBuilds is leading this very important work, Mr. Chair, and they are doing it in a transparent, open, and fair manner. In all the projects, the government retains ownership, control, and responsibility. By

setting standards through agreements and legislation and by closely monitoring product, service, and delivery, our government will ensure that the public needs are met and the public interests are served.

Before I turn it over to my deputy to add to these opening remarks, I thought you might be interested to hear what other independent experts are saying about P3s and about P3 environment in Canada in their own words. Here is just a sample.

A new independent survey commissioned by the Canadian Council for Public-Private Partnerships found that 62 per cent of Canadians are open to P3s to build infrastructure and deliver public service. A majority of Canadians support the use of P3s across key sectors of the economy, notably transportation system, roads obviously, social housing, and hospitals.

A December 2013 report by the Canadian Council for Public-Private Partnerships identified these economic benefits of P3s over the decade of 2003 to 2012: 517,000 total full-time equivalent jobs, including 290,000 direct FTE [full-time equivalent] jobs; \$32.2 billion in total income, wages, and benefits, including 19 billion in direct income, wages, and benefits; 48.2 billion in total gross domestic product, including 25.1 billion in direct GDP [gross domestic product]; 92 billion in total economic output, including 51.2 billion in direct economic output and 9 billion in cost savings; 7.5 billion in tax revenue to government.

The Canadian Conference Board reports that P3, Canada's P3s compared to traditional projects, delivered an average of 13 per cent cost savings to the taxpayers. Canada P3 from 2004 onward have delivered efficiency gains for taxpayers ranging from a few million dollars to over \$750 million per project. Canada's standardized approaches, stable market, competitive environment, shorter procurement times, and effective risk transfer are evident in its global leadership.

The Fraser Institute found that Canada's P3 projects finished on or ahead of schedule and have reduced costs. And lastly, Mr. Chair, a recent report from the royal institute of chartered surveys of the UK [United Kingdom] found that Canadian P3 or PPP [public-private partnership] market is considered one of the most sophisticated in the world and is heralded as an example of efficiency with project timeliness and cost effectiveness much closer than streamlined both Australia and the UK.

So, Mr. Speaker, the evidence is there. The effectiveness of P3s is evident. This is only one part of what SaskBuilds does, whether it's capital development as far as overall government infrastructure or alternative financing. We'll be glad to answer any questions that the opposition may have or government may have over the next two hours or less regarding SaskBuilds. Thank you.

**The Chair:** — Thank you, Mr. Minister. The floor is now open for questions. I recognize Mr. Wotherspoon.

**Mr. Wotherspoon:** — Thank you. Thank you, Minister. Thanks to officials for their time here tonight. Just if the minister could elaborate how many FTEs SaskBuilds is operating with right now?

**Hon. Mr. McMorris:** — So we have budget allocation for 10 FTEs for SaskBuilds in this fiscal year. As I said, it's a new organization of only 18 months, so I believe we started with two — well we started with none, but then we had two employees — and we've been gradually building. The previous fiscal year, we were at five. We've added three, I believe. So we're at eight currently with an opening for two more as we move forward. But we also know that, as we move forward, we have allocation for 10 FTEs.

We also realize that, as we move forward, some of the projects that I talked about in my opening remarks, as they move forward, they need diligence, due diligence on the agreements as we move forward. We hope that we can do it with 10. We look at outside expertise as well. It will be stretching . . .

And what I would say, and this is very early on in the estimates, but I do want to compliment the employees that we have. Especially when we started with two and went to five, the amount of work that they have done and the amount of work as we move forward has been incredible, from my perspective. You know, we have board meetings and the work that has been done from board meeting to board meeting — by five, now eight, and soon to be 10 FTEs — have been quite phenomenal.

And as we move forward, entering into these P3 contracts and as the supervisor really, and the protector of the taxpayers' dollar, you know, we'll see how it goes. We're granted up to 10. We'll be asking a lot of those 10 employees as we move forward.

[21:00]

**Mr. Wotherspoon:** — So you have eight right now. Can you indicate, of those eight, how many of those were civil servants from a different ministry, and maybe just where they came from?

**Hon. Mr. McMorris:** — Okay what I will do is I'll, number one, I'll stand corrected because I wasn't quite accurate. And my apologies, this is very early in the evening to be making mistakes. And then I'll turn it over to Rupen who is the CEO to talk about kind of where they came from.

We are at 10 right now and we have the approval to go to 13. Yes, and so if everybody was waving behind me and I didn't see them, that was my fault because I was off a little bit. So we're at 10 with the approval to go to 13. Having said that, I do know even at 10 and going to 13, it's been an amazing workload. But I'll turn it over to Rupen to talk about where they came from and a little bit of, maybe even kind of what they do.

**Mr. Pandya:** — Certainly. Thanks, Mr. Chair, and thank you, member, for the question. I can walk through in some detail in terms of our current staff complement of 10 FTEs. We currently have an open competition for three additional staff resources that we're looking to fill as soon as possible to assist with the work that the minister has outlined in his opening comments.

In terms of the current staff complement, I'll start with myself. I've been with the public service of Saskatchewan for some 20 years now. And recently, my most recent posting was as an assistant deputy minister in the Ministry of the Economy and

was brought into SaskBuilds on October 28 of 2013.

Teresa Florizone, who's our chief financial officer, has been in the public service in the municipal sector for a number of years, and most recently was the controller at the city of Regina. A part of that, she was city financial manager, and we're very pleased to have her. I should just note, because I've noted I'd embarrass her at every opportunity, she's one of the top CAs [chartered accountant] in Canada. And so we're just very pleased to have her on board as well.

Lisa Boire, who's our executive vice president of operations — you may have had the opportunity to meet Lisa in previous committee — has also been with the public service of Saskatchewan for some 20 years. Her most recent posting was with Ministry of Central Services before coming into SaskBuilds.

Donna-Joy Tuplin is our executive director of projects. She is one of the only members of our team that hasn't had a public sector background, but in fact was engaged in financial consultancy relative to the energy sector in Alberta before coming into SaskBuilds on a secondment, and then being appointed permanently.

Kyle Toffan, who sits behind me, our executive director of infrastructure and capital planning, has been with the Government of Saskatchewan for almost eight years now, most recently with the Ministry of Government Relations, seconded in. And he's now appointed permanently as well since November of 2013.

Sarah Harrison, who is our assistant vice-president of strategy and engagement, has had a very long public service career in Ontario and British Columbia and has recently come to Saskatchewan. And she's had some 17 years of public sector experience in other provinces and just recently has come to Saskatchewan to join us in SaskBuilds.

Penelope Popp, whose most recent position was with the Ministry of Highways as an engineer with a PMP [project management professional] background and has been again with the Ministry of Highways for a number of years. And I can get that exact number if you're interested, member.

Michelle Sieffert, who is executive assistant, again has had a long career with the Government of Saskatchewan. Most recently she was one of, I think, the first members of the team at SaskBuilds, and was brought over from the former Enterprise Saskatchewan and has had a long career in the Government of Saskatchewan.

Similarly, Sharon Lejeune, who is an administrative assistant. Most recently she came over from eHealth Saskatchewan and prior to that through Enterprise Saskatchewan, and has had a long public service career as well.

And we have Linda Christensen, who's our Crown counsel. And she's been with Saskatchewan Justice for a number of years, and she's seconded to us from Justice.

**Mr. Wotherspoon:** — Thank you. And you said you had three open positions to fill to the full complement of 13?

**Mr. Pandya:** — That's correct. We are currently advertising for three project director positions to support the ongoing work that the minister outlined.

**Mr. Wotherspoon:** — And as far as contracts engaged with external contractors over the past year and then planned, either that are engaged right now and planned for the current year, if you could speak to who those contractors are, the nature of the contracts, and the amount of the contracts.

**Mr. Pandya:** — Thank you, member, for the question. I can take you through in some detail if you'd like. Maybe I could just start out by just providing a brief overview of the estimate for SaskBuilds for the 2014-15 fiscal year.

So it's 12.075 million. Of that — and the reason I note that for you, member, is that of that of course there's a portion of the budget that will be devoted to supporting P3 procurement work — so it'll support P3 procurements, and of course there is contracts and tendering involved in that. And then there's a portion of the work that is for general operations, which also then supports contracts. And maybe I can start there.

So we have some 1.175 million for general expenses related to operations, and of that, there's \$675,000 that's allocated for shared services. So those are contracts with the ITO [information technology office] and the Ministry of Highways and Infrastructure to support our HR [human resources] functions and payroll in terms of processing payroll for SaskBuilds.

And then we have some additional funds there, some limited funds, some 500,000 to support outside experts and shared services. So this would include things like . . . And just as a point of correction, member, I said the 675 included the shared services. That actually is our accommodations and operations budget. The 500,000 includes outside experts and shared services. And so the outside experts that we would be bringing in would support us in terms of developing corporate governance strategies, HR policies, all of the policies and procedures to ensure that we're functioning appropriately as a treasury board Crown.

So in addition to the salary budget for SaskBuilds, which again for the '14-15 estimate is \$2.3 million, there's also some \$8.6 million allocated for project development. And I can take you through in some detail in terms of the breakdown of that 8.6 million as well, member. So we are allocating, of the 8.6 million, some 2.5 million for the Saskatchewan Hospital in North Battleford, again for the '14-15 fiscal year; 2.5 million for the school project; and 2.1 million for the continued work on Swift Current long-term care facility; and 1.5 million for the Regina bypass.

The preparatory work that . . . The project budgets that I've just outlined would include, member, would be for business case development to do due diligence relative to procurement. Obviously we would be building a public sector comparator and developing a shadow bid in terms of P3 to ensure that there's value for money proceeding with a P3. It will include some preliminary technical work as well in terms of design, and then also dollars available for preparation for procurement if we should move.

Obviously in the case of Swift Current and Sask Hospital, government has already announced its intentions to move forward those procurements. But if we should move forward with the other procurements, the dollars will be used to ensure that we can bring on appropriate legal, financial expertise, and procurement experts to help with the P3 process for the corporation.

**Mr. Wotherspoon:** — Thanks. If you could speak to, you mentioned the outside experts that were engaged for governance aspects. Who's been engaged on that front?

**Mr. Pandya:** — Thank you for the question, Mr. Chair, member. So I can take you through in some detail if that would be helpful.

So we have engaged Deloitte, the Regina offices, to assist us in policy development. And that contract in amount is for \$19,565 and that contract is currently in progress. We have engaged McNair Business Development Inc. to assist us with strategic planning, and that contract is for \$7,875. And remember if this is too much detail, you can just stop me, but I'll be happy to keep going through the list.

For corporate HR consulting we have contracted with Will Loewen — he's a former Public Service Commission employee — to help us ensure that we have job descriptions for each of the positions within SaskBuilds and that we have documentation on all of our positions and HR policy. So that's some \$9,000 in terms of a maximum contract amount.

We have brought on Partnerships BC to assist as advisors on P3 projects. So initially we've contracted with them for some \$150,000 to help us initially establish some of the work, but they are also engaged with us on two of our procurements, both Swift Current long-term care centre and Saskatchewan Hospital in North Battleford. We have Aardvark Insights Inc. which is advisors for P3 projects. They are providing a written assessment of the procurement options analysis and procurement strategies for us. You know, they have a contracted hourly rate up to a maximum of \$18,000, and that was over '12-13. We have, as I noted . . .

**Mr. Wotherspoon:** — Just on that one there, they contracted up to a maximum and an hourly rate. I missed the name of that company. And then what is the hourly rate that they're . . .

**Mr. Pandya:** — It's called Aardvark— A-a-r-d-v-a-r-k — Insights Inc. They are from Vancouver, British Columbia. Their hourly rates are \$250 per hour to a maximum of \$18,000, and they're providing written assessment of procurement options analysis and procurement strategies completed for both of our two PBC [Partnerships BC] procurements.

We have also engaged McNair in '12-13 to provide assessment of economic forecasts and trends. They did an environmental scan for our integrated capital planning work. That was a fixed fee of some \$37,500, including costs.

We have engaged MLT [MacPherson Leslie & Tyerman] for legal services. Again this was charged in 2012-13, and that included work around developing the SaskBuilds procurement process expertise, strategies, and documentation.

We have contracted with Kinetic Design of Regina for website development. That contract was 2012-13, and the maximum contract amount was \$14,592.

We've contracted for legal services with Denton Fraser Milner Casgrain LLP from Vancouver, British Columbia. They were providing legal opinion with respect to some of our work on Swift Current long-term care centre. The maximum value of that contract was \$7,500.

We had contracted with Davies Park, which is an executive search firm, in 2013-14 to assist in executive recruitment. The total value of that contract was \$59,275.

We have contracted with Bull, Housser & Tupper LLP to provide P3 legal advisory services in '13-14. The value of that contract was \$2,269.

And then finally, we have contracted with Brian Manning who was the former CEO for SaskBuilds to provide advice on infrastructure options and alternative financing and provide support on items identified in the Sask plan for growth relative to infrastructure procurement. And the rate is 187.50 per hour. The total value of that contract over '13-14 was \$35,938.

**Mr. Wotherspoon:** — Just to clarify that last one, \$750 per hour?

**Mr. Pandya:** — \$187.50.

**Mr. Wotherspoon:** — Okay, I thought I heard that wrong — 187.

**Mr. Pandya:** — Correct. 187.50 per hour.

[21:15]

**Mr. Wotherspoon:** — So the dollars that you spoke to, these were part of the outside expenses that were part of the \$500,000. Then there was all the other amounts, the \$2.5 million for the Sask Hospital, the 2.5 for the school projects, the 1.5 for the bypass. Was it 2.5 for Swift Current as well?

**Mr. Pandya:** — 2.1.

**Mr. Wotherspoon:** — 2.1. Okay. So those amounts there, that's, you know, \$8 million, I guess a little bit more than \$8 million there. Who have you engaged on that front? Now this is all just the preliminary planning pieces and this is business case development, so this \$8 million here, if you can speak to it. And maybe we can't go into the same level of detail as we did in the previous list there, but if you can speak to . . . I mean that is a lot of money. I guess, who are you contracting in those areas or for those projects?

**Mr. Pandya:** — Thanks, member, for the question. Let me take you through at a high level, and if you have detailed questions we could maybe stop and take a look at that. So on Regina bypass, we have engaged Ernst & Young as the P3 financial advisers on the procurement and we have Aird & Berlis LLP as the P3 legal advisers. So that would be the dollars allocated for a Regina bypass.

On the bundling of schools, we have brought on KPMG as our P3 financial and procurement adviser. That includes expertise in terms of interest rate specialist as we move forward. We have Davis LLP as our P3 legal adviser. We have Turner & Townsend Cm2R Inc. as our quantity surveyor estimator.

On Saskatchewan Hospital we have Bull, Housser & Tupper LLP as the P3 legal advisers. We have Partnerships BC doing planning and procurement work. We have SSA Quantity Surveyors as the cost estimators on that project. We have PricewaterhouseCoopers providing financial services. We have JCRA, which does specialized financial consultancy on interest rates. We have Hiller Associates doing some work relative to project management. We have Strategic Prairie Regional Alliance, SPRA, doing some functional programming work as well as Resource Planning Group, RPG, doing some functional programming work. Again we have multiple partners in that process. We have Cannon Design Architecture Inc. doing some functional programming work. I noted earlier we have Bull, Housser & Tupper as the legal adviser on Sask Hospital North Battleford integrated corrections facility, and Miller Thomson LLP has now been brought on as the fairness adviser for that procurement.

And then for Swift Current we have Bull, Housser & Tupper is also the P3 legal adviser for the Swift Current procurement. Partnerships BC is the public sector procurement adviser for that procurement. SSA Quantity Surveyors are the cost estimators. Again, JCRA is brought on through our agreements with Partnerships British Columbia to do again detailed financial consultancy regarding interest rate. Our project management, we have Histed Healthcare Consulting Ltd. . . . [inaudible] . . . doing some project management services for that procurement.

We have Torque Communications providing services on Swift Current long-term care, as well, McMillan LLP as a fairness adviser. Facility consultant adviser is Group2 Architecture Interior Design, and then Jude Rabig Consulting is the functional programmer for that procurement.

There is some other specialized consultancy work that is being procured: Clifton Associates doing geotechnical investigating work; AECOM Ltd. doing topographic survey work, I already noted; oh, and Pacific Meridian Consulting doing facility maintenance. They're the facility maintenance adviser on that procurement. And then the Hon. Eugene Scheibel is the conflict of interest adjudicator on the Swift Current long-term care centre procurement. And then one more, pardon me, Aon Reed-Stenhouse is the insurance adviser.

**Mr. Wotherspoon:** — Thank you for the information. In the interests of time, I'm wondering if those that were mentioned here in the contracts that have been extended, if that information could be provided to members of this committee in due course.

**Mr. Pandya:** — Certainly we can do that. Yes.

**Mr. Wotherspoon:** — Thank you very much. What about, how does lean, you know, the kaizen type projects connect with this ministry and these projects?

**Hon. Mr. McMorris:** — So I guess I'll answer that to begin with anyway, is that the lean, you know, philosophy and events that go on, go on through the ministries. For example, the Ministry of Health, Ministry of Education, Ministry of Highways and Infrastructure would put those events on through their ministries. It wouldn't be necessarily directed through us although, you know for example, North Battleford hospital has gone through 3P [production preparation process] events to help design that facility, not necessarily driven by SaskBuilds, not at all. That would be driven by Health and the health region, as would whether it would be the children's hospital or education. That's driven through the ministries, not through SaskBuilds. So we wouldn't have any direct involvement with that at all.

**Mr. Wotherspoon:** — So just to be clear though, the 3P events, are those . . . that's part of what might be seen as sort of a mock-up or preliminary design work. Is that . . . That's paid for by SaskBuilds. Is that correct? Is that part of the, in the case of the Saskatchewan Hospital, the 2.5 million?

**Hon. Mr. McMorris:** — So what I would say to that is that, like the participatory design work that ministries get involved with, whether it's North Battleford or whether it's schools or health care, is driven through the ministry itself. No money from SaskBuilds goes to that. It's within the ministry itself that does the work to try and find efficiencies within their facility.

I guess I would just add one footnote to that, is that it's been interesting, is that . . . So the work has been done by, for example, people within the system. That's the whole point of the participatory work: people on the ground doing the work to design the facility of the future. They know it; they're working in it. And then for example if it goes to a P3, what other jurisdictions have noticed is that when a proponent comes in, they can even top that up and even add to that to try and even find more efficiencies because it's in their benefit. Even though that isn't necessarily paid for by the SaskBuilds, it's looked at as, you know, as a real positive.

But to the question is that the work that's being done through the many different ministries, especially on the capital build that's kind of record amounts in the province, is done through the ministry and paid for by the ministry.

**Mr. Wotherspoon:** — Okay. So those actual 3P sessions, we can look at the ones in education, for example, to facilitate those and bring those stakeholders together and do some initial design and mock-up, that's all out of Education's tab.

**Hon. Mr. McMorris:** — Yes.

**Mr. Wotherspoon:** — The \$2.5 million then that's . . . It was mentioned that there was some preliminary design work that's done there, but it's primarily value, sort of, some sort of business case analysis stuff. Is that correct?

**Mr. Pandya:** — Thanks for the question, member. So that would include, and I believe I tried to answer that question earlier, so the dollars would include funding to develop a business case, so to do the value-for-money analysis, build a business case in terms of a comparator between a traditional public sector build and a P3. The dollars would also be used to do technical work. And then also if the procurement should



move forward, it would also include then engagement of P3 legal advisers, procurement advisers, financial advisers, etc.

**Mr. Wotherspoon:** — Thanks for that information. I mean \$8.6 million isn't a small amount of money that we're talking about here. Of course these are big projects that we're looking at. But all of that money is on the front end of these projects, and certainly, you know, \$8.6 million goes a long way. So I may have some further questions on that front because it's a lot of money.

Just when we're looking at the projects that are being considered for P3s, there was the . . . or the ones that your ministry's working on, there's the Swift Current long-term care facility that you've mentioned. There's the nine joint-use schools. There's the Regina bypass. There's the Saskatchewan Hospital. Is that the extent of where you're at right now? And do you see, do you have within your planning other projects that may come within your fold here within the current year?

**Hon. Mr. McMorris:** — So what I would say to that is that in the 18 months since the inception of SaskBuilds and working on no . . . first of all an overall capital plan for government, not ministry specific but government specific, that's quite a bit of the work that SaskBuilds has been working on, as well as then the alternative financing piece which you're leading to. We've taken on four projects. They came forward very quickly.

I would say that with the amazing growth that we're seeing in the province — you know, 100,000 people in six years, as opposed to 100,000 people in 10 years — that some would predict that it could've never happened. There are more pressures as we move forward. I would say that we've got four projects that we're working on actively. That isn't to say that there aren't more waiting at the intake basis, but none that we've talked about publicly or anything else.

Again we work through SaskBuilds on an overall capital plan that looks at the needs of the province, not just from a ministry perspective but from a government perspective. So I would say that there'll be more. SaskBuilds wasn't set up to do four projects and then collapse. SaskBuilds was set up to look at the long-term capital needs — 5-to-10-year capital needs — of the province. Eighteen months in, these four have been identified. These four have fit the model of what is needed for a P3.

I would say that part of the process of SaskBuilds in the early days was a little bit of education as to what SaskBuilds was all about. I would say, and not disclosing any particular community, but communities heard SaskBuilds and, you know, it's going to help deal with infrastructure, that we had applications to do a water park in a small community, you know. So that wasn't necessarily the role of SaskBuilds. So part of our responsibility over the past 18 months is to try and educate the general public and, you know, the municipal governments, local governments as to what the role of SaskBuilds is. I think that is getting through.

I've had the opportunity to speak at a number of — whether it's conferences, whether it's SUMA [Saskatchewan Urban Municipalities Association], or SARM [Saskatchewan Association of Rural Municipalities], or the Heavy Construction Association, or the area transportation planning committees —

I'm just trying to think of the different areas that I've had the opportunity to talk about SaskBuilds. And so I think the word is getting out there that SaskBuilds is dealing with infrastructure as a whole, but for the most part the large infrastructure pieces.

If people were to look at the budget of . . . this particular budget that's under estimates right now, they would see that our capital traditional build is very similar or above where we were last year. So what SaskBuilds is doing is not taking away or using, for example, P3s to take part of the pie, if you would, so that there's less pie for everything else. It's to add to that pie because we know that the infrastructure demands are only growing.

So to your question — and this is kind of a long-winded answer to the question — yes there are other ministries, through their ministry and through SaskBuilds, that are looking for opportunity. Nothing that we're announcing publicly yet, but there are pressures on SaskBuilds to meet the overall infrastructure need in the province. Right now we're focusing on the four projects, as a new corporation, that have been named publicly and that we've talked about so far.

[21:30]

**Mr. Wotherspoon:** — Okay, so you know, I mean it's a bit of a learning process for us all about what this SaskBuilds is going to be all about. It was my understanding though from the get-go that — and maybe you can speak to this because maybe I'm misunderstanding it — that it's not just the P3s that you're delivering. It's all, or has a role to connect all the bigger projects of public infrastructure.

So you've itemized some of the projects here specifically that you are leading on the P3 side of the equation. Are there projects that you're leading right now, large capital projects out of SaskBuilds, that would be of a more traditional tendering process or a public, more delivered . . . I guess not the P3 model?

**Hon. Mr. McMorris:** — So to the question is, are we involved in traditional build procurement of, you know, for example this year, over \$900 million worth of capital build traditionally — are we involved in that?

And what I would say is that SaskBuilds' responsibility is to first of all do an integrated, a full capital plan for the government. And so that is looking at all the ministries and not necessarily saying this project over this project, but what is needed overall provincially, not by ministerial responsibility but by government responsibility.

So we've been doing a lot of work on that and Kyle has been doing a ton of work on that, developing the capital plan not only for a five-year capital plan, but just as importantly a longer view of a 10-year capital plan because some of the capital projects that we'll be entering into may be four and five years in length. So we soon realized perhaps a five-year capital plan just wasn't a long enough sightline. And so SaskBuilds' responsibility is to put that together and to work with ministries and develop a long-term capital plan.

Developing a capital plan is different than the actual

procurement. And I think that was your question: does SaskBuilds then go to the procurement process of that capital plan? And what really we have been mandated to do is develop the capital plan and then look at alternative financing options for the major projects, projects that are roughly \$100 million or above. That doesn't take into account a lot of projects. The vast majority of projects that the Government of Saskatchewan will be doing over this year and coming years will be well under that \$100 million threshold. So we're not involved in that procurement process. That falls through the ministry like it has in the past.

But the major capital spends or projects that the government needs to enter into, SaskBuilds will be involved with roughly \$100 million or more. And that's why you see for example the provincial hospital. That's why you see the bypass. That's why you see the bundling of schools. That's why SaskBuilds would be involved in those projects, and we again would lead the smaller projects.

You know, I think it wouldn't serve . . . We would be run off our feet, for example, if we were to oversee the procurement of park benches for parks and rec. Or we can take it up a notch. But whatever the project may be on a dollar value, that isn't, you know, our mandate. Our mandate are the major projects that — if you're to do them traditionally and you waited to have the finances in place — would take quite a while. So we look at alternative financing, i.e., the P3 concept.

As I was coming back from North Battleford today — and it's interesting the question came up — and I'd asked the officials as we were coming back from North Battleford, how many projects prior to roughly 2007 or 2005, whatever the date, would have been \$100 million projects? Like I mean, \$100 million is a major project. How many projects were like that, of that size, of that magnitude? And I realize, you know, there's a difference in time and inflation and capital. But these are big projects. When you're talking about a major bypass around the city of Regina for example, starting from Balgonie and the overpasses all the way around to No. 11 going north. Has that ever been done in the province before? And the answer is no.

I mean there were intersections dealt with on the Ring Road and there were sections dealt with, but it was never looked at as a project. As, for example, the magnitude of building 18 schools at once would have never been . . . or nine joint-use schools would have never been looked at. So the magnitude of the projects that we are being faced with because of the challenges of growth, which are great and we'd never go back, are different than anything that I don't think that a previous government would have ever experienced.

And I mean you can correct me if I'm wrong, because I'd ask the officials how many projects would a previous government — and not just, you know, the previous government but governments before — had these major projects to face other than when the province was formed, whether it was the provincial hospital in North Battleford, whether it was the university in Saskatoon, whether it was the Legislative Building here in Regina? And you know, if you look at and read the premier, Walter Scott's book done by Gordon Barnhart, those major projects were major projects in the province.

And I'm not saying that right now we're kind of in the, you know, 1905 stage where we're building the province, but quite frankly we have some pretty darn major projects that I don't know if the likes of which have been seen in the province for 20, 30, or 40 years — a bypass around a city; a bundling of schools to that magnitude; a hospital, a provincial hospital like North Battleford that has only been built in 1912, was when it was built in 1912 or '13, finished in '13. These projects aren't seen very often in our province. But we happen to be seeing them because of growth right now.

And I think that's why our role as SaskBuilds is humbling but so very important to deal with these, I would almost say, generational projects as opposed to the piece projects that we're going to be doing continually as a government, \$900 million on an annual basis roughly and increasing each and every year, but the major projects that we're doing. And I think it does answer your question. Your question was, are we involved with each project, capital project within government? No, we're not. Are we involved with the major projects, the likes of which we haven't seen for maybe 100 years? Yes, we are.

**Mr. Wotherspoon:** — Okay, the question sort of was focused in around, there's all these infrastructure needs, which you've identified some of them. And certainly if you bundle some together, their values will exceed the \$100 million. If you break them apart, they won't. But just related specifically around procurement and possible improvements or refinements or review of procurement in general, there's a lot of infrastructure that's being built in the province that needs to be built in the province, and it's important for us to make sure we're receiving best outcomes, best value for money on all those fronts.

So I'm wondering if SaskBuilds has a hand or is playing a lead role in development or review of procurement processes for other ministries, such as Education or Health, in how they're procuring infrastructure in a case where maybe it doesn't bump above the \$100 million threshold, and is maybe then considered by your ministry as a P3, but it's being dealt with in a more traditional approach. But traditional might be the wrong word because I think a lot of what sometimes is purported as benefits of P3s is directly related to the procurement process, of which could be achieved as well through some of the more direct public sector procurement processes. So just what role are you taking or your ministry taking on those fronts?

**Hon. Mr. McMorris:** — That's a great question, but I'll turn it over to Rupen.

**Mr. Pandya:** — Yes, thank you for the question. I'll build on the minister's comments from the previous answer that he provided members. So you know, he had noted that ministries are responsible for traditional procurement. And your question is specifically focused on does SaskBuilds have a role relative to traditional procurement? And the answer is yes to your question. So we are mandated to drive innovation and infrastructure financing, design, and delivery, and so part of that for us means working with ministries to improve traditional procurement policies and procedures.

The minister's quite right. In terms of our active involvement in procurement, it is only for, you know, infrastructure assets that of \$100 million or more where we're engaged currently in a P3

procurement. However, this broader role relative to driving innovation and infrastructure procurement is something that we are taking very seriously.

We have been working . . . We've just recently let an RFP to help build a capital planning manual for government ministries in the Government of Saskatchewan. You'll know that we worked, and the minister just referenced the work done, on developing an integrated capital planning list over the course of the last year to inform treasury board and cabinet in terms of decision making relative to infrastructure.

The work that we're doing around the capital planning manual will really be about introducing best practice in infrastructure procurement to ministries systematically.

And so, you know, we have . . . And I can reference the Alberta Auditor General's report of 2007 on infrastructure where the Auditor General references best practices in infrastructure procurement. And just interestingly, member, the auditor notes that the rigour in a P3 business case is the best practice in procurement and, you know, beyond P3 should be applied to all infrastructure procurement.

And it's really important. I know earlier you mentioned, you know, the transaction costs in P3s are something, you know, there's a large investment there. And I don't dispute that. I guess I would note that, you know, in P3s in general where there are . . . there are larger transaction costs. No one will dispute that, but those are more than offset where P3s make sense in terms of value for money, in terms of the procurement. And so, you know, it speaks to making sure that you have traditional procurement as well in place, efficient and effective procedures and processes, so that you're procuring your infrastructure in the most effective way to mitigate cost schedule overruns. So we do have a role to play, and I can speak more to that.

And I think the second part of your question was, so is it possible to introduce efficiency into traditional procurement which would then surpass the efficiency and effectiveness of a P3 procurement? And I think that the answer to that question would be, I don't think so.

So, so far that's not been done across public sectors anywhere in the world, and there's some good reasons for that. And one of the reasons is, you know, surely you can derive greater efficiency in terms of public sector procurement, in terms of, you know, greater rigour in business case planning and locking down scope, etc., before you move into procurement. That all takes investment up front, and I would argue is why P3 transaction costs are higher than traditional procurement — because that good due diligence is done before we go to the market and say, build us a road or a hospital or, you know, a school.

But one of the reasons why, you know, the academics who understand P3s would argue that you can't drive traditional procurement to the point of efficiency and effectiveness of a P3 procurement is fundamentally because a P3 procurement that involves financing invested by the private sector, equity, and debt financing actually creates what are called risk anchors. So what does that mean? Well that means that in the case of a P3

procurement — and typically these are, you know, 30-year life cycle procurements — at any point during that procurement, if there should be a failure of the asset, the agreements that are structured actually levy significant penalty on the project consortium that has built that asset and if the case should be in terms of maintenance if they're providing hard maintenance on that facility.

The debt in particular that the project consortium will have tied to the project is in fact a significant incentive for the project consortia to make sure that they're delivering in terms of availability of the asset and performance. That's something that you can't actually achieve in terms of traditional procurement. Once warranty is up, so if you had Subguard 10 years, there is in fact no ability to go after, you know, the constructor in a traditional procurement and say, well our boilers are broken down in year 15. You should replace them. So you know, there is no risk anchors that are tied to, again in this case project co-equity . . . debt that is tied to the project.

[21:45]

**Mr. Wotherspoon:** — Okay. Now I'm trying to get a fair amount of questions in here tonight and a fair amount of information back and forth without getting into significant debate on certain fronts, but I would caution and make sure to make points to anyone who's observing this that when we're saying that there's . . . when I'm hearing from maybe a government that there's, you know, in sort of a conclusive way that academics or studies suggest one thing or another, there's a whole body of academics and studies and research that point to a lot of concerns around P3s. And that shouldn't be dismissed.

And it can't just be taken as a straightforward statement that somehow there might be cost savings, because a whole bunch of studies and a whole bunch of experiences have been that they've costed more. There's been scenarios where there's been concerns around control being forfeited either by a community or by the user. There's been concern around, you know, the shutting out of local contractors and local businesses and the impact back onto the economy. There's concerns over delays to getting shovels into the ground for extended contractual processes on the front end.

So there's a lot of those types of concerns which we can get into some more. But I'd prefer to continue to have questions flow back and forth without entering into that debate, because I feel that I've placed many of the concerns that we've heard on that front onto the record and we'll do so a bit more here tonight. But I just don't want to leave some of the statements without a bit of the other perspective being shared.

Just on the piece around refining procurement, this is an important piece for consideration. One of the reasons I think it's really important is that two of the big benefits that are often spouted by proponents of P3s is they'll suggest that they're on time and on budget. And then they'll go back and look at maybe case studies on those pieces. But some of what's being missed in that whole bit is some of the refined procurement process or specificity of a contract or a choice to enter into fixed price contracts, which are entirely a choice of an option for government to enter into as well at any given time. There's consequences of that as well and certainly in making those

choices. And then on time again, again it's all about the specificity and the detail in the design.

Much of what is sometimes pretended or purported as benefits of P3s, as far as on time, on budget, is those two pieces can be directly dealt with if chosen, if someone wanted to take on some of the similar procurement processes which were identified here today. And it's interesting that that whole discussion is going on and I think it's an important discussion within government.

I'll maybe move along to some of just a couple of the other pieces here. I'm just wondering when . . . Well maybe just to clarify before I move on to another area. I did have a flag with me that the discussion about these 3P events, it seemed that from the Minister of Health — and I may be interpreting his words incorrectly from estimates here on April 10th — but it seemed that he was suggesting that those dollars for the 3P event were funded out of SaskBuilds. And again, I don't want to be parsing his words or taking them incorrectly here, so I'll give you what . . . just to refer back to his statement there.

It's on April 10th, the Minister of Health and, "So the third one was more about the support services. The dollars within . . . So it's not within our budget but within SaskBuilds. Right now we're coming close to . . ." and it goes on and it's talking about the 3P process. So I just want to raise this right now. I don't know if you have a response to this right now or if there's a point of clarification, but if not you may want to, I'd ask that you review this statement. But I'd ask you right now if you have a response to what seems to be the minister suggesting, if I'm interpreting his words properly, suggesting that SaskBuilds was the funder of that P3 or the 3P activities.

**Hon. Mr. McMorris:** — You know our records show, and we'll certainly talk to the Minister of Health and I would like to hear kind of from him and clarification from him. But our records show that there was money spent on 3P planning in '12-13, '13-14, but that was paid by the Ministry of Health. It wasn't paid directly by SaskBuilds.

Having said that, we also know that, you know, we've worked closely with the Ministry of Health and Corrections to make sure that we have the facility that's appropriate. And so we may have asked the Ministry of Health to continue on with the 3P or whatever, but the actual funding of the process, from our perspective, was paid for by Sask Health, not by SaskBuilds. And I'll certainly be glad to talk to Minister Duncan on that and clarify because it's not a big number, but regardless of what the number is.

**Mr. Wotherspoon:** — Thank you. Yes, and it just, it flows out of page 682 of *Hansard* April 10th, and the Health critic was asking questions. I quote her: "I understand from the budget technical briefing, there was 2 million set aside under SaskBuilds." And this is related to the North Battleford hospital. Then the Health minister continues and seems to suggest that dollars were coming from SaskBuilds. So if you could just have, from your ministry, clarification of where the funding came from and provide that back to committee members, I'd appreciate that.

**Hon. Mr. McMorris:** — Sure.

**Mr. Wotherspoon:** — Just moving along, I just would be interested in hearing from the minister who he's heard from as it relates to . . . and it doesn't have to be every individual resident of the province of Saskatchewan, but who he's heard from as far as concerns as it relates to P3s and the current approach.

**Hon. Mr. McMorris:** — I guess I really can't consult with my officials when you're asking me who I've heard from, so I guess I won't turn around and ask my officials who I heard from.

But you know, I can honestly say that the vast majority of feedback that I have heard from the general public and from business, from organizations, is not necessarily how much you . . . not necessarily around how the infrastructure is being built. But I hear far more concern from the general public, interested groups, on infrastructure that needs to be built and, as a government, we need this infrastructure. It's your responsibility. How are you going to get to that? And so that has been by far the vast majority of conversation that I would have as Minister Responsible for SaskBuilds is, how are you going to meet the infrastructure challenges that we have of a growing province? And so then that starts a conversation.

There are times where the conversation will move towards P3s and its alternative financing. Most people are more interested in how that works, not concerns with it, but how it works, a learning process.

There are roughly about 30 municipalities right now in Canada — 8 provinces, 2 territories, and the federal government — that have all entered into P3 agreements, our province being one of the later ones to the dance which I think is perfectly okay because, to your previous preamble before this question, you were talking about some of the problems in other jurisdictions. We've been able to learn from that. Absolutely we've been able to learn from that.

And you can site, and I'm not getting political here, but you'll be able to site studies and surveys and analysis from other projects that were done in Nova Scotia some 20 years ago. And you can talk about an initial bundle, for example, in Alberta where there was some concern around control and utilization of a facility, whether it was a school . . . And we've been able to learn from that. Not to say that we don't want to be cutting edge, but we're certainly not cutting edge when it comes to P3s.

We are getting into this process later on, into a mature, I think a well-rounded, well-learned process. And we are being able to benefit from Partnerships BC, from Alberta Infrastructure, and Infrastructure Ontario where we've learned from, and I wouldn't say their mistakes, but I would say their growing pains. And it's not that there can't be into the future, but we will be able to learn from that as we move forward.

Having said that, we are new into the game and being new into the game creates some uncertainty. So the question that you've asked, have I've heard from organizations that are concerned? I would say that I can honestly say, and I'll stand corrected here, that I really can honestly say that I haven't heard too many concerns with P3s.

I've heard concerns about bundling. But the groups that will voice concern about bundling will be totally in favour of P3s. In fact you would've met with them today. Merit Contractors are not opposed to P3s. And that's a discussion. We can have a separate discussion about bundling, but that's not P3. That's a separate discussion whether you want a group purchase, because bundling is, you know, for a kind of a better descriptor for me, it's group purchasing. It's buying things in bulk bundling. P3s is a totally different discussion.

So have I had concerns about P3s? I can say not really. I've had concerns about bundling and, you know, those are legitimate concerns, and I understand those concerns. But from the P3 perspective . . . And that was your question: have I had concerns on P3s?

And you can correct me. Maybe you've got evidence where people have sent me letters, that are concerned. I've heard concerns from CUPE [Canadian Union of Public Employees], and not directly to me but certainly on the waste water treatment plan, this debate that happened in Regina. And I heard those concerns, and I also heard almost the same concerns voiced in the legislature, almost identical, word for word, those same concerns. So those are the concerns that I've heard on the whole process around P3s.

But from an industry perspective, from a private citizen perspective, they want to learn what they are. They want to have a better understanding. And that's part of our role as SaskBuilds, and that's quite frankly what I've found myself doing in any speaking engagement that I've had the opportunity to engage with, is informing what SaskBuilds is about and what P3s are about. It's more about information exchange, not saying they're for or against, but information exchange because people want to understand, you know, this new alternative financing option that we are proposing, new in perspective to the province of Saskatchewan but not new when it comes to across Canada. They want to learn more about that.

But I can honestly say, save for maybe what I've read in the paper maybe . . . And I stand corrected: a letter that's come to my office from for example CUPE. But from the general public, no. From groups that are concerned about the bundling process, absolutely. And we've talked about it. And whether it's Merit Contractors or the Construction Association, yes, for sure. But that isn't about P3s. That's completely about group buying or bundling.

**Mr. Wotherspoon:** — The two are tied together because of course it's a big project, the P3 bundling project of your government. So certainly the concerns, you know, are all related there.

And it is important that, you know, some of the concerns have been brought in, as you say, maybe word for word from some of the community groups. And you're right. As critic I know I quoted in, actually word for word, Merit Contractors who were stating their concern. And I think they were stating — you know, and I don't want to paraphrase; I met again with them of course here today — but that there was just no contractors in the province that could deal with the scope of the project, that skill of the project that were being dealt with.

[22:00]

I'll just read the quote from Karen Low of Merit Contractors, and I quoted this one into the record, so you're right. I definitely want to make sure I'm quoting those directly from the community: "There are no local Saskatchewan-based contractors that have the capacity to do a project of this size, and these are the contractors who have built many of the province's schools to date." So that was one of the pieces for sure that I know I read directly into the record, and took the words directly from Karen Low, the head of Merit Contractors who we met with here today as well, and I know you did as well.

I know we also expressed some of the concerns that we heard from the Saskatchewan Construction Association and industry as it relates to bundling of P3s, and those concerns are not to be underestimated as well. I know certainly I'd hope you've heard those directly from the association. I know I've heard it not just from the association but from many contractors and businesses in the province directly as well, and I guess I'm being engaged by companies on this front and certainly the association. Is the minister not hearing or having those companies dealing with him directly as well?

**Hon. Mr. McMorris:** — Yes, absolutely. But I think it's very important that we quote what for example Merit Contractors were saying today. I met with them for 45 minutes in my office. First question is, is Merit Contractors in favour of P3s? Absolutely. When I've talked to the Construction Association, are you in favour of P3s? Absolutely. Do you have trouble with bundling? Yes. Does the Construction Association have trouble with bundling? Yes.

Because if they were opposed to P3s, they would have had something to say about Swift Current, and we just about announced North Battleford today. I just met with Merit Contractors today. Did they say a word about North Battleford? In fact they were in favour of what we are doing with North Battleford.

So please do not misconstrue or twist, because I talked to Karen Low today. Are they in favour of P3s? Yes. Are they struggling and not supportive of bundling? Yes.

**Mr. Wotherspoon:** — Just to clarify my point. There was no desire to misconstrue anything. My point was that the bundling P3 projects is what I was speaking of there when I'm talking about the construction industry and when I'm quoting Karen Low of Merit Contractors. What she's talking about is the bundled P3 school project. That's my focus. So there's no desire to misconstrue those pieces, but it is a big piece of infrastructure and an important contract.

**Hon. Mr. McMorris:** — I don't think you can get away from just saying it's semantics. They're opposed to bundling, and I can understand why. They're not opposed to P3. So don't say P3 bundling, because it isn't. I mean we have a P3 hospital. We have P3 long-term care. We may have a P3 highway. They're not opposed to P3s. Are they opposed to bundling? It's very important because I know what you will do in the House, and I know what you're doing here. They're opposed to P3 bundling. No, they're opposed to bundling. There's a difference. There is

absolutely a difference. Do you not see the difference?

**Mr. Wotherspoon:** — I didn't see the other projects that you're suggesting that you might be bundling together. I'd recommend that you don't because it's not in the best interests of contractors. But you are bundling together P3s. And that's the proposal and that's the 400 and some and more million dollars that people are dealing with. So that's why we're talking about the P3 bundling plan. But let's not get caught up too much in these . . .

**Hon. Mr. McMorris:** — Can I just . . . one more response then because I've heard your Highway critic that would talk about we need bridges in the province. And if we bundled bridges, would he be supportive on a P3 project? And he would say, let's not leave money on the table. So it's not about . . . You know, you can't play it both ways. You've got a critic of Highways saying he's absolutely . . . can't leave money on the table and if it's bundling bridges we need to do it, but then say you can't bundle schools. You know, I mean you can't play it both ways. I mean it's a P3 or bundling. And in some cases bundling is okay from your party and in other cases it isn't. But they're two separate issues, bundling and P3s.

**Mr. Wotherspoon:** — I guess you're the minister in tonight's estimates, and if you want to maybe book a special time to sit down for a cup of coffee or maybe a cold one with the member from Athabasca and work through some of what your understandings of his words and his understandings of your words, I'd recommend that.

But I think I've heard enough concerns from contractors across the province who are wanting to make sure that as the infrastructure is being built that our province needs, that they can participate in it. This is an important point, and it's not to be dismissed. And I'm not suggesting that you're dismissing it here tonight. But I think it is a bit dismissive for us to get too caught up in whether we're looking at . . . The fact is there's a lot of concerns as it relates to the school building project, the \$400 million project, or the one that's going to be larger than that, and that's important.

I have a question as well. Have you heard from anyone in the design community by way of concerns?

**Hon. Mr. McMorris:** — Thank you for that question, and I was sure hoping I'd get to respond because you had invited me to have a coffee or a cold one with the member from Athabasca. What I would say to the rest of your members, you should have a coffee or a cold one with the member from Athabasca. Because we're quite confident in what he's saying. You need to know what he's saying, as a party.

And I know and understand that you don't really have a lot of policy development yet, and maybe that will be coming. But we only have to take a member for his words, and those words were, you cannot leave dollars on the table. And if P3 is leaving dollars on the table, you'd better go for a P3. That's the gist of it. So I'm quite confident with what your member said. I think maybe you should take some time and have that cold one, and maybe I'd join you. And I'd love to hear what the conversation would be like.

Now I've forgotten what the question was.

**Mr. Wotherspoon:** — Have you heard from the design community?

**Hon. Mr. McMorris:** — Have I heard from the design community? Yes, absolutely we have. And you know, we've met, I've met with the, along with the minister from Education, we met with the architect association. I don't have the proper title exactly, but the architects who are concerned with the common design of a number of schools put together. And even though that has been worked on in the past for long-term care facilities, the architect association had more or less a common design for long-term care. Their concern was around, you know, and rightfully so, nine joint-use schools all perfectly identical with no architectural features worked into them.

And so that would be the other group that we had heard some concern from. I would say that, a little bit like Merit contractors, let's make sure that we understand. Are they against P3s? No. They're in favour of P3s. They understand the infrastructure that needs to be built. So you know, the design community, i.e. architects for example which I have met with, with the Minister of Education, will first say that they are in favour of alternative financing P3s because they understand the infrastructure that is needed.

Are they necessarily in favour of one common design that is so strict that there is no variance? They're not in favour of that, and I can perfectly understand that. And we're working with them to make sure that, you know, their concerns are put into the whole process of local knowledge, local content. That is all very important when we go through this process. Because again, as I said from the outset, we've had the ability and quite frankly the luxury of moving on P3s now and learning from other jurisdictions.

You know, I would hesitate to say that any previous government that was quite interested in P3s for example in whatever province, that didn't have the advantage or the expertise that has been gained and learned from projects that have gone forward, would be starting from, you know, if we want to say, you know, point one or point two. We've got the opportunity to learn from other jurisdictions because of the maturity of the P3 industry market in Canada, which quite frankly is looked at around the world as the leading market and procurement process for P3s internationally.

**Mr. Wotherspoon:** — There's been various questions I understand put to your government and possibly your ministry from school boards and some various concerns that they wanted to understand. A few different school boards I believe have put direct questions to your ministry. Could you speak to those concerns and your answers to them.

**Mr. Pandya:** — So thank you for the question, member. So you know, we are aware that at the AGMs [annual general meeting] for both the separate and the Regina school boards that questions were put to the boards regarding P3 procurement. Some of the questions specifically focused on elements of P3 procurement that we would be violating best practice in terms of revealing.

So the questions were, you know, what will the value for money be? What is the public sector comparator? You know, what is the cost of the shadow bid? You know, what's the expected rate of return? So there's a series of questions that were put, and they're really around I think our role, the minister spoke to our role in SaskBuilds also including ensuring that we can share as much information on P3s as possible.

It's new to us, again not new to Canada or internationally. And so what we've committed to do is to get back through the boards and provide as much information in terms of P3 procurement as possible without violating the integrity of a potential P3 procurement on schools.

**Mr. Wotherspoon:** — Thank you for the answer. You know, I know that this will be some of the pieces that are difficult for many to accept. Just that, you know, I know that there's a lot of this information that needs to be retained in a private manner, big public dollars that are at stake.

And you know, it certainly does speak to a role for a truly independent validator or verifier to weigh in on these things, and not weighing in after the fact when all is said and done and the contracts are all signed but before the point. Because of course the provincial auditors have purview, but that's after the fact. It's after contracts been signed. It's after dollars are flowing.

So you know, we've spoken to a role of a trusted, truly independent verifier, validator, auditor of sorts that could provide some verification on the front end of these before ink is put to paper by government and hundreds of millions of dollars are committed. And it's still I think a very reasonable ask and one that would alleviate some of the concerns potentially by some of these groups.

I've heard some concerns as well of course from various community groups. I touched some of these pieces, but if we look at the bundled P3 school project of the government, certainly there's been a lot of concerns that have come in. I haven't heard answers here tonight that have satisfied those. I don't think many of those stakeholders are yet sure of the process, and there's many questions that exist. And in fairness to them, certainly it's going to be very important to continue to work with those stakeholders.

[22:15]

One of the impacts that certainly concerns many in the province, certainly is a concern to us, is the potential of shutting out many within the province by way of local companies, by way of workers in the province, and what that economic impact is. You know, when you have public projects, there is a benefit of having provincial contractors, workers in the province engaged in those projects, and there's a cost to not having them engaged in those processes, to bringing in someone else. So I guess my question would be what sort of economic impact analysis SaskBuilds has done on this front.

**Hon. Mr. McMorris:** — So there are a couple of questions there. There's a number of comments prior that if I have time and if I get to it, I'll comment. But the first one was on the concerns and issues around the auditor. We've met with the

auditor. The auditor has looked at the processes, would say that, you know, they're best processes and would recommend that they were done in other procurement models as we move forward.

You know, I can understand the issue around competitiveness and when you're bidding on something. And we have fairness advisers and also legal counsel to guide us in that, to make sure that public dollars are safeguarded because that's priority number one, absolutely. And I know from your perspective and maybe from a few others, they would love to know, okay, exactly what is the price?

But when you're going to a competitive bid . . . And just I'm going to use this kind of an analogy. I'm just going to throw it out, and then we'll get to your second point of your question. If you were to have three people come and do an estimate on your deck and you're going to tell them exactly what you're going to build, what you're going to pay, it doesn't matter whether one was coming in under or not. You've told them what you're going to pay.

And there's a bit of that problem when you're going to a competitive RFP process. When you determine what the price is you're going to pay, what are the chances of you getting it done lower? What are the chances of a company coming in that wants to start up a business within your community, that's fully qualified and needs to get their foot in the door, that will use your deck, hypothetically, for an entrance into the market, and bids lower? When you say I'm going to spend \$3,000, and they may have done it for \$1,000, but I'm going to spend \$2,000 or I'm going to spend \$3,000, there is no incentive for anybody to go under that price once you've told everybody in the market what you're going to bid.

Now I know that's maybe an oversimplification when it comes to P3 and procurement, but it does have something to say about the secrecy around, the sensitivity around releasing numbers as to what you're going to expect to pay for a project when you're trying to gain the efficiencies of competitive bidding. And that's definitely what's happened in other jurisdictions. And that's why communities and for example in Alberta, with a bypass, saw huge savings as a company was entering a market to get a foothold into that market.

So you know, there is some concerns with that, absolutely. Everything will be released, you know, and the auditor understands that, and we'll move forward with that. They have met — P3s — and the model that we're using has met with auditor approval in the other eight provinces.

There will be some concerns for example on Alberta. Did they really save 240 million or was it 235? But there was a savings. There was never an argument on that, you know. So you have to understand the sensitivity of the bid process as well.

**Mr. Wotherspoon:** — So I get wanting to, and your aim should be to achieve best value for money. In fact it's the concern that with the current process the ministry's engaged in that that's not likely to be achieved. And just to go back a couple pieces, I believe it's actually been you, Mr. Minister, that's been speaking in ballpark numbers about the price of a new school. And I'd be cautious on that because you're sort of giving

exactly what you're just talking about here right now, and it's not exactly a strong negotiating position. So the . . .

**Hon. Mr. McMorris:** — You'd be suggesting we don't give any numbers?

**Mr. Wotherspoon:** — So the . . .

**Hon. Mr. McMorris:** — Is that what you're saying?

**Mr. Wotherspoon:** — No. So maybe let's make sure you understand this. The auditor weighs in after the fact to verify the numbers once contractors sign and dollars are flowed. That's where the auditor's mandate is provided.

Now it's good that they're engaged in reviewing some of your initial set-up. But there's another important role, one that I understand the auditor can't fulfill but one that could be fulfilled by someone in a similar capacity just with a bit of a different mandate to independently verify the numbers, the value for money, analysis that's done, and to provide a recommendation to the public that doesn't reveal commercially sensitive information that compromises those that are engaging with government but gives a level of understanding with clear recommendations back to the public. And that person though has to be as independent as the Provincial Auditor is. It can't be someone who's appointed through government in some process as a fairness adviser or something else, and that's an important point of distinction. So that's that piece.

So just on your point of your numbers, again you're the one that's been speaking about numbers and ballparks around schools. I would urge caution on that because in fact, you know, there may be opportunities through procurement to achieve better numbers than the ones you're speaking to right now. The point around verification, I think there is the potential role for someone like an auditor to enter in and do some verification of numbers. And of course that's something that we've been recommending.

I'd be interested just specifically where you've been engaged as a ministry as it relates to the treatment of the debt or the treatment of the liability, the treatment of the capital contract, and whether that's been driven by your ministry or by the Ministry of Finance. Just you know, what's that process looked like? Who's made decisions on that front? And how will debt or liabilities or long-term contracts be recorded into the public finances?

**Hon. Mr. McMorris:** — A couple things. So you've made a couple comments and then you move to the next point, and you don't expect . . . I mean I have to . . .

**Mr. Wotherspoon:** — But you've touched on . . .

**Hon. Mr. McMorris:** — I have to respond.

**Mr. Wotherspoon:** — But, Mr. Minister, just to make a point. With all due respect, you usually, when you're asked one question, usually make about three or four different comments that then warrant a response.

So the question that I'd like to hear from you right now — we

don't have much time left in this committee here tonight — is making sure that liabilities are recorded properly. I'm interested just in who's done that work. Has that been work of your ministry, Ministry of Finance? Has there been some, I suspect some co-operation on that front? Who else have you engaged on that front? And how will it be treated, and what processes are in place to do so?

**Hon. Mr. McMorris:** — You know what, Mr. Speaker? I'll apologize because I haven't answered a couple of the questions that he'd asked before. Now he asked the question. Is it okay if I go back and answer them?

**Mr. Wotherspoon:** — Yes.

**Hon. Mr. McMorris:** — So the last one, the one previous was about the impact to the companies. And I haven't answered that one, so it's okay if I answer that one.

**Mr. Wotherspoon:** — We'd appreciate that, yes.

**Hon. Mr. McMorris:** — Great. But you're saying that I can't go back . . .

**Mr. Wotherspoon:** — See, the estimate process . . .

**Hon. Mr. McMorris:** — But the other thing is . . .

**Mr. Wotherspoon:** — No, don't do the silly stuff. See, the estimate process works best if we put forward questions to you, Mr. Minister, and you provide answers. So shoot.

**Hon. Mr. McMorris:** — Okay. Thank you. So there's a piece around how does it affect the contractors. I want to answer that. There's the other piece around transparency, which you're always asking for, but now you're telling me, don't release numbers. So you want transparency, but you don't want us to release any numbers.

We have a fairness adviser. We have legal counsel. There are a number of processes that have been developed over a decade or so of P3s across Canada that deal with all those issues, that have passed auditors' scrutiny, and we're following along with best practice.

So on that piece you're contradicting yourself where you say you want transparency but don't release numbers. Because you've more or less said that, Minister, you've released numbers, and you're compromising the process . . . [inaudible interjection] . . . No, let me finish because I've got more questions to answer. And I know you want to ask more, but I've got more to answer.

You talked about the competitiveness, for example Merit Contractors or any contractor in the province, and how again you're trying to combine bundling or P3s. It's one or the other. P3s, you know, I think what we're doing is we're adding to the pie. If you look at our investment on capital investment in this province in this year, over \$900 million more than last year, the pie is getting bigger. And on top of that are P3s. So I think there is a greater opportunity for each and every company in this province to do well. They've been doing better than they ever have before over the last 8 years, and opportunity to do better.



I think it's very important when you talk about whether we're allowing companies to be able to compete in this province, and you've quoted different things, and what is fair and what isn't fair. And because we're bundling it isn't fair, and we're discriminating against those companies, is more or less what you have said.

A little history lesson: do you know what the CCTA meant? What was it? The Crown Construction Tendering Agreement which eliminated any open shop. In fact Merit Contractors could not bid on one contract delivered by a Crown corporation. You want to talk discrimination? And I know you'll never stand up for anything that the former government did, but that was a policy of the former government. Talk about discrimination. This is not discrimination. If they want to bid on six schools or eight schools or 10 schools . . .

**Mr. Wotherspoon:** — When was it repealed?

**Hon. Mr. McMorris:** — It doesn't matter when it was repealed. We went through a decade where you would not allow open shop contractors to bid on Crown corporations work. That's discrimination. So don't come and talk about discrimination because we're allowing open shop contractors to bid on any bundle, whatever size, big or small, any other project.

Now I understand you don't want to stand or defend 16 years of your party's government. But the reality is, that's where they came from. And when I talk to Merit Contractors, they'll say they're not happy with bundling, but boy will they take bundling over the CCTA any day of the week.

**Mr. Wotherspoon:** — Okay. Well again we should live in the now, and we only have limited time here. And of course I think the CCTA was repealed a long time before the government had changed. But what I would like to get are just some answers. You said you were going to speak to the economic impact and analysis. I didn't hear an answer though. And then there was also the question of how debt, how liabilities, long-term contracts would be treated. And I didn't hear an answer for that.

**Hon. Mr. McMorris:** — So a couple of questions, and we'll try and get them both answered so we don't have a backlog again and have to go back. I would say that, to answer the second question first and the first question second, is that the second question that you asked has been answered by the Minister of Finance on how . . . We read *Hansard*. You've already had that question answered by the Minister of Finance, who does the accounting for the process, and you'd be well aware of that I'm sure as the Finance critic. I don't think there's any use recultivating that field because it's already been dealt with through the Minister of Finance.

Your first question second is the fact around savings and the issue around whether there's economic impact to the companies here in Saskatchewan through P3s. There could be, but I think it's very important that we look at this as a national and global market, which it is. We have trade agreements with other provinces. There's the New West Partnership, which other provinces in Western Canada would like to get into, i.e., Manitoba I think. Regardless, but there's agreements in internal trade that we have to respect.

There are companies . . . And you had mentioned this a long time ago, and I never mentioned it, and you had kind of more or less quoted Merit, that there is no local companies that could bid on any of these. Well the last time I checked, PCL was born and raised here. Graham Construction was born and raised here. The reason why PCL has been as successful as they have is they've been able to do work outside the province.

[22:30]

In other words, we don't build walls. We can't have a one-way valve where our companies can only go out, but we can't allow any companies to come in, you know. So you know, we have to honour the trade agreements where companies may want to come in. And will that have an impact? It might. But what it does do is create competitiveness, which is extremely important for the taxpayers of Saskatchewan. And through that competitiveness, if we save money, that money doesn't go anywhere but back into building more infrastructure.

So if for example in Alberta they save \$240 million on school bundling, that money didn't go into anywhere else but more infrastructure, I would think for the most part, or debt reduction or programs or whatever. That's what we look to see here in Saskatchewan. Any savings that we can garner . . . And it may have impact on some companies, and we'd rather not. But we can't stop companies from looking at Saskatchewan as a great opportunity, and we want that to happen. And if it creates savings that may affect and have an impact on some companies . . . But what it has a greater impact on is the taxpayers of Saskatchewan because we can invest more money into infrastructure.

**Mr. Wotherspoon:** — Do you hear the concerns that I do from many companies in the province that have concerns with examples where it's quite difficult they suggest to go and do work in Ontario for example, and their concern though that's it's sort of an open door for those companies to come and do work here? And then the example of Quebec, as they've described to me, where there's basically no reciprocity, as it's been suggested to me by Saskatchewan companies, that Quebec companies can come and do work here in the province, but Saskatchewan companies can't go and do work in Quebec. So I'm just wondering if you're hearing those similar concerns and if through your ministry — and certainly you're deploying a lot of resources towards building infrastructure — if you have any plans to address some of those concerns.

**Hon. Mr. McMorris:** — I guess my short answer to that is I would invite you to the estimates of the Ministry of the Economy that deals with that directly. That is not a, I shouldn't say priority, but it doesn't enter into our discussion of trying to get infrastructure built here in Saskatchewan.

**Mr. Wotherspoon:** — And I followed it up there, and I'll continue to as well. I don't have yet, I don't think, commitments from government that are necessarily reflective of the challenges that companies are facing.

I'd be interested . . . You'd talked about some of the experiences, learning from different jurisdictions. I've been told that the way British Columbia went at P3s was problematic, particularly so for contractors, and having this impact that's sort

of discussed around shutting out some, impact some contractors, or causing a massive adjustment in that contracting environment there. Have you heard those sorts of concerns? I don't know the case inside and out in British Columbia. I'm just wondering if this is something you've studied or if you've heard and if you've learned from.

**Hon. Mr. McMorris:** — We're getting to the end, and that's too bad. So to your question, the immediate question: I don't remember or I don't . . . not that I don't remember. We don't know of any. I don't know personally of any concerns, or do staff within SaskBuilds know of a lot of concerns or any concerns. And I'm sure they're out there.

We read of course in papers some of the concerns from construction companies in Alberta. And there is. It's a change in doing the process and doing work and so, you know, there'll be some that I think will raise concerns. I think that's pretty typical on any process, and even any traditional RFP. You'll hear concerns from companies that haven't been successful, and I would say that's a bit common, and I would be more than interested if you can find more detail that we can look into it and see, you know, how much basis there is for it. And I'm not saying that there isn't, but we just don't know.

What I can do is, you know . . . We've got a list of projects that have happened in BC for example, that nine of them that have been very, very successful, projects that have been entered into as a P3, and major, vast majority of work done by local contractors.

You know, as I met with Merit today, they would say, you know, we're not in favour of bundling, but once we go through one and we see how many of our local contractors do or don't get involved and do a lot of that work, then we'll know. Right now we feel that we won't be involved. And he says to me that I know you feel that we will be involved. If we had a crystal ball, and that's what we're both looking into, we don't know for sure. But once one goes through, we'll be able to speak from more of a factual basis as opposed to a perspective.

If you look at what's happening in British Columbia, you'll see that there has been major local content in those P3s, and I think if you talk to people in Alberta, there has been major content and local content in those contracts as well. Is it all? No it isn't, but it isn't even on a traditional build all local content.

**Mr. Wotherspoon:** — Just as far as the Alberta experience and the recent one of not having bidders or only having one bidder I guess, in essence lack of competition or not any competition, what do you attribute to that, and how as a government, how as a ministry are you responding or preparing to ensure that's not the case here?

**Hon. Mr. McMorris:** — We're very aware of what's happened in Alberta on their fourth bundle. It's very important that we talk about, this is again a very mature process in Alberta. They've gone to their fourth bundle, which is very different than . . . You can say that, yes, it's similarities because it's a bundle and it is being done through a P3 — two different things. But there are some great differences because it's their fourth, the maturity compared to where we are. And doing our market sounding, we don't believe we're going to have

anywhere . . . There's lots of interest. We don't think we're going to have any sort of the situation that they had in Alberta.

After talking to the minister in Alberta not very long ago at a conference, you know, he more or less said, I mean if it's a sole bidder and they come in higher than what we anticipate, we don't have to take it. We're not taking it.

We don't even anticipate that initial problem of only one or so bidding. We think that we're going to have a number of proponents. This is a new market. Alberta is a very, very hot economy. We're very hot too, maybe not quite to the extent overall as what Alberta is. We're hot too. But I do believe because we're new into the P3, number 1, and bundling separate, that we're going to see a number of proponents. And our market sounding tells us that, that there are many interested proponents. And we'll go through the process, and we think it's very important. And we believe it will be successful.

But most importantly, what I think from our government's perspective is we're dealing with the challenges of growth, and that's extremely important, compared to the challenges of decline, which we've certainly faced. But you know, there are challenges with growth. The Premier set out the growth plan. This is part of dealing with that growth plan. It's a long-term plan that I think will continue to see our province grow, which many experts, so-called experts said was statistically impossible. We're making that statistically impossible a possibility, and how you continue that is a growth plan. And part of that growth plan is making sure we have the infrastructure, and part of that infrastructure is alternative financing such as P3s.

Thank you for the time. And I really want to thank my officials for the time there and the committee members for putting up with us until 10:30 tonight. Thank you very much. And for some of them, I was on a plane with them at 8 o'clock this morning, so it has been a very long day. I'm not saying that we're adjourned yet, Mr. Chair. I'm not assuming that, but I want to thank all the people around me. Thank you very much.

**The Chair:** — I recognize Mr. Wotherspoon.

**Mr. Wotherspoon:** — We'll continue to focus in on the file to ensure best value for money for taxpayers, to make sure that the infrastructure that Saskatchewan people and communities need is provided to them in the best way possible. Certainly we've put on the record a host of concerns here tonight.

I thank the minister for his time, not all of his answers, but I thank him for his time. I certainly do thank the officials for all of their work today and throughout the year.

**The Chair:** — And thank you, Mr. Minister, and your staff, and Mr. Wotherspoon, other committee members. We've now reached the time of agreed-upon debate, two hours in SaskBuilds, and past the hour of adjournment. This committee stands adjourned until tomorrow afternoon at 3 p.m.

[The committee adjourned at 22:42.]