

CONSOLIDATED HEARINGS BOARD

IN THE MATTER OF Sections 2 and 3 and 6 (3) of the Consolidated Hearings Act, 1981, S.O. 1981, c.20;

— and —

IN THE MATTER OF Section 12(2) of the Environmental Assessment Act, R.S.O. 1980, c.140;

— and —

IN THE MATTER OF Sections 30, 35 and 38 of the Environmental Protection Act, R.S.O. 1980, c.141, as amended;

— and —

IN THE MATTER OF Sections 24 and 61 (2) of the Ontario Water Resources Act, R.S.O. 1980, c.361, as amended;

— and —

IN THE MATTER OF Section 28 (3) of, and Regulation 164 under, the Conservation Authorities Act, R.S.O. 1980, c.85, as amended;

— and —

IN THE MATTER OF Section 40(12) of the Planning Act, S.O. 1983, c.1, as amended; in connection with site plan control of the sanitary landfill site;

— and —

IN THE MATTER OF Section 22(1) of the Planning Act, 1983 in connection with a referral to this Board by the Honourable Bernard Grandmaitre, Minister of Municipal Affairs, on a request by the Regional Municipality of Halton to amend the Official Plan for the Town of Milton to redesignate a parcel of land comprising Part Lots 3 and 4, Concession 2 N.S. in the Town of Milton from "Agriculture" and "Conservation and Hazard Lands" to permit the construction, operation and maintenance of a landfill site, Minister's File No. 24-OP-0208-A01;

— and —

IN THE MATTER OF Section 34(11) of the Planning Act, 1983 in connection with an appeal to this Board by the Regional Municipality of Halton for an order directing an amendment to By-law 61-85 of the Town of Milton to rezone the lands situated at Lot 3 and part of Lot 4, Concession 2 N.S., in the Town of Milton from "Agriculture" to permit a regional sanitary landfill site and ancillary uses;

— and —

IN THE MATTER OF Section 15(1) of the Planning Act, R.S.O. 1980 ch.379 in connection with a referral by the Honourable Claude F. Bennett, Minister of Housing on a request by Tremaine Britannia Citizen's Group for consideration of part of the Official Plan for the Halton Planning Area with respect to Sections 1 to 5 inclusive, 7, 9 and 10 of Part III D3 Solid Waste Management, Minister's File No. OPC-0026;

— and —

IN THE MATTER OF Section 64 of the Ontario Municipal Board Act, R.S.O. 1980, c.347 as amended in connection with an application by the Regional Municipality of Halton for an order approving:

- a) the acquisition of land for the construction, operation and maintenance of a sanitary landfill site to contain 7.96 million cubic metres of waste in the Regional Municipality of Halton and to do so by one of two alternative methods as follows:
 - (i) landfilling at the site referred to in Halton's Environmental Assessment as Site F in the City of Burlington;
 - (ii) landfilling at the site commonly referred to in Halton's Environmental Assessment as Site D in the Town of Milton

at an estimated cost of \$12,775,000.00, and the borrowing of money by way of temporary advances not exceeding in the aggregate such estimated cost pending the sale of debentures, and

- (b) the issuance of necessary debentures to a maximum of \$12,775,000.00 for a term not to exceed fifteen years;

— and —

IN THE MATTER OF Section 193(5) and Paragraph 84 of Section 210 of the Municipal Act, R.S.O. 1980, c.302, as amended;

— and —

IN THE MATTER OF Sections 6, 7 and 8 of the Expropriations Act, R.S.O. 1980, c.148;

— and —

IN THE MATTER OF an undertaking of the Regional Municipality of Halton to provide facilities for the purpose of receiving, dumping and disposing of waste as required by section 137 of the REGIONAL MUNICIPALITY OF HALTON ACT, R.S.O. 1980, c.436, as amended, by acquiring the land for, constructing, operating and maintaining a landfill to contain 7.96 million cubic metres of waste in the Regional Municipality of Halton.

VOLUME: 53

HELD AT: Oakville, Ontario

DATE: November 3, 1987

OFFICIAL REPORTERS
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BEFORE: H. H. Lancaster, Q.C. - Chairman

Dr. D. J. Kingham - Member



Hearing conducted at The Oakville
Granary Commercial Centre, 105 Robinson
Street, Oakville, Ontario, on
Tuesday, November 3, 1987

VOLUME 53

APPEARANCES:

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5		Topic Investments
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* * * * *

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Per: P. D. McQueen



1 --- Upon commencing at 9:33 a.m.

2 MR. LANCASTER: Good morning. Thank you.
3 Please be seated. Is Ms Mansfield not here? Those two
4 exhibits that she was going to bring today ...

5 CAMERON N. WATSON, (resumed):

6 JOHN RINALDO, (resumed):

7 MR. LANCASTER: Mr. Watson, you have had
8 an opportunity to review this flow chart, this diagram?

9 MR. WATSON: Yes, sir.

10 MR. LANCASTER: Mr. McQuaid, do you have
11 some questions relating to it?

12 MR. McQUAID: Yes, I do, Mr. Chairman,
13 but I have decided I maybe tried to streamline the pro-
14 cess too rapidly. My mother told me there would be days
15 like yesterday. Maybe I will back up and we may have
16 to go a little more slowly but we will come to this
17 at an appropriate time.

18 MR. LANCASTER: Would it be more appro-
19 priate for the witness to review this along with the
20 report that goes along with it, if there is a report?

21 MR. McQUAID: These isn't yet and that
22 is the problem. We have been trying to reconstruct
23 the situation and let us go back and maybe ask some
24 questions and you will see where we are trying to go
25 with this document and our understanding of Mr. Watson's



1 report and Mr. Rinaldo's input to it.

2 CROSS-EXAMINATION BY MR. McQUAID, (continued):

3 Q. I am going to start, Mr. Watson
4 and Mr. Chairman, if I could ask you to take out H-44
5 and if I ask you to turn, Mr. Watson, with me to Table 5.
6 You will find the tables after page 8-3. Can you confirm
7 for us that Table 5 is the cash flow analysis for Site
8 D as of June, 1985?

9 MR. WATSON: A. January, 1985, yes.

10 Q. The report is dated June, 1985.
11 The report is January, 1985. Going two pages over we
12 see Table 7 is the cash flow analysis for site plan area
13 F?

14 A. That is right.

15 Q. If we look down at the lower right-
16 hand column the present value line over at the lower
17 right-hand side, do I understand the cash flow analysis
18 correctly that as of January 1st, 1985 your view of the
19 cash flow present value -- I am sorry, forget cash
20 flow -- your view of the present value for Site D as of
21 January 1st, 1985 was \$51,985,839?

22 A. Yes.

23 Q. Just so we have it at that point
24 as well, going over to Table 7, the corresponding figure
25 for present value of Site F, as of January 1st, 1985



1 was \$60,773,990?

2 A. Yes.

3 Q. Is that correct?

4 A. Yes.

5 Q. Just stopping at that point, did
6 that, as an economist, at that point in time indicate to
7 you that Site D would be preferred at least on this
8 criterion?

9 A. Yes, at least on this criterion,
10 on this criterion only. Specifically on this criterion
11 it would be preferred. Obviously it wasn't preferred on
12 the other criterion.

13 Q. The other criteria being?

14 A. All the rest of them, the natural
15 environment and so on.

16 Q. Were you called upon to make a
17 decision on those other areas also?

18 A. No, no, it was preferred on the
19 matters I looked at, these matters, economic matters,
20 yes, but it was only preferred -- no, you said alone?

21 Q. I said as an economist.

22 A. But then at the end of your
23 question, sir, you said alone to indicate there were
24 other matters involved here.

25 Q. I want to give you the opportunity



1 that as an economist there were other factors you were
2 considering at that point in time that I may not have
3 brought to your attention in this particular report.

4 A. What I considered is in this report.

5 Q. Are there other economic factors
6 that you were looking at at that point that we should
7 look at as of that date? My question is not to try and
8 trap you. I just was looking only at present value at
9 that point and I said at least on that basis, as an
10 economist, this would suggest that Site D would be
11 preferred and then you brought in all the other, public
12 health and safety and so on. Why don't you confine
13 yourself just as an economist?

14 A. I guess I was put off by the words
15 "at least" on this basis. On this basis it was preferred,
16 yes.

17 Q. Let us go back to the tables
18 themselves and see if we can figure out how you got to
19 present value. Did you do this table, by the way?

20 A. I did the report with my staff.

21 Q. Did you do these tables, Tables 5
22 and 7?

23 A. I did everything in the report
24 together with my staff, yes.

25 Q. Now, looking across Table 5 at the



1 headings, the first year we see 1985?

2 A. Yes.

3 Q. We see a property acquisition
4 figure of 1.7, \$1,777,000; is that correct?

5 A. Yes.

6 Q. Just so that we are tracking it
7 through, if we go to your update document, Exhibit 279 --
8 have you got that in front of you? That \$1,777,000,
9 would that relate now to the figure, either under
10 Schedule K of 2.262 million or under update, the three
11 to 3.65 million?

12 A. It relates in the sense -- it
13 doesn't relate in the sense it deals with different
14 time periods, the cost in different years but other
15 than that, yes, it relates. This is a cost obviously
16 in 1985 of the \$1,777,000 and the other figures reported
17 were in '86 and '87.

18 Q. That is what I thought my question
19 addressed. They are the same item?

20 A. They are the same item, yes.

21 Q. Now, would I be correct then that
22 looking at Table 5, one of the first cost items that you
23 are going to examine is obviously the property acqui-
24 sition, that second column we see on Table 5?

25 A. One of the first items to be



1 examined?

2 Q. I want to go -- there are a number
3 -- can we agree on this, Mr. Watson, there are three
4 flows to the present value, basically; there is a cost
5 flow, an operating flow and a haul cost flow?

6 A. A cost flow, an operating cost ...

7 Q. A capital cost flow.

8 A. A capital cost flow, an operating
9 cost flow and a haul cost flow. You have ignored the
10 other columns.

11 Q. Just bear with me for a second.
12 I just want to be sure I have got the main ...

13 A. I mean, the columns are clearly
14 labelled. We have site development cost, we have site
15 operating cost, we have property acquisition, haul costs,
16 off-site property value impact, road reconstruction.
17 They are plain there.

18 Q. I realize that but it may not be
19 subsumed in the three general headings that I have just
20 indicated.

21 A. If you like, yes.

22 Q. Am I correct that later on when
23 you go into your report, H-45, that in fact you subsume
24 them or combine them into -- let us just take your H-45
25 for a moment and see if I understand it correctly. I



1 thought that the three main headings that you had in
2 your report, H-45, were the three that I have just given
3 you. If I am wrong, let us be sure I understand. Look
4 at "Executive Summary i".

5 A. There they are.

6 Q. Let us look at small Roman Numeral
7 i.

8 A. They are there.

9 Q. I realize they are there but I
10 want you to agree that they are there written out and
11 in columns later on in the document. First of all we
12 have under -- for Site D, the first line, \$37.9 million.
13 You have regional approval, site purchase, construction
14 and operation costs; correct?

15 A. Yes.

16 Q. If we go over to page 2-5 -- would
17 you go over to page 2-5 with me -- we see a Table 3?

18 A. Yes.

19 Q. That table has two columns, site
20 capital costs and site operational costs?

21 A. Yes.

22 Q. You have put all of the items which
23 you summarized back at small Roman Numeral page i,
24 regional approval, site purchase, construction and
25 operation costs, they are all found as I understand it



1 under the two headings we see on Table 3 at page 2-5
2 called "Site Capital Costs" and "Site Operating Costs"?

3 A. Yes, they are but you are talking
4 about Report 2C. You are now in another report. I agree
5 with you this is the way this report was done but I
6 thought you were talking about this report.

7 Q. I wanted to be sure I knew where
8 everything was so I started back at the earlier report
9 and then I said can we put them in these three headings
10 and then you said well, I've got other headings. When
11 you finally did your report as we see in H-45, you got
12 down to two or three headings; is that correct, site
13 capital costs, site operating costs and the third main
14 area, haul costs?

15 A. Right.

16 Q. So to get back to my question
17 would you be agreeable that the three main flows to
18 get to your present value of \$62.9 million, just starting
19 at the three main ones, we will go back into the detail
20 in a minute, the three main ones are one, capital costs,
21 you call it site capital costs; two, site operating
22 costs and three, haul cost?

23 A. That is consistent with H-45, yes.

24 Q. Thank you. All right. In order
25 to understand what goes into site capital cost, the first



1 item that we looked at, can I go back with you to Table
2 5 in H-44? We will start to see there, as I understand
3 it, the items, specific items which have been subsumed
4 or summarized under the heading site capital costs in
5 H-45; is that correct, we start to see that? I don't
6 know that they are all there, that's why I want to ask
7 you but we start to see it?

8 A. Yes.

9 Q. Now, dealing with site capital
10 costs, first of all on Table 5, the year 1985, the first
11 item that you have entered there is the property
12 acquisition cost as it was then given to you of \$1,777,000;
13 correct?

14 A. Yes. As it was then given to me?

15 Q. Well, did you do the appraisal for
16 the property acquisition cost as of January 1st, 1985?

17 A. We didn't have a formal appraisal
18 done at that point. I didn't do the property valuation
19 work that was done. I think we were obliged to take
20 the figure that we had and put it at the right point in
21 time and look for the making of any necessary adjustments
22 but the base figure was certainly supplied to us at that
23 stage, yes.

24 Q. So why did you quibble with me
25 over my comment that it was the figure as it was given



1 to you?

2 A. I just explained to you we were
3 obliged with all these figures to make sure they were
4 valued at the right point in time and if there were
5 any adjustments to be made to them to put them on a
6 consistent level that that was done but in this particu-
7 lar figure I would have to go back to see what
8 precisely fell out of the evaluation. It could have
9 been that figure, presumably something very close to it.
10 I'm just saying that we may have made a modification to
11 the figure. I don't want to mislead you, that is all.

12 Q. Would you go back to page 7-1 in
13 this report, Mr. Watson?

14 MR. LANCASTER: Which report is that?

15 MR. McQUAID: H-44, sir.

16 Q. I see there under the heading
17 "Site Capital Cost, Section 7.1" the definition of
18 property acquisition costs. In the second paragraph
19 and then in the third paragraph, last sentence, on page
20 7-1:

21 "The source for the property acquisition
22 costs for the site plan areas of A, B, C,
23 D and E was a report prepared by the
24 Region of Halton's Property Management
25 Division."



1 And then they go on to give the title of it.

2 A. That's right.

3 Q. Now, you are going to have to be
4 more specific with me I guess. I guess I had assumed
5 that the Property Management Division gave you that
6 figure of \$1,777,000. Now I think I hear you saying
7 that may not be the case. "I, Cam Watson, may in fact
8 have done the evaluation based on the information that
9 they gave me"?

10 A. No, no, I didn't say that at all.
11 I said if they -- I would have to go back to what they
12 gave but if they gave evaluation that was current as
13 of a particular point of time other than January 1st,
14 1985 an adjustment was required to the figure. At some
15 other stages of the study the valuations provided did
16 not include aspects of acquisition costs such as appraisal
17 costs, reinstatement and so forth. It was necessary
18 for us to adjust the figure as was the case with really
19 all of the other figures that we got from other consul-
20 tants. It was necessary for us to talk to them about
21 the basis for the evaluation to make sure it was
22 comparable, on the same basis as everything else and
23 adjustments resulted from that process. I am saying in
24 this particular instance I would have to go back to our
25 working papers to determine whether or not and how much



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Watson, Rinaldo,
cr-ex (McQuaid)

1 we may have varied whatever we were provided with. I
2 just didn't want to leave the impression that we holus-
3 bolus took and inserted each and every figure that was
4 provided.

5 Q. In fact what I think you are
6 telling us is that at that point you put yourself in
7 as good a position as you could to determine what the
8 market value was. Is that what you are saying or was
9 it to ensure that all the items were included that
10 should be added to the market value?

11 A. We are still talking about the
12 \$1,777,000?

13 Q. Yes.

14 A. I don't know -- well, we would have
15 to go back and look specifically at what we did.

16 Q. Am I not given to understand that
17 you were trying to ensure when you were giving advice
18 to the regional council and staff that you had as
19 accurate a figure as you could determine as of January
20 1st, 1985 as to what the property acquisition price
21 would be including all necessary elements that should
22 go in in order to acquire the property?

23 A. That is what we were attempting
24 to do, yes.

25 Q. Now, let us go back to Table 5,



1 please. In addition to the property acquisition item
2 that we see in column two, we go over to another column,
3 "Site Development Costs" and I will call that column
4 three. You have a figure there of \$3,293,000?

5 A. Yes.

6 Q. Was that under your site capital
7 cost category?

8 A. Yes.

9 Q. Subsequently?

10 A. Yes.

11 Q. You have another -- then just so
12 the Board has the pattern and I'm sure I understand it,
13 do I then take it that what you then do is for 1985,
14 that was then viewed as -- why was 1985 selected? I
15 had better not put words in your mouth.

16 A. This report was done in June of
17 '85 and we brought the costs to as current a basis as
18 we could. It was published in June. I guess the work
19 itself was done in early 1985 so we brought the cost at
20 that point in time and declared that the present value
21 for our calculations.

22 Q. Was there any relationship to
23 when the site might actually get underway?

24 A. Sure, there was an assumption in
25 each instance as to when the site ...



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Watson, Rinaldo,
cr-ex (McQuaid)

1 Q. When was that in relation to this
2 Table 5?

3 A. In 2C, of course the current
4 assumption I believe is September of 1988. At some point
5 a couple of years ago we shifted from an earlier date to
6 that date. I believe it was September, '88 in this case
7 but I can look that up.

8 Q. Do we get any assistance from
9 your column five, "Site Operating Costs"? The first entry
10 for an operating cost is in 1987. Does that give us any
11 clue there?

12 A. It gives us a clue.

13 Q. Can you have a site operating cost
14 without having a site?

15 A. It proves it was earlier than '88.

16 Q. It's a clue. Doesn't it indicate
17 that you thought the site would be operational some time
18 in 1987?

19 A. Some time. It doesn't tell us
20 when. I am looking for the assumption as to when.

21 Q. Some time in 1987 is good enough
22 for me. Okay? Now, going back to what you were doing
23 on this Table 5 in H-44, looking at the 1985 line, if
24 I understand it correctly, you actually sum columns two
25 and three and we see that total figure of \$5,070,000 over



1 in the second-last column under the heading -- the second
2 from the left under the overall heading "Total".

3 A. You are going to the right-hand
4 column, the second from the right, that is the sum of
5 all of the columns to the left other than the year
6 column.

7 Q. Yes. So that column that I have
8 numbered as nine is what, the sum of all columns?

9 A. To the left and it is arranged so
10 that the two right-hand columns represent a range from
11 a low to a high because in this case the property value
12 impact would range from a low to a high and the difference
13 was 2.7 million and that accounts for the breadth in the
14 range. The rest of the items were not ranged.

15 Q. So the second column from the left
16 is the column with low property value impact; is that
17 correct?

18 A. Yes.

19 Q. And the column then on the right is with
20 the property value impact, the high impact of \$2,761,000
21 applied; is that correct?

22 A. Yes.

23 Q. And concentrating for a moment, if
24 we can, the second from the right with the low property
25 impact, if we go down to the bottom of that one we see



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1 the present value there would be \$4,907 -- \$49,784,787;
2 correct?

3 A. Yes.

4 Q. So you have two present values
5 there, one with low impact and one with high?

6 A. Yes.

7 Q. Now, so we understand the methodo-
8 logy that you were following, the entry for 1985 is
9 quite straightforward under the low impact column, it
10 is just the sum of those two figures. Then in 1986 we
11 go across and we see a column three, "Site Development
12 Costs", that there is an additional \$5,694,000 that was
13 going into site development costs?

14 A. Yes.

15 Q. They were being subsumed at that
16 point under the heading "Site Capital Costs"; is that
17 correct?

18 A. You've asked me to do that, yes.

19 Q. Road reconstruction costs were
20 then added, that is the fourth column?

21 A. Yes.

22 Q. Then again for 1986 you just go
23 over and add those two, low and high property value
24 impacts?

25 A. Yes.



1 Q. You are building up for each year
2 a stream of costs; is that correct, from all sources?

3 A. Yes.

4 Q. Then you have to take the present
5 value of them by present value tables or computer back
6 to those two figures we see down in the lower right-hand
7 column; is that right?

8 A. Yes.

9 Q. Then in 1987, some time in that
10 year we start to see the site operating costs are going
11 into the yearly -- what do you call those yearly amounts
12 that you are creating?

13 A. I call them cash flows.

14 Q. Yearly cash flows?

15 A. Yes.

16 Q. Yearly cash flows?

17 A. Yes.

18 Q. We had some -- I don't really want
19 to get into the discussion of it, but I understand that
20 in economic parlance that you have the use of a term
21 called "nominal" or "current". I want you to explain
22 the difference to me. You were taking, in 1987, you
23 have a figure there for site operating costs of
24 \$1,644,006?

25 A. Yes.



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1 Q. Those are dollars spent in 1987?

2 A. Yes.

3 Q. And they are 1987 dollars?

4 A. They are.

5 Q. Would it be correct to call them
6 nominal dollars?

7 A. I don't use that term. They are
8 current dollars.

9 Q. You call them current dollars,
10 they are current in the year they are spent?

11 A. Yes.

12 Q. Is there such a term as "nominal
13 dollars"?

14 A. I have seen it, yes.

15 Q. What does it mean?

16 A. I don't use it. I think it means
17 the same as current but as I say I don't employ it.
18 According to this exhibit you gave me last night it
19 seemed to define it in two places as being the same,
20 nominal dollars are the same as current dollars. So
21 whoever produced this feels it is the same but I don't
22 use that.

23 Q. You would accept that but ...

24 A. I don't know the material. I don't
25 know what the word means.



1 Q. It doesn't mean nominal as lawyers
2 use it that you pay \$2 or \$1 for a piece of property
3 that is given to you. It has its own meaning.

4 A. It may mean that, I don't know.
5 We are talking about current dollars here. You are
6 introducing a term that I am not familiar with.

7 Q. Let us use the term "current
8 dollars", I understand that. All right then, looking
9 at that column five we see that you have site operating
10 costs for each of the years 1987 to 2008?

11 A. Yes.

12 Q. So just stopping at this point,
13 if we were to think in terms of lines of flow or data
14 that are going into your present value we have for each
15 year, where there is a site capital cost expenditure,
16 that flow going in in that particular year or years,
17 the first flow in?

18 A. Yes.

19 Q. Then where there is a site operat-
20 ing cost you have a second flow line and that is going
21 into the present value, the ultimate present value
22 determination called "Site Operating Cost Line"?

23 A. Yes.

24 Q. Then you have a third flow, I
25 suggest to you, going in which is your column six, "Haul



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1 Costs"?

2 A. Yes.

3 Q. Is that correct?

4 A. Yes.

5 Q. Can we just go to that document
6 that I put to you yesterday? We are just going to
7 cross that word "nominal" right out and put in "current".

8 A. I think that would be good.

9 Q. I think that might be less confus-
10 ing for all of us. Just stopping at the right-hand
11 portion of this flow chart where we see the blocks Nos.
12 2, 3 and 4, we have the main flow lines which I have
13 just discussed with you: 2 being the capital cost
14 repayment; 3, operating cost and 4, the current haul
15 cost?

16 A. Yes.

17 Q. They go into a total nominal cost
18 trajectory. I am going to ask you to cross that one
19 out and we will call it "yearly cash flows".

20 A. I think that would be a more
21 descriptive term, yes.

22 Q. Now, we have got the basic three
23 flows that we have just discussed. Now, I would like to
24 go back with you and make sure I understand what you did
25 in your analysis with respect to the -- what is block 2



1 here, that is the capital cost element.

2 A. All right.

3 Q. I would like to know -- I don't
4 know whether when I look at Table 5 there is any adjust-
5 ment that is made to it. We see here interest rate.
6 I don't know whether there is or isn't. It is really
7 put forward -- I've seen reference to it in your report
8 and I would like to know whether in the computer model
9 or whatever it is that worked out Table 5 -- was it a
10 computer, by the way?

11 A. This is a computer printout, yes.

12 Q. Give me the assumptions, if I can
13 put it that way, first of all dealing with capital cost
14 or the steps that the computer took with respect to
15 property acquisition over the period and site develop-
16 ment costs.

17 A. When we left this last night,
18 Mr. Chairman, I think Mr. McQuaid had suggested to me
19 that I take a moment and set out the way in which we
20 had done this work, that that might be helpful. I took
21 some time last night and I did that. Perhaps I could
22 introduce that and use that.

23 Q. Sure.

24 A. I have just put it on this board.

25 MR. LANCASTER: You took a moment, you say?



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1 MR. WATSON: We have been working with
2 this for a long time, Mr. Chairman, so it was kind of
3 at hand.

4 What this is is a representation of what
5 Mr. McQuaid's colleague has put on this chart which is
6 designed to indicate what we have done. I guess in very,
7 very simple terms it does indicate what we have done but
8 it certainly leaves out a lot of very, very fundamental
9 important matters. It oversimplifies to the point where
10 we have lost what was done. I am speaking most parti-
11 cularly of the landfill technical report and the
12 comparative analysis. In my respectful opinion it misses
13 the point.

14 MR. McQUAID: "It" being? Maybe,
15 Mr. Chairman, we should start by having an exhibit
16 number for this.

17 MR. LANCASTER: There is going to be a
18 report from which this comes, is that the case? I think
19 you said there was no report as yet?

20 MR. McQUAID: That's right, sir, but I
21 think you should understand that it is my hope that when
22 we are sure we have got all the right ingredients here
23 that we would have a flow chart, it may be this flow
24 chart here on the back of this board that is put up, it
25 may be this flow chart that oversimplified this,



1 Mr. Watson just referred to. It may be expanded but it
2 will be in our subsequent economic report but you can
3 see it wouldn't have made a lot of sense for me to have
4 prepared a report based on just what Mr. Watson said
5 or ask Mr. Stamm to do unless we were sure we had all
6 the complexities which he is now going to explain to us.
7 All I'm really saying, sir, and I want you to understand
8 I put this forward at this point in order to assist the
9 Board and myself in terms of the flow lines and the
10 ingredients that went into the present value calculation.
11 If it needs to be modified, as it appears from this over-
12 view we are now going to look at, that is fine. We know
13 exactly what needs to be done. I would like to put it
14 forward at least as an exhibit at this point, sir, as we
15 are discussing it for discussion purposes of the record
16 on the understanding it is obviously going to have to
17 be modified as Mr. Watson advises. This -- assuming
18 this analysis is correct.

19 MR. LANCASTER: Mr. Lederer, do you have
20 any objection to that?

21 MR. LEDERER: Well, sir, I guess at the
22 close of the day yesterday I had asked the Board to make
23 a specific ruling that this document simply not be
24 considered at this time. It would appear, based on your
25 inviting Mr. McQuaid to refer to it earlier this morning,



1 that you have decided it can be referred to at this
2 point in time.

3 MR. LANCASTER: It may be referred to,
4 yes, but as I said yesterday not as an exhibit.

5 MR. LEDERER: That being said, the
6 purpose of an exhibit to make it identifiable, perhaps
7 it should be exhibited further to subject proof and it
8 should be made clear it does not represent Mr. Watson's
9 view of what he has done. On the contrary, his view of
10 what has been done is the larger document.

11 MR. LANCASTER: At this point it is quite
12 clear. All right, we will mark this as B-283.

13 --- EXHIBIT NO. B-283: Flow chart

14 MR. McQUAID: That is B-283, sir?

15 MR. LANCASTER: Yes, B-283 for "Burlington".

16 MR. McQUAID: Q. Mr. Watson, just for
17 the record and for the benefit of the Board I have drawn
18 a line down the, roughly right-hand third of this docu-
19 ment. To the left of it there are all kinds of other
20 little blocks there, capital cost and interest rate and
21 so on ...

22 MR. LEDERER: Just for the purpose of
23 the record, Mr. McQuaid has said "this document". Which
24 one?

25 MR. McQUAID: Q. B-283. I thought that



1 you agreed with me that the items to the right of that,
2 the blocks, the main flow lines, capital cost repayment,
3 current operating cost and current haul cost were the
4 main flows correctly and they go into the yearly cash
5 flows and they go in for present value. To that extent
6 that part of it is right?

7 MR. WATSON: A. That relatively simply
8 is right. We have operating costs, capital costs and
9 haul costs.

10 Q. That much you agree with?

11 A. I do.

12 Q. What you disagree with is that
13 there is -- there is too much simplification and not
14 enough detail to the left of the line I have drawn on
15 B-283; is that where the problem is?

16 A. No, the way in which every compo-
17 nent of that model as it is headed is calculated as
18 shown by that schematic, it misses fundamental calcula-
19 tions that have to be made. If one were to do that ...

20 Q. Wait a minute. I want you to
21 understand my question. No matter how you calculate
22 it you are going to come to three flows.

23 A. One, two, three.

24 Q. You have those same three flows
25 on your ...



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1 A. I do.

2 Q. Forget the numbers for a moment.

3 In terms of those three flows, you agree that those three
4 flows go to a yearly cash flow and that goes to present
5 value as we have in Table 5?

6 A. But the boxes within those three
7 flows contained in the document you are holding in your
8 hand aren't going to get you an adequate representation
9 of the cost.

10 Q. That is what I understood. What I
11 really said to you then was your problem is with the
12 boxes to the left of the line I have drawn on B-283?

13 A. Yes, that is everything other than
14 the fact that we have got three flows.

15 Q. I am prepared to go with the little
16 bit you give me. If you tell me that is right I am quite
17 pleased at this point that we have the three main flows,
18 Mr. Watson; haven't we?

19 A. Yes.

20 MR. LEDERER: Obviously the problem is
21 that in attempting to get Mr. Watson to conform to
22 somebody else's idea of what he did, surely it is
23 appropriate ...

24 MR. McQUAID: He is conforming to his own
25 idea.



1 MR. LEDERER: Surely the appropriate
2 document to refer to now is the larger board.
3 Mr. McQuaid has asked Mr. Watson to present his views,
4 a schematic of what he has done. Sure he can ask the
5 questions. Can we have that exhibited so it follows
6 sequentially?

7 MR. LANCASTER: H-284.

8 --- EXHIBIT NO. H-284: Flow chart prepared by
9 Mr. Watson entitled "Overview
10 of Economic Component of
11 Landfill Site Comparison.
Portion of Halton Regional
Landfill Environmental
Assessment"

12 MR. McQUAID: Q. Right. We are all
13 some distance from that so you are going to have to take
14 us through it. First of all, we see "Operating Costs"
15 and we see "Capital Costs". Could you just point those
16 out as we are going through H-284 and we see "Haul Costs";
17 right?

18 MR. WATSON: A. Yes.

19 Q. Then there is flow lines going
20 through -- more boxes there in terms of present values.
21 Is that what it amounts to?

22 A. No, that is not what that amounts
23 to.

24 Q. You have evaluation criteria, you
25 have overall conclusion. That is going to be the present



1 value?

2 A. No.

3 Q. Oh, it's not?

4 A. My evidence that I laboured
5 through yesterday very carefully went beyond present
6 value. Obviously present value is an important part of
7 it but there are many other parts of it. We went
8 through in some detail as part of the comparative study.

9 Q. So you are saying, when I ask you
10 to look at the present value table which is the thing I
11 am trying to understand now, that as a starting point in
12 the overall decision making, that I can't do that?
13 Can't I just concentrate on the present values for a
14 moment?

15 A. Sure.

16 Q. Let us go to H-284 and can you show
17 me before we get into the other things that you have
18 brought in, where on H-284 is your end result of present
19 value, where is the little block or blocks?

20 A. Present value of overall costs,
21 present value of regional cost portion, present value
22 of municipal haul costs, present value of private haul
23 costs.

24 Q. All right. Would you just take
25 the black pen that you are working on and just write



1 present value 1, 2, 3 and 4 and just go through those?
2 You have four.

3 MR. LEDERER: This may be a small point
4 but could we use a colour other than black so that we
5 are able to distinguish what has been put on as a
6 result of Mr. McQuaid's questions?

7 MS CRONK: Mr. Chairman, for those of us
8 who can't read it back here I wonder if we could know
9 what the description is in those four boxes.

10 MR. MCQUAID: I am going to ask
11 Mr. Watson to read them for all of us.

12 MS CRONK: Thank you.

13 MR. WATSON: Mr. Chairman, I was hoping
14 to put this in some sort of context to introduce it and
15 explain it.

16 MR. MCQUAID: Q. Mr. Watson, you are
17 going to have to understand there are some rules here
18 such as they are in a sense but in cross-examination I
19 am asking you questions so I can understand it and
20 hopefully the Board will understand the case better.
21 Your lawyer then has the chance at the end to ask you
22 questions in re-examination so you will have the oppor-
23 tunity, if I miss something, he will have the opportunity
24 to ask you questions and amplify if you want, if I don't
25 cover it. I am hoping to cover all these little blocks



1 because I think we want to understand it but you have
2 to understand I have a certain idea of where I think we
3 should go as a starting point and I would like you to
4 go with me on that if you would. Could you do that?

5 MR. WATSON: A. Very well.

6 Q. Now, before we get into -- leave
7 the point that we are at, you pointed to four blocks and
8 I asked you to number those four blocks. Have you done
9 that?

10 A. Yes.

11 Q. Block 1 is present value and can
12 you read for us what that one is?

13 A. "Present Value of Overall Costs".
14 These headings, by the way, are the same headings used
15 in the comparative study. These are the first eight and
16 I've added other considerations because throughout the
17 evaluation, five or six evaluations, we looked at other
18 factors.

19 Q. Do you want to hold on for a moment
20 and we will get the four headings then we can come back?

21 A. "Present Value of Overall Costs"
22 is No. 1.

23 Q. Can you stop there? Is that the
24 site capital cost?

25 A. No, that is everything.



1 Q. That is everything?

2 A. Yes.

3 Q. So all the three flows, site,
4 operating and haul go into that one ultimately as well,
5 do they?

6 A. Yes, there they are coming from
7 there. It was difficult to get them all in.

8 Q. So they all go up into that?
9 Would that then be the heading which is -- looking back
10 at Table 5 as our example, that is the right-hand --
11 the right-hand result of present value?

12 A. Yes, in 2C, yes, it was.

13 Q. So that would be, on your chart,
14 that box 1 gives that result?

15 A. Yes, it does.

16 Q. Then you had box 2, you had a
17 present value No. 2?

18 A. Present value of the regional
19 cost portion.

20 Q. Present value, regional cost
21 portion. Presumably that is just a breakdown of box 1,
22 is it?

23 A. That is a component of box 1, yes,
24 namely the capital cost component and the operating cost
25 component because those are the regional responsibilities



1 plus the regional real estate contingency.

2 Q. When we look back at Table 5,
3 Mr. Watson -- Mr. Watson, can you look back at Table 5?
4 At that point you did not break the present value table
5 into regional or other; did you, the breakout that you
6 are now comparing?

7 A. I didn't break out that particular
8 table at the regional level, no.

9 Q. You see, I think to understand
10 your thinking process we have to go step by step. I am
11 concentrating here on Table No. 5 as a model of how you
12 got to present value. You see, you also have a present
13 value that you have worked on or given us on Exhibit 279;
14 correct, that is the update? There are two actually
15 present values?

16 A. Yes.

17 Q. They can be broken down as we see
18 into regional costs, area municipal costs and private
19 sector costs; am I right?

20 A. Yes.

21 Q. Am I right that when we do the cash
22 flow analysis such as we see on Table 5 that the first
23 one that you did was the present value one which is
24 comparable to your box 1 there that you have on H-284?

25 A. Yes.



1 Q. So you could just start there --
2 you did start there?

3 A. I did start there. That is one
4 of the many factors, yes.

5 Q. I think you are making that point
6 very well and we are going to get to that but I want you
7 to go, if you will, try and address the questions I put
8 to you, if you would, please. Let us concentrate --
9 we had better number the other four when we are at this
10 point in the record. Present value regional cost is 2
11 and then you had a box 3, what one is that?

12 A. That is present value of municipal
13 haul costs.

14 Q. Again that is a component of box
15 1, you've broken it out of box 1?

16 A. Component. Box 1, yes, that's
17 right.

18 Q. Then No. 4?

19 A. Present value 4 is present value
20 of private haul costs.

21 Q. All right. All of those boxes
22 again flow over to the second box from the right. What
23 is that box?

24 A. This box involves looking at the
25 strength of the preference, differentiating one site



1 from the other and the importance of the factor.

2 Q. What is it called then? How did
3 you -- what is the little writing in red there?

4 A. Preference strength and it says
5 "import" meaning importance.

6 Q. All right, and then the final one
7 on the right-hand side of H-284?

8 A. That is overall conclusion.

13 B 9 Q. I guess the problem we are having,
10 Mr. Watson, seems to be that I wanted to understand the
11 economic -- is "model" an offensive word to you or the
12 economic steps that you took before you got to the
13 preference strength in the overall conclusion.

14 A. "Model" is not offensive.

15 Q. Is "model" all right?

16 A. I think it's overworked but these
17 are models.

18 Q. This Table 5 then is called a
19 cash flow analysis. Could we call it an analysis or
20 would you call it a model?

21 A. I prefer to call it an analysis.
22 It is a simple model.

23 Q. A simple analysis?

24 A. Not a simple analysis, it's an
25 analysis.



1 Q. I thought I heard you say "simple".

2 A. I said it's a simple model.

3 Q. That's what I thought I heard you
4 say. When I say it you don't want to use it. Now, is
5 there a problem here that when I say something you don't
6 want to agree with me? I thought you said the very
7 same thing.

8 A. I refer to this as an analysis.
9 I think this is the proper description.

10 Q. You also referred to it as a simple
11 model. Didn't I hear you correctly?

12 A. Compared to NASA and so on, it's
13 a simple model, yes.

14 Q. Didn't I hear you say that word?

15 A. Yes.

16 Q. You used the word, didn't you?
17 You used the two words, didn't you?

18 A. Yes.

19 Q. I thought I had heard something
20 wrong.

21 When we look down at the other -- how
22 many other more blocks are there there under your
23 evaluation criteria?

24 A. There is a total of nine and we've
25 covered four.



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1 Q. Could we look at the other five
2 blocks? I guess we had better take them from the top
3 down. Start with 5 which is below 2, 6 and just go down
4 and if you would number them and explain them to us
5 because we have to get your exhibit here as to your
6 analysis.

7 A. Five is regional debt requirement.

8 Q. Yes?

9 A. Six is ...

10 Q. You are numbering these as we go?

11 A. I've numbered them already.

12 Q. Thank you.

13 A. Six is future tipping fee impact.

14 Q. Point that one to me so I have got
15 it positioned.

16 A. Seven is distribution of municipal
17 haul costs.

18 Q. Point that one to me.

19 A. Thank you.

20 Q. Say that again now?

21 A. Distribution of municipal haul
22 costs.

23 Q. Yes?

24 A. Eight is potential off-site
25 property value impact.



1 Q. Yes?

2 A. Nine is other considerations and
3 that box is there -- well, you're not asking me.

4 Q. I am going to. That covers a
5 multitude of what people would say "sins" and people
6 would say "graces" so what is in it?

7 A. I have said here e.g. tax losses,
8 indirect economics, et cetera. What it covers is
9 throughout the process, as I indicated in my evidence,
10 moving through Stage 1, 2A, 2B, 2C, we look for other
11 economic variables that would be an impact and we could
12 identify, one site versus another. These either prove
13 to be minor in nature or indeterminate and by the time
14 we arrived at the landfill technical report they were
15 no longer a factor of any significance but throughout
16 the process ...

17 Q. So they were thought of but they
18 don't form any major importance in the final decision?

19 A. Only to point them out.

20 Q. All right, while we are at this
21 point, and thinking again back to Table 5 or Table 7
22 in H-44, you see I want to understand that one before
23 I get into too much complexity here. I want you to look
24 at Table 5 for me and would I be correct that when look-
25 ing at that cash flow analysis, that the only block that



1 we really -- which is found on Table 5 from your evalua-
2 tion criteria on H-284, is block-1. If I wanted to
3 find, just stopping now at evaluation criteria and I
4 want to compare your thought process on H-284 to Table 5,
5 would I be correct that the only thing we have right
6 now clearly on this table is the first table which is
7 present value of all costs?

8 A. That present value is clearly on
9 that table as is what appears on Table 9 which deals
10 with the others. Table 9 flows directly out of Table 5.

11 Q. What page is Table 9 on, on H-44?

12 A. It precedes 10-2.

13 Q. Yes, okay, that is very interesting.

14 Let us stick to Table 5 for a moment. I just want to
15 understand Table 5 and the mathematics that go into it.
16 Am I correct that again block 1, the one we have just
17 been talking about, I am trying to understand cash flow
18 analysis, that that block 1 is the only one to this
19 point that you find also on Table 5?

20 A. It's on Table 5?

21 Q. A relationship between how you
22 got to the mathematics, what the mathematics of this
23 is and how you got to the end result on Table 5. I am
24 going from the end result back to the detail and the
25 only thing that we really see is in any way referable



1 mathematically and economically between Table 5 and
2 H-284 is block 1.

3 A. Okay, block 1 is clearly referable.
4 The other blocks in order ...

5 Q. Stick to Table 5.

6 A. I am, I am trying to agree with you.

7 MS CRONK: Let him answer the questions.

8 MR. WATSON: In order to get to the other
9 box you have to do something to Table 5 not very compli-
10 cated but, yes, you do.

11 MR. McQUAID: Q. Would you take that
12 green pen and just circle block 5 -- block 1 I mean --
13 so we can trace it backwards? Just put a circle round
14 it.

15 Now, I want you to think in terms of
16 Table 5 for a moment. I want to understand how you got
17 to Table 5 and I want to relate it to your H-284.
18 Dealing first with your first heading, operating --
19 I'm sorry -- your first heading as we discussed them
20 earlier, capital costs, you have got that in the middle
21 of H-284; am I right?

22 MR. WATSON: A. Yes.

23 Q. Going from block 1 on H-284,
24 would you just trace back then to the items that we see
25 on H-284 that are referable to the capital cost items



1 that should go into or were considered in getting this
2 first flow? Do you see?

3 A. You want me to discuss the capital
4 cost portion of Table 5 and how we got the numbers?

5 Q. Where is it on H-284?

6 A. It is column 2, 3, 4 and 7.

7 Q. Two, 3, 4 and 7. So, 2, the
8 property acquisition; 3, site development costs; 4,
9 road reconstruction costs and 7, property value impact;
10 is that correct?

11 A. Yes.

12 Q. All right. Now, presumably you
13 have little blocks there under capital cost for these
14 four items, do you?

15 A. Different names but they are
16 subsumed. I have initial site preparation costs. They
17 have to be looked at separately because they need
18 debentures. I have subsequent year costs which are
19 financed ...

20 Q. Do you want to number those as
21 we are going through them, sequentially? Actually you
22 had better use the Arabic numbers after these other
23 blocks. Don't use another 1, 2, 3, 4, 5, please, to
24 No. 9 I guess. Use 10, 11 and so on.

25 A. Ten, 11, 12, 13, 14. So 10 is --



1 I've explained 10.

2 Q. That is the initial site prepara-
3 tion cost?

4 A. Eleven was subsequent year cost.

5 Q. Are they the same site preparation
6 costs?

7 A. Yes. Twelve was closure and after-
8 use cost. They are separate because they are financed
9 by a sinking fund and that has to be looked at differently
10 from the others.

11 Q. Could you just stop for a moment
12 and explain that to us so we are sure we understand it?
13 What is the sinking fund, what do you have to do to the
14 after-use cost?

15 A. It's simply a matter of setting
16 money aside each year in order that it accumulates to
17 the desired sum of money at the end of the period so
18 that the closure and the after-use capital expenditures
19 can be undertaken, financed by that fund. That is the
20 way in which the Region prudently plans to handle that.
21 It is shown here separately because obviously it is a
22 totally different financial transaction and it can't
23 just be lumped willy-nilly into capital cost along with
24 everything else. So, we have these three very separate
25 aspects of capital costs.



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1 Q. This is 13 then?

2 A. Thirteen is miscellaneous contin-
3 gency items.

4 Q. It sounds like "other".

5 A. Well, I just had small boxes,
6 Mr. McQuaid. I couldn't put all of the names in.

7 Q. What is in miscellaneous contin-
8 gencies, a certain percentage?

9 A. Oh, no, no. That is Exhibit H-45,
10 page ...

11 Q. ... 2-4? Two dash three is site
12 capital, page 2-4 is site operating.

13 A. We are dealing with capital. There
14 was contingency itself which was 15 per cent, so it is
15 a substantial item.

16 Q. Where is that?

17 A. I'm sorry, 2-3, item 13.

18 Q. You just asked me about a per cent
19 and you said no, it wasn't, so 15 per cent is a contin-
20 gency?

21 A. I'm sorry, I misunderstood you.
22 That is major aspect, that particular one was a percen-
23 tage.

24 MR. LEDERER: If I could assist you and
25 particularly, Mr. McQuaid, that is at Appendix A4 and



1 the numbers are quite precise.

2 MR. McQUAID: Q. Yes, you were explaining
3 the blocks on H-284 for us, Mr. Watson?

4 MR. WATSON: A. The last block which is
5 14 deals with site purchase costs and real estate
6 contingency.

7 Q. All right. That takes care, does
8 it, of the five main ingredients that go into capital
9 cost in terms of -- before we make adjustments for
10 inflation as I see you have them there?

11 A. Yes.

12 Q. And if we look, as we have been,
13 at H-45, we see at page 2-3 in the case of Site D and
14 in the case of -- at page 3-3, in the case of Site F,
15 we see the actual, very specific cost items that you
16 have really summarized in these five boxes, 10 through
17 14, we have just been discussing on H-284?

18 A. No.

19 Q. No?

20 A. Three dash three is entitled
21 "Site Development Costs". I changed it in evidence.

22 Q. So we should change the exhibit to
23 what?

24 A. "Site Development Costs". I
25 changed it indicating simply that it did not contain all



1 of the capital costs. There were some others items,
2 for example land, that is not on this table.

3 Q. So we would add 14, land to this
4 table. We add another item to this table, land and what
5 else?

6 A. Fifteen would be real estate
7 contingency. I believe that is all.

8 Q. That's it? Okay. So if we add
9 these two items, land and real estate contingency to 3-3
10 and to 2-3 we would have all of the items that go in
11 those boxes, 10 to 14 on H-284?

12 A. Ten to 14 on 284 -- well, you would
13 have the items. You would then have to allocate them.

14 Q. Right, but they are summarized in
15 those five boxes?

16 A. Yes.

17 Q. Ten to 14, okay. They could be
18 summarized, could they not, Mr. Watson, into just
19 saying, as long as you knew everything was going to be
20 in it, into a box called capital cost such as we see on
21 B-283, as long as we knew everything was in it?

22 A. You could. If you wanted to be
23 very simple you could put a box around all of that and
24 call it capital cost, yes.

25 Q. You say a box around all of that.



1 You referred to a larger area on H-284 which was the
2 five boxes; is that right?

3 A. Yes.

4 Q. You could call that just capital
5 cost?

6 A. You could.

7 Q. Before you make any adjustments?

8 A. Yes.

9 Q. That would be coincident on B-283 with
10 that box 2A, the number '2' I am putting where you see
11 A inside the capital cost box, I am just saying those
12 four boxes could be summarized as box 2A, capital costs?

13 A. Five boxes, it could.

14 Q. Five boxes?

15 A. Where you run into trouble, I am
16 just commenting on that, the capital cost box is divided
17 in half it seems to me, the top half says "capital cost",
18 the bottom half says "interest rate".

19 Q. I haven't come to that one yet.

20 A. I'm sorry.

21 MR. LEDERER: If the witness has some-
22 thing to say surely ...

23 MR. McQUAID: Q. If you have something
24 to say, go ahead.

25 MR. WATSON: A. I simply want to point



1 out that that is what concerned me is the fact interest
2 rate was put there. The implication if you follow that
3 box across to 2, capital cost repayment, is that we have
4 applied an interest rate and have some indebtedness.
5 What I am trying to point out here is it is much more
6 complicated than that. We have some debt for certain
7 items, we have capital for certain items, we have sink-
8 ing fund. Obviously that is not inflated. These items
9 are inflated, so there is a little bit more to it.
10 Quite a bit more to it.

11 Q. All right. You have given us now
12 the detail of what you say should be done to the summary
13 of capital costs at box 2A. You are actually explaining
14 that on H-284?

15 A. This is what we did do in the
16 landfill technical.

17 Q. I'm trying to get my mind straight
18 now. We take it from box 2A, from B-283 or we take
19 your five boxes from H-284 and you've made certain
20 adjustments to them, some of them, that is what we see
21 on H-284?

22 A. I have made some adjustments.

23 Q. So we go across. I see a consis-
24 tency in four of the five boxes as I come closer here,
25 that with the exception of box 12 which is the after-use



1 cost which is going to be dealt with in a sinking fund,
2 that you apply an inflation adjustment to the other four?

3 A. Yes.

4 Q. Could you just explain to the Board
5 what that signifies, inflation adjustment?

6 A. It is simply an adjustment so
7 that we are expressing these costs in prices that per-
8 tain to the year in which they will be incurred. In
9 other words, some of these subsequent year costs are
10 going to be incurred throughout the 1990's. We are
11 expressing them in inflated current dollars that will
12 apply at that time. We are showing the 1993 cost in
13 1993 dollars, that is all because obviously -- not
14 obviously but these numbers were provided to us in terms
15 of today's costs by the various specialists. That is
16 one of the adjustments we made. You were asking earlier
17 what we did. One of the adjustments we had to make was
18 obviously that type of adjustment. It was explained
19 better than I could then.

20 Q. Let us go back to Table 5 on H-44
21 and among the costs that we have discussed, we have a
22 property acquisition item, the site development cost,
23 road reconstruction and the property impact. Now,
24 dealing with the ones in 1986, the lines in 1986, the
25 cash flow analysis, you are doing present value as of



1 January 1st, 1985, did you have a number to which you
2 applied an inflation adjustment factor in order to get
3 the figure that we see in 1986 for site development
4 costs of \$5,694,000?

5 A. The site development costs are
6 set out back on Table 1.

7 Q. Where is that?

8 A. Table 1 follows 7-2, page 7-2.

9 Q. Yes. My question really was did
10 you have a different number to which you applied an
11 interest rate or an inflation rate adjustment to get
12 to \$5,694,000?

13 A. Yes.

14 Q. What was that? You then had --
15 these 1984 costs from Table 1, opposite page 7-2 and
16 you adjusted it by what rate for inflation to get it
17 to the 1986 figure?

18 A. We were working with inflation
19 assumptions of five -- no, seven per cent inflation
20 in 2C. Seven per cent inflation, 12 per cent discount
21 rate. In the landfill technical it was five per cent
22 inflation, ten per cent discount rate with a real rate
23 of interest maintained at five per cent.

24 Q. So we understand your H-284 and
25 how you got to it, when we look at those four boxes that



1 flow from 10, 11, 13 and 14, did you just apply
2 then at that point in time, you may have another figure
3 later but seven per cent then to the costs, the current
4 costs in 1985, you added seven per cent per annum to
5 take them into the year where they would actually be
6 expended?

7 A. Yes.

8 Q. All right. Then, on the sinking
9 fund, I guess we had better deal with that one, I don't
10 see anything in -- that I can point to in Table 5 about
11 a sinking fund. Was there a sinking fund component
12 then of Table 5 that we just can't pick up or that was
13 automatically put in to the analysis when you did the
14 computer runs?

15 A. I think obviously fundamental to
16 the whole process was that when we moved from one stage
17 to the next, to 2A, to 2B, to 2C and so on that we worked
18 in successfully more detailed levels. When we got to
19 the landfill technical phase and we looked at the
20 financing in greater detail we introduced the provision
21 for a sinking fund. When we were working with six sites
22 back in 2C at a broader level that was a refinement we
23 did not have.

24 Q. So the answer is Table 5 doesn't
25 show sinking fund. It was subsequent iterations or



1 runs that included a sinking fund adjustment?

2 A. Yes.

3 Q. All right, and then continuing
4 under your capital cost component or section on H-284,
5 having made -- I will deal with block 10, initial site
6 preparation cost, so that I can understand it, having
7 made your seven per cent inflation adjustment, you then
8 go to a block called regional debentures; is that correct?

9 A. Yes.

10 Q. Would I be correct in order to
11 understand Table 5 or 7 back then, there is nothing
12 about regional debentures on that table?

13 A. It doesn't show on that table, no.

14 Q. Somewhere else in another way?

15 A. Yes.

16 Q. To understand the mathematics of
17 Table 5 you do not do anything with regional debentures
18 for Table 5 or Table 7?

19 A. No.

20 Q. So, just so we have the same sort
21 of flow or picture would you take your green pen? I
22 think you have agreed with me earlier, in fact I know
23 you've agreed with me earlier, that 10, 11, 12, 13 and
24 14, they would be subsumed under the heading "Capital
25 Costs" and they were done -- they are done for Table 5



1 or 7, actually in more detail. We went through the
2 15 items and so on that are in that table so they go
3 into this present value ultimately of block 1 further
4 over on the right-hand side of H-284?

5 A. Yes.

6 Q. Would you just put a big green circle
7 around those four?

8 A. These five?

9 Q. Yes, I'm sorry, and I guess while
10 you're going around, do the inflation adjustment. Well,
11 you can do that separately. Inflation adjustment, the
12 four of those go into the mathematics that would lead
13 to Tables 5 or 7. The sinking fund goes in later.
14 You didn't do it back then?

15 A. No.

16 Q. Then the other blocks that are
17 below regional debentures, flowing out of 11, 12, 13 and
18 14, that is capital out of current, sinking fund at
19 capital out of current. These are all other considera-
20 tions, they don't go into Table 5 or Table 7, do they?

21 A. They are in Table 5.

22 Q. They are in Table 5?

23 A. If you don't debenture you are
24 spending capital out of current.

25 Q. You are saying Table 5 assumed



1 that they were all capital out of current; is that what
2 you're saying?

3 A. That's what it's saying, it's a
4 cash flow.

5 Q. So at that point in time Table 5
6 and Table 7 assume a present value cash flow analysis.
7 Do I understand it automatically assumes capital out
8 of current?

9 A. Yes. I said it just has to come
10 from reserves or taxes. Obviously the landfill under-
11 taking is financed entirely through the tipping fees.
12 That money would come from tipping fee revenue.

13 Q. I am a little mystified by that
14 answer in a way, let me tell you that. When you look at
15 Table 5 or Table 7 it just gives a present value of a
16 whole bunch of streams over the 20 years that you are
17 looking at and it doesn't say anything about how it is
18 going to be paid, whether it is going to be debentured
19 or whether it is out of capital. Isn't it a sort of
20 neutral on this? You could take the present value and
21 say it will be -- take half of it out of current, half
22 of it out of debentures?

23 A. Obviously it is necessary -- it was
24 necessary to sit down with Mr. Rinaldo and his people to
25 see in the landfill technical and subsequently, this is



1 primarily a regional responsibility but we joined with
2 them on this to look at those items which would have
3 to be financed through debt, where there was not money
4 at hand in order to undertake expenditures that were
5 being incurred up front for the purchase of property and
6 initial site work. Then to determine how much could be
7 financed over time from the ongoing operations of the
8 tipping fee revenue. There was a lot of work done to
9 achieve an equilibrium there and achieve a proper
10 relationship in terms of funding that didn't lean too
11 heavily on debt and didn't require excessive increases
12 in the tipping fee revenue. That is a very important
13 aspect of this whole undertaking. Something not referred
14 to in B-283, I've got a Regional computer model to indicate
15 some of that work, the tipping fee impact in these boxes
16 back here.

17 Q. I guess the answer to my question
18 as to whether it's neutral is, no, it's not neutral,
19 there were a lot of other steps that went in there. Is
20 that what you're saying?

21 A. It's not neutral if I understand
22 that word "neutral".

23 Q. Then there is something in Table 5
24 in terms of assumptions about what components of the
25 various items or data were going to be out of cash and
what were going to be debentured, is that what I



1 understand? The computer analysis or model brought in
2 some assumptions as to which were going to be debentured
3 and which were going to be provided for out of current?

4 A. Table 5 is a present value calcu-
5 lation discounted at the Region's cost of capital. It
6 doesn't matter whether it is debentured or not debent-
7 tured, we are going to get the same present value.

8 Q. That's what I assumed. I thought
9 it didn't matter and I thought that's what you told me.

10 A. Table 5 in essence is neutral.
11 The report, the overall evaluation is certainly not neutral.

12 Q. You're away ahead of me. I want
13 to understand Table 5 before we get on to all these
14 other complexities. We will get to them.

15 A. Table 5 in that sense is neutral.

16 Q. Is neutral so then to go back to
17 my question, after I asked you to put green around the
18 five boxes and the inflation adjustment, am I right then
19 that we don't have to be concerned about whether they
20 are regional debentures or out of capital in order to
21 get the results you had on Table 5 or Table 7?

22 A. Yes.

23 Q. Is that correct?

24 A. Yes.

25 Q. You don't have to be concerned



1 about that?

2 A. Yes, because I said the rate at
3 which we discounted the expenditures is the same as the
4 Region's cost of capital or debt rate. If you stream
5 it out at 12 per cent or discount it at 12 per cent it
6 amounts to the same thing.

7 Q. So again, concentrating on the
8 flow out of capital cost then, the boxes that we are
9 going to on the right, similarly as we move to the
10 right, you have steps here for, it looks like blocks 11,
11 12 and 13 that are inflated to current dollars. We
12 will concentrate on that one. Do you see that one
13 inflated to current dollars?

14 A. Yes.

15 Q. Again in order to get to Table 5
16 or Table 7 you don't need to -- that is taken care of,
17 is it?

18 A. Yes.

19 Q. For the present value?

20 A. Yes, yes. In my working on this
21 last night I've got it in twice.

22 Q. You've got it in twice? Maybe that
23 is the point. Inflated in current dollars is taken care
24 of when you do your inflation adjustment?

25 A. That's what I indicated that was.



1 We don't need to have this.

2 Q. Do you want to cross that one out
3 so we don't have it there and I guess you cross out the
4 flow lines, do you? Don't do it if that's not right.

5 A. We need one.

6 Q. You need one from all of them?

7 A. This one (indicating).

8 Q. That is right through discounted
9 to present value. Now, that discounted to present
10 value, is that the same, really the same step as box 1
11 over here on H-284?

12 A. Part of box 1 and box 2, yes.

13 Q. Part of box 1 and box 2 is the
14 same step. You have got the step down twice. Discounted
15 to present value. What I'm trying to understand is what
16 that box does. Is it something different from what box
17 1 is?

18 A. This box simply totals the present
19 value of the capital costs, the present value of the
20 operating costs and the present value of ...

21 Q. So discounted to present value,
22 at the end of the capital cost box is really the
23 mathematical step that is taken on the areas we have
24 outlined in green here on your capital cost in order to
25 feed it into box 1?



1 A. Yes.

2 Q. Is that correct?

3 A. Yes.

4 Q. All right. So that gives us, if
5 I understand it correctly -- I am going to -- if I under-
6 stand it correctly, that would give us, looking back here
7 at B-283 for a moment -- can I ask you to look at B-283,
8 Mr. Watson? Before we talked about box 2A it would be
9 a summary box for boxes 10 to 14 on your H-284 and you
10 have explained to us that inflation adjustments would
11 be made to four of those, 10, 11, 13, and 14. So
12 you would, if you were simplifying the steps as there
13 was an attempt made to do here on B-283, what you would
14 be putting in would be an inflation adjustment for certain
15 portions of capital cost or a sinking fund.

16 A. Together with the distinction
17 between what was going to be debentured and what was not
18 going to be debentured. As I said, interest rate, in
19 2B, Exhibit B-283, interest rate implies debenture
20 interest rate which implies it is all debenture. I am
21 just making the point that a considerable amount of it
22 is not to be debentured, need not be debentured, will
23 not be debentured.

24 Q. So to these capital costs, if we
25 get it right, we have an inflation adjustment for certain



1 portions, a sinking fund for the after-use cost and a
2 discussion or a separation as to -- do we need a separa-
3 tion to present value between what is debentured or
4 out of current? I thought you told me you didn't need
5 it.

6 A. If we're only talking about this
7 box, we don't.

8 Q. I just want to talk about this box.

9 MR. LANCASTER: I wonder if this ...

10 MR. McQUAID: This would be good.

11 Q. Just to make this point, we are
12 taking capital costs, there are two adjustments;
13 inflation adjustment and a sinking fund for after-use
14 costs and then we do the mathematics of taking it to
15 present value, that would give us the first flow-through
16 that would give you your capital cost repayment portion of the
17 present value of the site; is that correct? That sort
18 of gives you, if we take capital costs, either an
19 inflation adjustment or a sinking fund adjustment, that
20 flows through the capital cost and then gives you your
21 yearly amount for capital cost component of present
22 value?

23 MR. WATSON: A. Except your box 2 says
24 capital cost repayment which implies repayment of a
25 debt. The other one just says operating cost. It is



1 somehow different.

2 Q. So we take off repayment. It
3 would just be capital cost?

4 A. Yes.

5 Q. All right. Then, instead of
6 interest rate really what we are saying is we should be
7 more specific, there is inflation adjustment and/or
8 sinking fund; is that correct?

9 A. Yes.

10 Q. If we had those steps, inflation
11 adjustment or sinking fund made to the right ingredients
12 of capital cost we get to the total capital, box 2, and
13 that would feed into that component of present value
14 for each site down at box 1?

15 A. Yes.

16 MR. McQUAID: Thank you very much.

17 MR. LANCASTER: We will adjourn for 15
18 minutes.

19 --- Recess

20 MR. LANCASTER: Be seated, please.

21 MR. McQUAID: Q. Mr. Watson, now that
22 we have got the capital cost component as you summarized
23 both from H-284 and you sort of summarized here on the
24 top of B-283, I would like to follow that through with
25 you just so we can pick up any refinements or steps that



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1 you made through the exhibits. We have been talking --
2 I have been putting in front of the Board Tables 5 and
3 7 from H-44 which was the 2C process. If I ask you to
4 go to H-45; November, 1986, this is coming down to the
5 final decision, the final report.

6 A. Not the comparative report. The
7 comparative report followed.

8 Q. Just so the Board has got it clear,
9 the Schedule K which is H-45, that was done for what
10 purpose?

11 A. That was done to set out the cost
12 impacts of the two sites but we weren't asked to compare
13 them in detail in that report.

14 Q. But it was -- was it two things
15 I guess. It was coming up to your update, it was the
16 final economic impact and affordability analysis on
17 Sites D and F, first of all; is that right?

18 A. Yes.

19 Q. Then it gave rise to what is
20 Appendix K in Mr. Walker's report, H-40 which was the
21 comparative analysis?

22 A. Yes, in which we did the Appendix
23 K, yes.

24 Q. The foundation, if I understand
25 it correctly, for the comparative analysis which we see



1 in Appendix K in the back of the green book is really
2 H-45?

3 A. Yes.

4 Q. I want to talk about H-45 for a
5 moment. I am going to come back to the comparative
6 analysis but let us talk about H-45 for the moment,
7 particularly in light of the discussion we had about
8 this first flow, capital costs, that component of your
9 present value.

10 Now, we did touch on this before the
11 adjournment for the morning recess, if we go to page 2-3
12 for D, Site D and if we were to add just the items 14
13 and 15 which you described for us a little earlier, that
14 is the land component and what amount would we ascribe
15 to the land component as of the date we were talking
16 about when this report was written in November, 1986?

17 A. For D?

18 Q. Yes.

19 A. We had a figure of \$2.2 million.

20 Q. Is that the same figure we see on
21 H-279, the \$2.26 million? That is on this document here?

22 A. Yes, \$2.262 million in '86 dollars.

23 Q. Don't worry about that. Just give
24 it to me in the dollars then just as I think all these
25 other figures are on 2-3, there has been no adjustment



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1 made for inflation yet; right? Those are the figures
2 for the capital cost in that year?

3 A. Yes.

4 Q. The \$2.262 million and the real
5 estate contingency was item 15. That should be added?

6 A. Yes.

7 Q. What amount would that be?

8 A. That was a million dollars, \$1
9 million.

10 Q. One million dollars or was that
11 \$2 million back then? I thought that your economic
12 report when it was done back then, that you had a
13 reference to a \$2 million and the \$1 million was used in
14 your update. Let me refer you back to -- sorry -- refer
15 you forward to page ...

16 A. ... 2-12, at the bottom? The
17 bottom of the second last paragraph on 2-12?

18 Q. Is that where the \$2 million comes
19 in? Yes.

20 A. No is the answer.

21 Q. You don't go there?

22 A. You do go there but that is not a
23 regional cost so the answer -- I gave you the contingency.
24 It was a million dollars.

25 Q. All right, so your evidence is



1 that the figure on 2-12 which is the hypothetical
2 property value reduction in the vicinity of Site D is
3 estimated to range from a nominal amount to \$2,200,000.
4 That when you did your calculation that I am going to
5 take you to in a moment, that the real estate contingency
6 portion that was put into the tables, cash flow analysis,
7 was \$1 million?

8 A. Yes. The \$2.2 million of course
9 is a private sector cost. It doesn't belong in the
10 regional column. It was added to the private sector
11 cost to give a private sector -- it's added to the haul
12 cost.

13 Q. All right. So then going back to
14 page 2-3, when we add to those -- to that page, two
15 items; 14, land, \$2,262,000 and 15, real estate con-
16 tingency, \$1 million, do I have it correct that those
17 are all the items then that went into the first flow
18 of your cash flow analysis for capital costs?

19 A. Meaning on 2-5 the capital cost
20 column? Yes.

21 Q. You refer us to 2-5 which is
22 Table 3, the cash flow analysis for Site D. We see
23 there the 20 years and we see site capital cost. That
24 column too then is referable to -- that is the yearly
25 amounts when we take the 15 items we have just been



1 discussing on page 2-3 and we make the adjustments that
2 we discussed earlier for inflation, and I'm not sure
3 whether you made a sinking fund adjustment here or not.
4 Did you make a sinking fund adjustment at this stage?

5 A. Yes, we did.

6 Q. We will get to that in a moment
7 but for purposes -- so we can follow what was done, when we
8 see that column two on page 2-5 we have then the site
9 capital costs for the 20 years to give a present value,
10 in this case for site capital cost of \$12,264,653; is
11 that right?

12 A. Yes.

13 Q. Just to follow that through, I
14 want to have everything brought up to date, if we follow
15 through the site capital cost component and I ask you
16 to look at your update, Exhibit 279 -- well, I guess
17 there is an intervening step. I had better go to this
18 intervening step for purposes of everybody's understand-
19 ing and mine also.

20 Going back to page 2-5 of H-45 we see
21 over at the right-hand, lower right-hand portion of 2-5
22 the figure of \$37,944,653. That was the present value
23 after you add the next ingredient which I will talk to
24 you about a little later which was the site operating
25 cost. You combined those two at that point; right?



1 A. Yes.

2 Q. If we go back to the executive
3 summary at small Roman Numeral page i in this exhibit
4 we see that figure of 37, now it is 37.9. You just
5 rounded off the \$37,944,653 from page 2-5 to 37.9.

6 A. Yes.

7 Q. If we were to add to this figure,
8 the two area municipal haul costs -- I'm sorry -- the
9 two haul costs, the area municipal and the private
10 sector you get to \$62.9 million which was the present
11 value of D as of January 1st, 1987; is that correct?

12 A. Yes.

13 Q. Now, to bring that up to date we
14 go to Exhibit 279?

15 A. Yes.

16 Q. And the figure we see on the
17 right-hand column for update, the referable figure now
18 is the 63.6 to the 64.2; is that correct?

19 A. Yes.

20 Q. Now, that has then presumably
21 the sinking fund adjustment in it also; does it?

22 A. Yes.

23 Q. For the after use?

24 A. Yes.

25 Q. I am going to talk to you about



1 after use a little later. When we get to there we will
2 talk about how you handled the sinking fund.

3 I wanted to ask you, is there a printout
4 that is similar to this Table 3 on page 2-5 which shows
5 how you got to the current figure of 63.6 to 64.2?

6 A. That is the one I just gave you
7 during the break.

8 Q. I am showing you a document which
9 you handed to me and which we have made copies of. This
10 is the table then. You have put on it "re Exhibit H-279"
11 meaning it is referable to Exhibit 279; correct?

12 A. Yes.

13 Q. This would be the table that would
14 be similar to Table 3 at page 2-5? It shows you how you
15 get to the higher component of site capital cost and
16 site operating cost for the update cash flow analysis?

17 A. Yes.

18 Q. We see the figures, you have
19 circled them, the 39.5 and the 40.1 that we see on
20 Exhibit H-279, you have circled that on this sheet now
21 we have in front of us?

22 A. Yes.

23 MR. MCQUAID: Mr. Chairman, could I ask
24 that this be marked as the next exhibit?

25 MR. LANCASTER: Exhibit B-285.



1 MR. LEDERER: It seems and this may be
2 a small point but maybe the letter H.

3 MR. LANCASTER: Two seventy-nine is H.

4 --- EXHIBIT NO. H-285: Cash flow analysis sheet

5 MR. McQUAID: Q. So that gives us then
6 the cash flow analysis sheet figure for that component
7 of H-279. What I wanted to discuss with you are a
8 few of the items that are on this current update and
9 which are then taken forward into this Exhibit H-285.
10 I want you to deal with the dots that are under Site D
11 because as I understand it, the five dots that you see,
12 I am going to ask you, the dots that we see there as
13 sites 1 through 5, Mr. Watson, the first change from
14 H-45 is the fact that the property acquisition costs
15 have been updated from the \$2.262 million in H-45, in
16 1986 to \$3.0 to \$3.65 million in 1987; correct?

17 A. Yes.

18 Q. Maybe while I have these, before
19 we go into how you actually came to a conclusion to
20 update those figures, can you explain to us by looking
21 at H-285 where, when we look at the site capital costs,
22 we see this first item I am going to talk to you about,
23 that is property acquisition costs, how could we pick
24 it out under the site capital cost columns, low or high?

25 A. It is part of the \$7,431,315.



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1 Q. So the figure of three million
2 would be in the low and the figure of 3.65 million would
3 be in the high column?

4 A. Yes.

5 Q. Expended in 1987?

6 A. Yes.

7 Q. Expended out of capital with no
8 debentures?

9 A. No, the first two-year amounts are
10 debentures.

11 Q. The first two year amounts which are
12 specific amounts?

13 A. Eighty-seven and '88.

14 Q. All right. So I have bracketed
15 both of those two figures in each of the low and high
16 columns, 1987 and 1988 and you are saying each of those
17 were debentures, the model or analysis treats them as
18 debentures over the period?

19 A. In large measure. I would have
20 to go back to see that it's right down to the last
21 dollar but the majority of it is advanced through
22 debentures, if not all of it.

23 Q. Is there a rate on those debentures?
24 In other words, the computer has a certain rate
25 at which they are debentured over the 20-year period.



1 What rate did you use?

2 A. With reference to Table 3?

3 Q. No, I am talking about H-285 right
4 now.

5 A. All right, I'm sorry, H-285.

6 Well, H-285 doesn't show. H-285 is a cash flow. Those
7 amounts, you asked what would be debentured and they
8 would be debentured but as I indicated before the break,
9 whether you show the debt payments streaming out for
10 the ten or 15 years at 12 per cent, 11 per cent and
11 then discount them back at the same amount of interest
12 you end up with the same amount. This is a present
13 value calculation and we needn't concern ourselves
14 with the debt flow. We are concerned with debt in
15 terms of affordability.

16 Q. So we don't really have to be
17 concerned about whether it is debentured or not?

18 A. In this particular present value
19 calculation, no, you don't.

20 Q. That is at Table 3 on H-45 or on
21 H-285, it doesn't matter?

22 A. That's right.

23 Q. Now, just to go back. You
24 indicated then where these amounts are found and I guess
25 the next thing I wanted to discuss with you is what led



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1 to the increase for the first dot on H-279, that is that
2 the property acquisition costs were updated. Before I
3 get into detail on that, let us go back to H-45 at page
4 2-5. If I understand what you are just telling me, in
5 the site capital cost column on Table 3 the figure of
6 \$2.262 million would have been included in the costs
7 that we see there for 1987, \$6,806,000; is that right?

8 A. Yes.

9 Q. Can you tell me how was it decided
10 that the figure at that point in time was \$2.262 million?

11 A. We explained that I believe -- I
12 can't find where we discussed it but in any event the
13 amount was one which was calculated in a valuation report
14 which we had done by an appraiser.

15 Q. Right, and did you have any role
16 in deciding whether that amount was correct back then or
17 not?

18 A. We had a limited role.

19 Q. Could you just explain what you
20 mean by "limited role"?

21 A. Well, we reviewed the material and
22 satisfied ourselves that it was in the ballpark and that
23 we were prepared to use it.

24 Q. And then more recently for purposes
25 of the update I assume that another study has been



1 undertaken to update those property acquisition costs to
2 the figures we see on H-279?

3 A. Yes.

4 Q. Do you have a copy of the report
5 which Mr. Lederer supplied to me called your economic
6 evidence update, October 28th, 1987?

7 A. Yes.

8 Q. You can identify what it says.
9 It's an update document you prepared as of that date?

10 A. What I have is, yes.

11 Q. Do you want to look at the one I'm
12 giving the Board? I am putting the full document in.
13 The document I have is numbered UP in the upper right-
14 hand column, UP-1 through UP-17. That is the whole update?

15 A. Yes.

16 MR. McQUAID: Could I tender that as the
17 next exhibit?

18 MR. LANCASTER: H-286.

19 --- EXHIBIT NO. H-286: Economic evidence update

20 MR. McQUAID: I might indicate,
21 Mr. Chairman, for your benefit and Dr. Kingham's benefit
22 that the last three pages of what is now H-286 which
23 you will see are pages UP-15, 16 and 17, in fact are the
24 three pages which are Exhibit H-279.

25 MR. WATSON: With the page numbers



1 removed.

2 MR. McQUAID: Q. Now, looking at the
3 update report, if I understand it correctly, Mr. Watson,
4 that the first three pages, UP-1 to UP-3 in fact give a
5 summary, I would assume it is just a summary, maybe it's
6 a full report, but a summary or a full report of how the
7 updated figure for Site D came into existence?

8 MR. WATSON: A. It is a summary, yes.

9 Q. Do you have a chart or a figure --
10 maybe one of the other counsel can assist me. It seems
11 to me that in one of the earlier exhibits we had a
12 drawing of Site D that had the actual parcels named on
13 them. You may have it right there. If you do have it,
14 that is great.

15 A. Twelve parcels are shown, one, two,
16 three, four, five, six, seven, eight, nine, ten, 11, 12.

17 MR. LEDERER: Can we just have that
18 referred to as Exhibit H-277?

19 MR. McQUAID: Q. You have just described
20 for us that the 12 parcels are on H-277, right. Just
21 so we are clear at the outset, Mr. Watson, the first
22 two lines of UP-1, there is a note here, Figure 1 being
23 page UP-2 indicates:

24 "... the ownership of the 311-
25 acre site. If partial property takings



1 are to be avoided, the total acreage to
2 be purchased amounts to 431.14 acres."

3 Then you have a footnote that:

4 "The excess acreage has implications for
5 off-site buffering and possible rental
6 or residual resale income."

7 I would like to just discuss those three sentences with
8 you but first can I ask you to start by looking at H-277?
9 If I look at the L which is Site D outlined in blue on
10 H-277, do I understand that the first sentence indicates
11 that is approximately 311 acres?

12 MR. WATSON: A. Yes.

13 Q. If we look at the land then that
14 is to be taken, that is on Figure 1, page UP-2, we go to
15 12 parcels. I am just going to ask you to point those
16 out to the Board in order, starting at the upper left-
17 hand portion of the L. We see parcel 1 which is the
18 Martin property. That is a 50-acre parcel as UP-2
19 indicates. I am just reading off the acreage figures
20 you have there.

21 A. Yes.

22 Q. That is 50 acres. Then parcel 2
23 to the south of that is the 41.65 Marangoli parcel and
24 then 3, you have the acreage there of 97.58. Four is a
25 smaller Martin parcel at 1.17?



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1 A. Yes.

2 Q. Five is Reed?

3 A. Five is Reed right there.

4 Q. Just to the south of Martin 4.

5 Again you have noted a residence there ...

6 MS CRONK: Excuse me, Mr. McQuaid, I
7 don't like to interrupt. Some of us can't see what you
8 are doing. If you could move to the right the rest of
9 the peanut gallery would be able to see.

10 MR. McQUAID: It's hard to see from this
11 distance. I have to see it from up here, see the numbers.

12 Q. We are at No. 6.

13 A. Six is here on the corner.

14 Q. That is a two-acre parcel?

15 A. Yes.

16 Q. Was it included in the H-45 when
17 you did the calculation before? So that was in the 2.262
18 million from what you understand?

19 A. It was. It is a property that was
20 changed. A business has been established on it very
21 recently and that is one of the factors that has affected
22 the evaluation as some construction on the site and so on.

23 Q. Then Wombat?

24 A. This is a tricky one. It is here.

25 Q. So you have No. 7 is Wombat and we



1 have here 115.58 acres; right?

2 A. Yes.

3 Q. And only a portion of it -- I think

4 we had a calculation -- 93.8 acres was inside the L.

5 Do you have a figure? Can you give us a figure?

6 A. That is approximately.

7 Q. Do you want to write that down?

8 You can check that. If that figure is wrong you can

9 let me know. Ninety point three eight is the figure I

10 was provided with and I am going to ask you just to

11 confirm that over lunch.

12 MR. LANCASTER: Just to the east?

13 MR. WATSON: Extracting ten acres from
14 approximately 110 acres.

15 MR. LEDERER: I am just missing -- that
16 is a portion of the ...

17 MR. McQUAID: Of Wombat which is within
18 Site D.

19 Q. That would leave then the difference
20 between the 115.58 and assuming this figure is correct
21 which we will ask you to check, the 90.38, that would
22 leave as I understand it 25.28 acres would be this
23 parcel to the south. Can you put 25.28 on that Wombat
24 parcel to the south?

25 Then continuing around, we go to 8,



1 Miller-Figa and that is noted as being a ten-acre
2 parcel?

3 A. Yes.

4 Q. Then we go to 9, Tibout. We have
5 now on your chart here 28.21 acres. That is the entire
6 parcel? Is it the entire parcel 9?

7 A. Yes.

8 Q. Just identify for the Board where
9 the westerly lot line is.

10 A. The westerly lot line (indicating).

11 Q. So we actually have as I am informed
12 and again I am going to ask you to check this, our
13 information is that the portion of Tibout that is within
14 Site D is 2.39 (sic) acres. Would you just write that in and
15 I ask you to double check that. If you want to do that
16 in pencil that is fine in case it changes.

17 A. You are saying that is two acres
18 and that is 2.93? That seems to be wrong.

19 Q. Put it in in pencil. What I'm
20 asking you I guess is -- maybe it would be a better
21 question. How much of the Tibout property is within
22 Site D, do you know?

23 A. I have it. I will look it up.

24 Q. Obviously the size as I have given
25 it to you isn't right. So we will get that figure.



1 Similarly I would like to know when we get to the
2 remaining portion of 9, you take that from the 28.21.
3 Continuing to the north you have the Dolinar property,
4 10?

5 A. Yes.

6 Q. What we don't know right now is
7 how big that area is. That is within -- put a question
8 mark. Eleven is Tomosky and that is 28.5 of which,
9 eyeballing it, about a quarter of it seems to be in.
10 Then property 12, DePaoli, again there is a question mark
11 as to how much of the area is in. Is it just a question
12 of leafing through your report there to find what those
13 areas are?

14 A. No, I would have to dig a little
15 bit. I don't know if we have ever measured them or not
16 but we can work it out.

17 Q. All right.

18 A. It will be to the nearest
19 acre.

20 You've got it to two decimal points
21 at the moment, \$4,000 an acre.

22 Q. Two decimal points would be fine,
23 one decimal point would be fine or to the nearest acre
24 is fine. Actually what threw me off is you've got them
25 to two decimal points, haven't you?

A. Well, I do but we are now talking



1 about a proposed severance. Those are pieces of property
2 with an assessment roll indicating a description to two
3 decimal points in measurement. We have a map ...

4 Q. Let us just do it to the nearest
5 acreage. If we look at H-277 we see, first of all, that
6 if I am right -- I hope this one is right -- No. 7, that
7 Wombat portion is 25.2 acres. Do you see that one to
8 the south?

9 A. It is approximately 25 acres. The
10 total is certainly 120 acres, the difference between
11 the 311 and the 430.

12 Q. I guess 120 acres, the difference
13 between the two, 120 acres. So what we see is that
14 together with Wombat, the southerly portion and the
15 front portions of 9, 10, 11 and 12, we have about 120
16 acres of land that is now going to be expropriated that
17 wasn't going to be when you did H-45; is that what I
18 understand?

19 A. No, that is not correct. H-45
20 included the full purchase.

21 Q. Included the 120 acres?

22 A. Yes, it did.

23 Q. And so we have now in H-45, and
24 in the update, we have 120 acres-plus, if I understand
25 it correctly. We have at least one house. We have a



1 residence at No. 11, the Tomosky property; is that correct,
2 No. 11?

3 A. Yes -- I'm sorry -- may I just go
4 back? That is about 17 acres.

5 Q. Seventeen?

6 A. Yes.

7 MS CRONK: I'm sorry, for which parcel,
8 Mr. McQuaid?

9 MR. McQUAID: Those four segments of 9,
10 10, 11 and 12 which are within Site D total about 17
11 acres.

12 Q. Is that right, Mr. Watson?

13 MR. WATSON: A. Yes. This is about
14 95. The two of them together is 112 and 112 -- I will
15 just check it again -- is the sum of 9, 10, 11 and 12,
16 total site area. Yes. I recall this was approximately
17 25 acres.

18 Q. So your 25.2, your 25 approximately,
19 Wombat plus the 95 acres excess of the four properties
20 9, 10, 11 and 12 adds up to the 120 we have just been
21 talking about; correct?

22 A. Yes.

23 Q. Just to go back to my other
24 question just before you did that calculation, there is
25 one house, that is the Dolinar house -- I'm sorry --



1 the Tomosky house on No. 11?

2 A. That house there, that is residen-
3 tial properties.

4 Q. If I look on UP-2 -- if I look at
5 9, 10, 11 and 12, just so the Board has the -- what seems
6 to be the pattern here -- if I look at 9, 10, 11 and 12
7 I see reference to \$150,000 for ten acres consistently
8 in the first line and I see at parcel 8, the Miller-Figa
9 that that is a ten-acre parcel and that is also valued
10 at \$150,000. So, if I understand the technique here,
11 the first ten acres is considered to be worth \$150,000?

12 A. In the order of \$150,000. This
13 was a general valuation.

14 Q. Then any land over the ten acres
15 was valued at \$2,000 per acre for that excess amount over
16 ten acres; is that correct?

17 A. That's right.

18 Q. As we look down then ...

19 A. For the smaller parcels. That
20 approach is appropriate for the smaller parcels.

21 Q. I have been concentrating on 9,
22 10, 11 and 12. We look down then, 9, 10, 11 and 12 have
23 all been valued on the basis of that initial ten acres
24 being worth \$150,000, plus \$2,000 for the acreage over
25 ten to the total acreage and then we note at 11 there is



1 a residence; is that correct?

2 A. Yes.

3 Q. Now, if we were to do the mathe-
4 matics, just the straight mathematics of what those
5 excess lands would be worth based on the basis for
6 valuation -- bear with me for a moment -- just based on
7 this page. If we look at the Wombat parcel, No. 7, it
8 is valued at \$4,000 an acre; correct? So you are going
9 to acquire that 25.2 acres of land outside of Site D
10 based on \$4,000 an acre?

11 A. You are going to sever it and
12 create a parcel of 25 acres, a building lot?

13 Q. I didn't say that. I said this
14 sheet here -- just bear with me -- this sheet here says
15 you are going to take the 90.38 acres inside Site D at
16 \$4,000 an acre, plus you are going to buy the 25.2 acres
17 at \$4,000 an acre; right?

18 A. Yes.

19 Q. In terms of cost or value that
20 Wombat parcel is going to cost the Region \$100,000 --
21 actually \$100,800 with this 25.2?

22 A. Yes, \$100,000, approximately.

23 Q. Now, just stopping at that point.
24 This figure of \$4,000 per acre, was that a figure --
25 first of all, you are not an appraiser by profession?



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1 A. No, I am not an appraiser but I
2 have of course done over the last ten years quite a bit
3 of work in this area and I am an economist. I certainly
4 have credentials that would enable one to do this type
5 of evaluation.

6 Q. When I go back to page UP-1 and I
7 see in the third sentence:

8 "This figure also shows my estimate of
9 the site value."

10 What I wanted to sort of determine is whether this is
11 your appraisal or whether you have been given appraisal
12 figures and you are just really adopting them?

13 A. The reference was to UP-1 to where?

14 Q. To the third sentence:

15 "This figure also shows my estimate of
16 the site value."

17 Meaning, Mr. Watson ...

18 A. I think first of all you have to
19 watch the use of the word "appraisal". This is not an
20 appraisal and the Region has not had an appraisal done.
21 You can't do an appraisal without inspecting the property
22 and inspecting the premises and so on. This is a
23 valuation, and yes, this is my evaluation:

24 Q. It says in the next paragraph:

25 "There is an August 12th site valuation



1 done for the Region by an appraiser. I
2 have reviewed this report, met the
3 appraiser and have updated his valuation
4 using a block-time adjustment factor as
5 a check."

6 A. He didn't do -- he did a valuation
7 and a valuation being less precise, less exact. We did
8 not have access to the properties.

9 Q. So the word that you have used
10 is "valuation"?

11 A. Yes, it is.

12 Q. When we go back to the third
13 sentence:

14 "This figure shows my estimate of the
15 site value."

16 My question really to you was -- I guess before we get
17 there I should refer you back there, Mr. Watson, to H-45,
18 page 2-1, the second paragraph. This is referring to
19 an appraisal report A&R prepared by E.A. Mitchell Limited
20 in August, 1986. Is this the same report referred to
21 in the second paragraph of your -- on page UP-1 of H-286?

22 A. Yes.

23 Q. There when you wrote the report
24 for the Region, Schedule K, you clearly referred to an
25 appraisal report, didn't you?



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1 A. I have used the words "appraisal
2 report". It was a report done by an appraiser and it
3 was a valuation.

4 Q. All right. I want to know -- I
5 had better ask you the position. Did you change your
6 mind as a result of having it described as an appraisal
7 report earlier? Are you saying you were inaccurate
8 when you described it here as an appraisal report on
9 page 2-1 in H-45?

10 A. I don't want to quibble with you
11 but it seems to me that one could call a report issued
12 by an appraiser an appraisal report. Perhaps I should
13 have been more precise and indicated that it was a
14 valuation which I did not do. I could have done that.
15 That would have been perhaps clearer.

16 Q. Let us go back to your role in it.
17 On UP-1 -- sorry -- H-286, page UP-1, you seem to have
18 been very specific about, now you have your estimate or
19 my estimate as you referred to it of the site value
20 based on the standard acreage and unit values applicable
21 to the local real estate market which are satisfactory
22 for comparative purposes; right?

23 A. Yes.

24 Q. I understand then the figures you
25 see on here are your figures?



1 A. Yes.

2 Q. These are the figures which you
3 are saying you would evaluate the land at?

4 A. Yes.

5 Q. Are those figures, by the way, the
6 same as the figures in the base report?

7 A. No, we have noted that the figure
8 in the base report was on H-279, bullet No. 1 was
9 \$2,262,000.

10 Q. I'm sorry, at UP-3 we see there
11 a specific reference to the August 12th, 1986 appraiser
12 valuation being \$2,057,000?

13 A. Yes, plus ten per cent gives us
14 \$2,262,000.

15 Q. So what we now have is the adjust-
16 ments based on time, 34 per cent, and the house and
17 business that we see. These are specific adjustments
18 that have been made?

19 A. These are adjustments I have made
20 as a check on the work that I did on Figure 1 in order
21 to assure myself that both valuations when you put it
22 on the same basis were going to arrive at the same sort
23 of range.

24 Q. All right. When I look at UP-2
25 and the entry for Wombat, and the basis for the valuation



1 of \$4,000 an acre, is that the figure that was used back
2 on August 12th, 1986?

3 A. Four thousand dollars an acre, no.
4 There was a different market. Obviously a lot happened
5 to the real estate market in that interval and it was a
6 different figure.

7 Q. Are you familiar with what listings
8 there were that were on the properties back then, the
9 various properties?

10 A. I have some information.

11 Q. I understood for example that
12 property 3, there was a listing on that property or
13 would you know that?

14 MR. LEDERER: I'm sorry, when?

15 MR. McQUAID: I am asking the witness
16 what he knows.

17 Q. Do you know if there was a listing
18 on that property?

19 MR. WATSON: A. I know several of these
20 properties had been for sale at some time. I have back
21 on my notes following discussions with the regional
22 appraiser and the appraiser that did this work and some
23 updating work that I did. So I have some knowledge.
24 I had listings I guess as a starting point.

25 Q. I am just trying to understand what



1 was really done. Was there then a report based on the
2 market back in August of 1986 and now another update
3 report based on more current market figures; is that
4 what I understand and your UP-3 is really just a double-
5 check of what is a more current, up-to-date report?

6 A. UP-2 is the work that I have done
7 in order to work with current-day values. UP-3 is the
8 work that I have done in order to bring the appraisal --
9 the '86 evaluation up to present-day values.

10 Q. Are you the person to discuss --
11 for example, the figures of \$4,000 per acre seems to
12 be running, at least on properties 3 and 7. Are you the
13 person to discuss why it is \$4,000 or is it Mr. Mitchell
14 the appraiser who really has the data of what has
15 happened in the market in the last year or so, year and
16 two months?

17 A. I have information on the market.

18 Q. What is that \$4,000 per acre based
19 on?

20 A. It is based on an assessment of
21 sales in the area.

22 Q. Can you be specific?

23 A. I have them in my working papers.

24 Q. You could let me have a look at
25 those over the luncheon break?



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1 A. If I can get them that quickly.
2 I would need the luncheon break to locate them and
3 extract the figures that I've used.

4 Q. Then over the evening. The sooner
5 the better but if you can't do it, you can't do it.

6 Going then on the basis of the figures
7 that are on Figure 1, UP-2, going back to the discussion
8 that I was having earlier, if we look at the 25 excess
9 acres on H-277 and assign the current valuation figure
10 which you applied of \$4,000 an acre, the Region will be
11 taking land which costs or is evaluated, valuated at
12 \$100,000; correct?

13 A. Making that assumption that is
14 correct.

15 Q. That is what the sheet says, doesn't
16 it?

17 A. No, the sheet -- the sheet does
18 not say that that 25.2 acres is worth \$100,000 because
19 it isn't and it doesn't say that.

20 Q. Doesn't the sheet say that you are
21 going to acquire 115 acres at \$4,000 an acre?

22 A. Yes.

23 Q. Doesn't that mean you're getting
24 90 of those acres at \$4,000 an acre and the other 25
25 at \$4,000 an acre?



1 A. In terms of the Region's cost.

2 Q. Isn't that what it is costing or
3 the valuation says it is costing?

4 A. That is what it is going to cost
5 the Region, approximately, yes.

6 Q. Going down to Nos. 9, 10, 11 and
7 12, if your mathematics which you gave me a little
8 earlier is correct and there are 95 excess acres; correct?

9 A. I will double-check that. It should
10 work. Just looking at it I am still a little bothered by
11 it but I will double-check it.

12 DR. KINGHAM: The Board would appreciate
13 it if you would because if that is a scale diagram that
14 portion you've marked 17 is larger than the portion you
15 have marked 25.

16 MR. WATSON: There is something wrong in
17 the logic here but I will double-check that.

18 MR. McQUAID: Q. To put it simply, if we
19 look at 9, 10, 11 and 12 and we look at that particular
20 drawing, H-277, would I be correct that in each case for
21 9, 10, 11 and 12 there will be at least a ten-acre
22 parcel remaining on Highway 25?

23 MR. WATSON: A. There will be a ten-acre
24 parcel? What do you mean by a parcel, do you mean a
25 separated piece of land? I'm not sure ...



1 Q. If the land, the 17 acres that is
2 at the back of these four parcels is incorporated into
3 Site D ...

4 A. If they are severed.

5 Q. By the municipality, yes. The
6 municipality doesn't have to apply for a severance, are
7 you aware of that? The municipality can either get a
8 severance or it doesn't need to get one. You take that
9 land and you put it into Site D, the 17 acres. I want
10 you to assume that that can be done.

11 A. And without injurious affection.

12 Q. I am just talking about the sheet.
13 Am I correct that there is 95 acres on those four parcels
14 on Highway 25?

15 A. We are working with that figure
16 for now but I agree with the Board member that there
17 appears to be a problem. We are working for the moment
18 with 95.

19 Q. Let us assume for the moment your
20 drawing is right. On your drawing and on the calculation
21 you have done it would appear, would it not ...

22 A. If that is right. All of this
23 was premised on that being correct.

24 Q. We also know that 8 is a ten-acre
25 parcel; right?



1 A. Yes.

2 Q. If that is right then it looks
3 like 9, 10, 11 and 12 are bigger than ten acres, based
4 on that drawing; right?

5 A. They are bigger, that is what is
6 being said. They may be -- I'm sorry -- you are compar-
7 ing 8 with ...

8 Q. I am just saying if we eyeball or
9 look, if we think of the 17 acres at the back going into
10 Site D we are left with parcels 9, 10, 11 and 12, all
11 of which would appear to be larger than ten acres?

12 A. They are 20 to 30 acres.

13 Q. So you agree with me they are
14 larger than ten acres?

15 A. Yes, I do.

16 Q. Therefore, if we wanted to figure
17 out in your terminology what it costs to the Region to
18 acquire these 17 acres that is at the back we would only
19 have to take off \$2,000 an acre from these four items,
20 9, 10, 11 and 12 and the remainder is the cost for the
21 excess lands and the house; correct?

22 A. Assuming, as you wanted me to
23 assume, no problem with severance and no problem with
24 injurious affection, yes.

25 Q. So that just to get the cost



1 figure in front of us for this other 95 acres, the
2 excess 95 acres over and above the 17, if we took \$186,420,
3 \$173,560, \$312,000 and \$196,940 -- do you want to double-
4 check my addition here? I get \$868,920.

5 A. Yes.

6 Q. We have just now determined that
7 really the Region is taking for Site D, specifically for
8 landfill, 17 acres times 2,000 so that is \$34,000 and
9 if you take \$34,000 from the \$868,920 I get \$834,920 as
10 the cost for the excess land and the house on parcel 11;
11 is that correct?

12 A. It's either the cost for the
13 excess land or the cost for the partial taking. That is
14 perhaps a different way of saying the same thing.

15 Q. Well, this chart would indicate
16 that that is the cost of the total taking of those lands
17 less the amount you are going to incorporate into Site D.

18 A. Assuming one can just come along
19 and clip portions off four pieces of property and claim
20 that it is a \$2,000 break or loss, that's the end of
21 that. I've never heard of that.

22 Q. I just want to get the cost. We'll
23 go to that other problem in a little while. That is what
24 the cost is, Mr. Watson. Can't you agree with me on
25 that little point? That is the cost to the Region of



1 acquiring it, based on what we just discussed?

2 A. No, it is not. It's not the cost.

39B 3 Q. We just added up that the four prop-
4 erties would cost, the value estimate for
5 those four figures, we have just
6 established that the land over ten acres, any land over
7 ten acres is valued on the four properties consistently
8 of \$2,000 an acre. Therefore, does it not follow that
9 your cost to the Region, the cost to the Region is the
10 difference between the 17 acres times \$2,000 and the total
11 cost of the four properties?

12 A. I guess if you're asking me,
13 assuming that the Region is going to buy all of that,
14 you are saying the cost attributable to that is \$34,000.
15 Assuming that total purchase occurs ...

16 Q. Yes?

17 A. ... then what seems to be slipping
18 in then is what is the cost of taking that and what I
19 am saying, it clearly is not \$34,000, it's much greater
20 than that.

21 Q. On this sheet the cost ascribed
22 to it or the value estimate given to it is...

23 A. No. The cost of the sheet, it
24 relates to a parcel, an existing parcel and it does not
25 relate to those stub ends, those potential severances.
We have not made that valuation and it's quite a



1 different matter.

2 Q. Is it not very clear here if I
3 look at No. 9 that the 28.21 acres, the entire parcel
4 is being evaluated as \$150,000 for the first ten acres
5 and \$2,000 an acre for over the ten?

6 A. You're looking at the methodology
7 for an existing parcel.

8 Q. That's what I want you to do.
9 You're getting it. That's what it's costing the Region
10 to get that existing parcel. This is a professional
11 witness, Mr. Chairman. The witness has come forward
12 with this as his estimate. I don't see why Mr. Lederer
13 has to get up in cross-examination.

14 MR. LEDERER: I haven't said anything yet.
15 My only observation is that the witness is making it
16 absolutely clear that there is a distinction between
17 treating the regional cost of taking as a whole and
18 separating out some portion of it. His evidence is
19 clear that you can't treat it in that way. Mr. McQuaid
20 keeps trying to restrict it and the witness went along
21 and it's fair for the witness to be treated that way.

22 MR. McQUAID: I don't think that is an
23 appropriate objection at all. The witness can look after
24 himself.

25 MR. LANCASTER: He is doing very well.



1 MR. MCQUAID: Q. I thought this report
2 did just what I put to you, Mr. Watson. I thought this
3 report said there is 28.21 acres which the Region and
4 you -- this is your estimate, isn't it?

5 MR. WATSON: A. Yes.

6 Q. That you have estimated based on
7 \$150,000 for the first ten acres and \$2,000 an acre for
8 everything over ten acres. Isn't that what those
9 columns, the basis of the valuation says?

10 A. That's what they say.

11 Q. So doesn't that mean that then if
12 you lop off one acre over ten acres that the valuation
13 times the cost for that acre is \$2,000 an acre?

14 A. No.

15 Q. It doesn't?

16 A. Because the act of lopping it off
17 requires you to either sever and it requires some form
18 of partial taking and injurious affection and that is
19 not the cost.

20 Q. Please disregard that for the
21 moment. Please disregard that. I want you to disregard
22 the severance. I want you to assume it can be done.
23 Can you understand that?

24 A. It can be done? That's fine.

25 Q. I want you to disregard injurious



1 affection for the moment. We are just taking it for
2 regional purposes. Forget the scheme. We are just
3 getting it -- we're taking it into the Region as an
4 asset.

5 A. Okay.

6 Q. Do you understand those two
7 premises?

8 A. Yes.

9 Q. Am I right then that any land over
10 ten acres is really being valued at \$2,000 an acre on
11 those premises?

12 A. As part of the existing entire
13 parcel, yes.

14 Q. So to get back to the four pro-
15 perties on the premises that I have given you that there
16 can be a severance or the municipality doesn't need a
17 severance, and on the basis that there is no injurious
18 affection, would it not be correct then that the cost
19 to the Region of these four parcels would be \$868,920
20 less \$34,000 or \$834,920?

21 A. Based on those unrealistic pre-
22 mises, yes.

23 Q. Then the cost to the Region based
24 on those premises for the Wombat, the excess lands of
25 Wombat of 25.2 acres and the four parcels 9, 10, 11 and



1 12, 120 acres, if we do it correctly, add up the 100,000
2 and the 834,000 you have \$934,920 that is being acquired
3 by the Region. That is what the land is valued on
4 this sheet; correct?

5 A. I'm sorry, the figure again was?

6 Q. The 100 plus the \$834,920.

7 A. Yes, with the same proviso about
8 the premises.

9 Q. The unrealistic?

10 A. Yes.

11 Q. You certainly want to argue that
12 point.

13 A. Yes, I do.

14 Q. However, before you get to
15 injurious affection, Mr. Watson, do you not first have
16 to get to the market value for the valuation of the
17 cost -- of the property that is injuriously affected?

18 A. You do.

19 Q. Is there anything wrong with me
20 trying to get to the cost before injurious affection?

21 A. Are you suggesting that lopping
22 off a building lot from an existing property is going
23 to then leave this new building lot with a value of
24 \$2,000 per acre, that is not realistic. If you have
25 created a new lot it would have a value of \$75,000 is



1 the convention I have used for every new lot you have
2 created, if we are trying to detach ourselves from the
3 regional situation and just look at it in isolation.

4 Q. Maybe this is where I am having
5 trouble understanding your thinking process. You
6 valuated it based on the \$2,000 an acre for the 17 acres
7 and then it is incorporated into Site D. Now, let us
8 assume that -- forget what it is being incorporated in
9 for the moment. Are you saying that if the
10 municipality gave a severance to some outsider or
11 assume, under the law, that it could sever that 17
12 acres for purposes it wanted, say, as a park, no
13 injurious affection? Are you saying that somehow the
14 value of the front four parcels has changed because of
15 the 17 acres being taken for the park purposes?

16 A. The value of the front four par-
17 cels is changed, yes.

18 Q. How is it changed?

19 A. Well, they have lost a certain
20 acreage which is what you have been talking about. I
21 was directing my attention to the stub which had been
22 severed from the property and the value it would have.

23 Q. What stub?

24 A. The western four parcels.

25 Q. You were attaching your attention



1 to the 17 acres?

2 A. Yes.

3 Q. Which you just valuated at \$2,000
4 per acre where you have lands in excess of ten acres?

5 A. Yes, but then you sever them, you
6 removed them from that parcel.

7 Q. I am assuming they are going into,
8 say, a park purpose first of all. Well, if it is excess
9 to the market, in other words, the key ingredient for
10 the market is the first ten acres that is worth \$150,000
11 and people in the market only pay \$2,000 an acre which
12 this chart seems to say for the land over ten acres,
13 whether you have 18 acres over ten acres or 16 acres
14 over ten acres doesn't -- doesn't that just evaluate
15 on the basis of the \$2,000 per acre? Isn't that what
16 this chart says?

17 A. Relative to the lands on the east
18 ignoring the injurious affection, yes, to the portions
19 on the east.

20 Q. Now, let me go back to your UP-1.
21 As an economist, would it not be accurate, Mr. Watson,
22 for you to determine when you are doing this cash flow
23 present value analysis of what the possible rental or
24 residual resale value or income is of the excess 120
25 acres?



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Watson, Rinaldo,
cr-ex (McQuaid)

1 A. I looked at it in terms of off-
2 site buffer. Any rental value is limited. The resale,
3 part of it, I think from Mr. Walker and the planning
4 considerations, the other elements of this study, the
5 determination was made that severances or the equivalent
6 were to be avoided. I didn't concern myself with that.
7 I was looking at it in terms of the buffering effect
8 that was associated with that particular policy. It
9 is conceivable that there could be nominal rental income
10 associated with those lands. As you are probably aware
11 agricultural lands don't rent for very much. Often they
12 barely pay for the taxes. So, it is not a factor of any
13 magnitude.

14 Q. So the only consideration you would
15 give to the value of the 95 acres fronting on Highway 25,
16 first of all concentrating on that, four parcels which are
17 well in excess of ten acres would be nominal, meaning a
18 small amount, a small amount equivalent to only what it
19 could be rented out on an agricultural basis?

20 A. There is, as we have observed, one
21 dwelling there, but yes.

22 Q. It is very important whether you
23 include that dwelling or not. You are the valuator that
24 is on the stand right now. I want to know whether you
25 are saying -- I actually want to know what you say is



1 the residual value either on an income basis or on a
2 resale basis of those four parcels fronting on Highway
3 25, one of which has a house on it.

4 A. I'm saying it's not large enough
5 to get into my cash flow.

6 Q. So it is below a thousand dollars,
7 \$2,000 or what figure is it below?

8 A. It would be several thousand
9 dollars net.

10 Q. You will have to give me a number
11 because you are the valuator.

12 A. That's my number, several thousand
13 dollars net.

14 Q. What does "several" mean?

15 A. Several -- approximately five.

16 Q. Five thousand dollars is the rental
17 per year?

18 A. Net rental income, annual rental
19 income to the Region, yes.

20 Q. You are saying it is below that
21 figure?

22 A. No, I said approximately.

23 Q. Approximately that is what it is
24 worth. That would translate at -- what would you
25 capitalize that to? Fifty thousand, ten per cent for



1 land? Eleven per cent? You tell me.

2 A. Approximately \$50,000.

3 Q. You are saying you would not
4 include an item such as that in your cash flow?

5 A. Well, all of that assumes that the
6 Region would rent land with that proximity to the working
7 face. So we are talking about cells 1, 2 and 3 and the
8 service road. You've got a service road running up
9 the western stub of those properties. You've got the
10 cells very close and I think that those circumstances
11 would limit, would clearly limit the value of those
12 lands. That is I guess one of the reasons that we have
13 them in in this form in terms of consideration of buffer.

14 Q. What do you know of the buffering
15 as provided on the site along the ...

16 A. I've got a berm.

17 Q. Just a second so I point it out
18 to you. What do you know about the buffering that is
19 along the area I am pointing out to you which is just
20 beyond the westerly limit of the parcels 9, 10, 11 and
21 12?

22 A. I have got two accumulations of
23 topsoil. I don't know their dimensions. We have a
24 berm ...

25 Q. Two accumulations of topsoil. Are



1 those buffers or not?

2 A. They would be to some degree. I
3 don't know the dimensions.

4 Q. You don't know what their con-
5 figuration is then?

6 A. I know that the major berm is here
7 and you have berms here (indicating). These show on
8 the plan that I have simply as topsoil that says to me
9 they are something less than the other berms, but I
10 don't know more than that, no.

11 Q. Would it be of some significance
12 to you if in fact there was a berm provided for some
13 50 or more metres?

14 A. Fifty metres in height?

15 Q. Fifty metres in width.

16 A. Fifty metres in width?

17 Q. I'm sorry, I say a berm, a separa-
18 tion distance with something -- we will talk about what
19 is on there. First of all, take the separation distance.

20 A. Separating what from what?

21 Q. Separating actual landfill from
22 that boundary that we are just talking about right now.

23 A. I would say that is a pretty
24 limited separation.

25 Q. How about a hundred metres?



1 A. I thought it was required to be
2 a hundred metres but in any event, to about ...

3 Q. I'm sorry, you thought it was
4 required to be 100 metres? You understand then that
5 the fill will have to take place 100 metres within that
6 L that we see on H-277?

7 A. I have a plan here that shows a
8 scale of -- it is just a sketch but it shows a scale of
9 one inch equals 660 feet. I don't have a ruler with me
10 but that is about 150 feet, that's about 50 metres, yes.

11 Q. I want you to assume it is 100
12 metres separation.

13 A. Okay, but we have no other separa-
14 tion as with the road here and here (indicating).
15 Getting into the topography, that is a separation but
16 those lands are still obviously going to be quite
17 impacted by the landfill. I think that is a considera-
18 tion. It flows into the off-site property. I think
19 we have in this instance a degree of overlap between
20 those two considerations, the cost of the site and the
21 cost of the off-site property value impact.

22 Q. So whether there is a 100-metre
23 distance, and whatever configuration might be allowed to
24 be put on that 100 metres, in terms of berms, you would
25 still ascribe this nominal \$50,000 value to the parcels



1 9, 10, 11 and 12 including the house that is on parcel
2 11; is that correct?

3 A. The first part of your sentence,
4 notwithstanding? Okay.

5 Q. I guess it is notwithstanding.

6 A. That is a value that -- the
7 potential value.

8 Q. The potential value?

9 A. It may have no value. That is
10 conceivable.

11 Q. Somewhere between \$0 and \$50,000
12 maximum for those four parcels?

13 A. On the capitalized value, yes.

14 Q. Effectively on a resale?

15 A. No, I didn't say ...

16 Q. So it is just capitalized rental
17 value. Let me ask you what its resale value is.

18 A. I don't know.

19 Q. You don't know. Do you have any
20 figure that you could give us for the injurious affection
21 which you are ascribing to these four parcels?

22 A. I believe it would be significant
23 but I don't have a figure.

24 Q. You don't have a percentage or an
25 evaluation?



1 A. No.

2 MR. McQUAID: I realize we've gone past
3 the hour. May I just finish off this one area,
4 Mr. Chairman?

5 Q. As an economist then, you would
6 not adjust your cash flow analysis for these four parcels
7 which we have been describing, you have not and you would
8 not with these matters having been brought to your
9 attention?

10 A. I explained that in this instance
11 there is the overlap between the off-site property value
12 consideration, the effect that the landfill would
13 inevitably have on those parcels, the consideration of
14 what I understand to be the regional policy relative to
15 leaving the site, the parcels intact, no, I wouldn't
16 make any adjustment.

17 Q. Then would I be correct that --
18 oh, there is no point then in your opinion then in using
19 a low and a high range of three to \$3.65 million, there
20 is nothing to be ascribed which would account for
21 \$650,000 less?

22 A. I don't know why you would say that.

23 Q. Where does the figure of \$3 million
24 come from then?

25 A. Three million dollars comes from



1 page -- it comes from UP-3, the footnote on UP-3 indi-
2 cates that that amount could be increased by something
3 in the order of \$200,000 for the matters mentioned in
4 the footnote. That estimate I am assuming could quite
5 conceivably be five per cent high. I've ranged that
6 five per cent. I have ranged the \$3,450,000, \$200,000
7 up, \$200,000 down, six per cent and that gave me a range
8 of \$3,365,000. All I've said, it's not an appraisal it
9 is a broad evaluation. My only object with it was to put
10 these costs in the correct ballpark so that they were
11 on the same correct ballpark basis for that and we
12 could make a comparison. Obviously these costs won't
13 be known with any degree of accuracy and detail until
14 they have been appraised and contested and taken on a
15 negotiation basis and so on. They depend in part upon
16 the real estate, what happens to the real estate market
17 between now and when these hearings occur. What
18 additional approvals may or may not occur on those lands.
19 It would depend on a whole host of things, so inevitably
20 we are working with a range. It would depend on the
21 injurious affection I spoke of, it would depend on whether
22 the Region wants to rent land out or hold land as a
23 buffer or wants to do that for five years or ten years.
24 There is a whole -- a myriad of factors that could cause
25 the values to vary but I believe the range I have got is



1 a satisfactory range with a reasonable basis.

2 Q. Just to sum up, as evaluator on
3 the four parcels 9 to 12 you do not put any value on
4 those beyond buffering or the nominal agricultural rental
5 income; that is correct, for resale purposes?

6 A. For the reasons I have just stated,
7 yes.

8 Q. And on the Wombat parcel, 25.2,
9 the excess lands down to the south, can you briefly tell
10 us why is that land even being taken?

11 A. It is part of property 7. It is
12 a part of that piece of property. Why is it being
13 taken? They are taking a piece of property.

14 Q. You are saying it is one parcel?

15 A. Yes, that is my understanding, yes.

16 Q. Therefore it has to be taken, is
17 that what you understand? You can't just take the 90.38?

18 A. This goes back to the discussion
19 we have had in the last hour. From my point of view
20 it gets into the regional policy relative to leaving
21 parcels intact and it gets into the question of buffering
22 and it gets into injurious affection and all these other
23 matters we have talked about.

24 Q. Again, you do not ascribe any value
25 to that land in terms of for rental income or resale by



1 the Region after?

2 A. Those lands have value in terms
3 of buffer. In the sense that when I looked at off-
4 site property value impact, obviously I wasn't looking
5 at any possible negative impact on those properties,
6 beyond that, no. The rental income once again would
7 be very limited.

8 Q. It is not taken into account in
9 your economic analysis and that is the point?

10 A. It has been taken. I have just
11 explained how I've taken it into account.

12 Q. Where is it in the figures?

13 A. I have just explained to you why
14 it is not in the figures. It is not in the figures
15 because it's been netted out of the figures for good
16 reasons and I've given you three or four of them.

17 Q. There is no number in here where
18 it's netted out. You didn't put any value on it. It
19 is so low it is below worrying about. There is no
20 figure you point to here, is there, in your present
21 value cost analysis?

22 A. There are no figures which appear
23 but it has been netted out for the reasons stated.

24 Q. Wait a minute. I thought you told
25 us earlier that it is from zero to \$50,000 for the four



1 properties and it was below a figure that you would
2 even include. It is \$5,000 per annum or \$50,000
3 capitalized, the four properties were below a value that
4 would go into this particular ...

5 A. If the "it" you are referring to
6 is the capitalized rental value, assuming once again
7 that the property is rented and that the rental is
8 possible with the landfill site operating there and that
9 the Region chooses to rent it, doesn't prefer to hold
10 the land as buffer.

11 Q. Exhibit H-285, your printout,
12 current update for parcel D. Am I correct, Mr. Watson,
13 you did not make any adjustment in the capital cost
14 component for any income or capitalized income or resale
15 of the 120 acres that we have been discussing, nor the
16 house that is on the one parcel?

17 A. There is no dollar revenue item
18 which appears in here but it was consideration given
19 to the trade-off between the realization of those incomes and
20 these other objectives of the Region and it was deemed
21 reasonable to include no revenue item on that account.

22 MR. McQUAID: That is sufficient for now,
23 Mr. Chairman.

24 MR. LANCASTER: We will adjourn until
25 2:15.



1 --- Luncheon recess at 12:50 p.m.

2 --- Upon resuming at 2:19 p.m.

3 MR. LANCASTER: Please be seated.

4 Mr. McQuaid?

5 MR. McQUAID: Thank you, Mr. Chairman.

6 Q. Mr. Watson, I would like you to
7 take H-286, please, that is the economic evidence update.
8 Would you also put up H-277 just behind Mr. Rinaldo for
9 us? Just to complete the picture on Site D, capital
10 cost, and some of the assumptions and the evidence you
11 have given us I wanted to address with you what your
12 evidence is with respect to whether -- or any value
13 should be ascribed to the use of houses by the Region
14 on Site D after their acquisition. Looking at H-277
15 I direct your attention first to the Martin house, No. 1
16 at the north end. Then to the Reed house, No. 5, to
17 the other -- to the new Martin house, No. 4 and to the
18 Newman house, No. 6, which is down at the southeast part
19 of the property. I think in all cases, as I see them
20 there, that is Nos. 1, 4, 5 and 6, you have valued the
21 houses at \$125,000; is that correct?

22 MR. WATSON: A. Yes.

23 Q. So the Region's cost in terms of
24 acquiring those houses would be \$500,000?

25 A. Approximately. They have been



1 valued at \$125,000 in the absence of an inspection as a
2 reasonable assumption to make about them. Viewing them
3 from the road. This valuation therefore allows half a
4 million dollars for that acquisition.

5 Q. Now, I believe the evidence is
6 that certain of these houses would be used by the Region,
7 did you know that?

8 A. No.

9 Q. I want you to assume that the
10 Martin house, No. 1, is to be used by the Public Works
11 Department of the Region for some purposes. Would you
12 agree with me then, as an economist, if that were the
13 case, that some value should be ascribed to the use of
14 that residence or that house for regional purposes?

15 A. Well, if that is the case, and if
16 the use of that house for some period of time enables
17 the Region to reduce its expenditures in some other
18 area or reallocate some other space so as to effectively
19 reduce expenditures, then there could be an allowance
20 for that purpose. We are talking obviously about a
21 small allowance, the value of those houses but if you
22 are putting a case where some small allowance could
23 conceivably apply for some unknown period of time ...

24 Q. Are you assuming that the house
25 will then be demolished at some point in time?



1 A. I am just raising, as I say, I am
2 not familiar with the proposed plan of use. If there is
3 one I am saying it is quite possible that over the course
4 of 20 years that we are looking at that a proposed use
5 could start later than year one and could be terminated
6 at some point because Public Works has other facilities
7 elsewhere or other plans elsewhere, whatever.

8 Q. That could go either way, they
9 could keep it also, couldn't they?

10 A. They could but I am suggesting
11 whether they keep it or they don't keep it the rental
12 value is quite small.

13 Q. Wouldn't that have to depend on
14 what the cost savings were associated with it and what
15 use they can make of the facility and what their needs
16 are in the area?

17 A. We have a certain quantity of
18 space. We know that -- what sort of rent to ascribe to
19 a dwelling in rough terms.

20 Q. How do you know they would use
21 it as a dwelling? Couldn't they use it as office space
22 or space that they would otherwise have to use?

23 A. If they were willing to use this
24 dwelling for office space then presumably they would be
25 able to use some other dwelling for office space and



1 dwellings don't command a significant rent.

2 Q. But you couldn't really give us a
3 figure? You haven't studied it, have you?

4 A. I haven't attempted to put a
5 rental value on those four properties. I can put it in
6 a satisfactory range to make the statement that it is a very
7 small amount of money. It might conceivably end up to
8 be a thousand dollars a month.

9 Q. For the four?

10 A. No.

11 Q. A thousand a month for each? I'm
12 just asking. I'm not sure. You pulled that figure out
13 and I wasn't sure whether it was for all four or for one.

14 A. A thousand a month it is conceivable
15 it could be \$1,000 per month per house.

16 Q. Now, if you capitalized \$1,000 a
17 month you would be up to a fairly high capital value,
18 would you not, ten per cent, that is \$1,000 a month times
19 12 is \$12,000 a year? Capitalized at ten per cent is
20 \$120,000?

21 A. Looking at a net cost saving of a
22 thousand dollars a month, \$12,000 a year, \$6 a square
23 foot, that could be an upper end, yes, conceivable.

24 Q. All right. Then, similarly if I --
25 I gather you have not been apprized of any regional use



1 for the Reed house, No. 5?

2 A. No.

3 Q. And the Newman house which is in
4 the southeast corner, that house again, that house or
5 the new Martin house, No. 4, you would not be in a
6 position to say what use might be made of that house?

7 A. We are talking about No. 1 being
8 here (indicating)?

9 Q. I think the evidence has been it is
10 in the buffer area.

11 A. No. 4 is here which is in the
12 middle of the berm. Is that the evidence? It appears
13 to be in the middle of the berm.

14 Q. I don't know specifically.

15 A. No. 5 is also in the middle of the
16 berm.

17 Q. I think the evidence is that is
18 a heritage house and the Region intends to keep it.

19 A. No. 6 is also in the berm. So,
20 I guess if they ...

21 Q. You've given us all the evidence
22 you can. You have not looked at any of the present
23 values, they have not been taken into account; right?

24 A. Right.

25 Q. Now, to go to your evidence in --



1 I guess your evidence this morning, I want to be sure
2 I understand your evidence with respect to this capital
3 cost flow and the off-site costs. I think you gave us
4 evidence that there are -- there is \$1 million that is
5 in the calculations for off-site impacts; correct?

6 A. For Site D?

7 Q. For Site D, page 2-3. When I
8 asked you about this this morning you indicated that we
9 added an item 14 for the land, \$2.262 million and a
10 real estate contingency of \$1 million.

11 A. I have one correction to make to
12 what I said to you on that. The million dollars is in
13 as a contingency, yes, on page 2-3. However, it is part
14 of item 13, part of the \$2,226,000, page 2-3 of this
15 H-45. Item 14 ...

16 Q. So that means that we don't have
17 an item 15 for real estate contingency, it is already in
18 13?

19 A. We have an item for 15 for contin-
20 gency but it is not the real estate. I'll just explain
21 it, if I may.

22 Q. It is a new item 15?

23 A. It's not new, it's in here.

24 Q. It's in hear meaning it is at

25 page 2-3?



1 A. Meaning it always was in the
2 figures. The item 13 contingency contains the 15 per
3 cent construction contingency which is set out in
4 Appendix A, item -- page A-4, item F. There is a 15
5 per cent contingency there. The difference between the
6 sub-total and including 15 per cent contingency. It is
7 a matter of a little over \$1,200,000. In addition to
8 that we have the \$1 million that we discussed as the
9 real estate contingency. The two of those together
10 equal the \$2,226,000 on page 2-3.

11 Q. Fifteen per cent construction you
12 have indicated which is \$1,200,000, approximately?

13 A. One million, two hundred and
14 twenty-six thousand dollars.

15 Q. Plus the \$1 million real estate
16 contingency?

17 A. Yes.

18 Q. When we look back on the record I
19 asked you this morning if we had an item 15 real estate
20 contingency of \$1 million. I think the record will
indicate you said yes.

21 A. That was wrong.

22 Q. You've corrected it.

23 A. There was an item 15, contingencies
24 and the contingency which it is is to be found on page
25 A-4, item G and it is a small item, \$80,000 for



1 miscellaneous capital costs, allowing for gas and
2 leachate collection. That is part of the capital costs
3 and it should be added to the site development costs,
4 the overall capital costs. The information for item
5 14 is as I gave it to you. So I had just reversed
6 the contingencies between 13 and 15, that is all.

7 DR. KINGHAM: Are you telling us that we
8 should change 13 to read contingency including real
9 estate contingency?

10 MR. WATSON: Construction contingency
11 plus real estate contingency.

12 DR. KINGHAM: And item 15, being contin-
13 gencies, \$80,000?

14 MR. WATSON: That's right.

15 DR. KINGHAM: And 13, contingency -- why
16 is the subsequent cost over \$1 million if the real estate
17 contingency is \$1 million? Would that be an initial
18 site preparation cost?

19 MR. WATSON: The construction contingency
20 which is a 15 per cent allowance for excess expenditure
21 beyond the estimate is the \$1,226,000.

22 DR. KINGHAM: I am looking to the next
23 two columns in light of what you have just told us.
24 Would the \$1 million for the real estate contingency be
25 part of the first two columns or is it a subsequent cost?



1 MR. WATSON: We felt that -- we believe
2 that any claims relative to injurious affection, off-
3 site property values would be focused on the time period
4 during or immediately following construction. Therefore
5 they would be in the main in that subsequent cost line.

6 DR. KINGHAM: Thank you.

7 MR. WATSON: Possibly not exclusively but
8 in the main.

9 MR. McQUAID: Q. Now, could you explain
10 for us all of the items which you understand are
11 encompassed in the \$1 million real estate contingency
12 portion of item 13 on page 2-3?

13 MR. WATSON: A. Yes. Costs to be
14 incurred by the Region in dealing with claims for
15 injurious affection, compensation, nuisance and the
16 like, insofar as legal costs and appraisal costs and
17 conceivably awards and conceivably purchase of certain
18 properties for which litigation may be difficult or
19 impossible to accomplish, litigation of actual signifi-
20 cant nuisance.

21 Q. Now, we have been through the
22 properties that are purchased on H-277, including the
23 full takings and we have been through those. Could you
24 tell us then what properties this \$1 million is referable
25 to, what other properties?



1 A. No.

2 Q. You can't tell us?

3 A. It is not referable to specific
4 properties. I mean that is a matter of speculating on
5 what is going to occur in terms of nuisance and who is
6 going to claim for what and who is going to negotiate
7 and settle and so forth.

8 Q. It is not ...

9 A. I was going to say one would
10 expect that the abutting properties would be a focal
11 point of that sort of activity. Conceivably properties
12 along the truck route, although the truck route is the
13 highway, that would tend to minimize that sort of thing
14 I believe. There could be special cases beyond the
15 abutting properties that may come forth. No, this is
16 simply an allowance that has been made. It is reflected
17 as I said in my evidence of the fact, reflective of
18 the topography and the very large number of properties
19 which surround the site and of their generally residen-
20 tial character.

21 Q. All right. Can I assume that there
22 is no specific report done on this? You did not do a
23 report on it nor was there one provided to you?

24 A. I can't say that we pulled together
25 in a document this work. Certainly the analysis that has



1 been done by many of the specialists on the team in
2 terms of the anticipated visual impact, dust and odour
3 and noise, traffic problems in the area, all of these
4 considerations have been done and they give an indica-
5 tion of properties to be affected. We then looked
6 fairly extensively at studies that had been done of this
7 sort of occurrence in Canada and the United States, that
8 is to say, impact on properties, surrounding property
9 values. Ontario Waste Management Corporation has done
10 quite an extensive survey of the literature and has
11 developed certain conclusions. We then took those
12 general indications of what could occur and we applied
13 them to a very broad valuation of the land that lay
14 abutting the site.

15 Q. What land was that?

16 A. The properties that abutted?

17 Q. Everything, just the abutting
18 properties or some distance from them?

19 A. The properties which abutted. We
20 then went beyond those abutting properties to get a
21 general idea down on the south side of lower Base Line
22 and to Tremaine. We got an idea of values in the area
23 and considered that and arrived at an indication of
24 what would occur. Obviously that type of cost indica-
25 tion is not of the same order of precision or hardness



1 that an engineering cost estimate is but we did think it
2 important to consider.

3 Q. When was this done?

4 A. We did this throughout the study.
5 We did it in 2C, of course, we did it in landfill techni-
6 cal and we took a look recently to establish whether
7 there was a change. It is mentioned in the update.

8 Q. I didn't see a \$1 million figure
9 or hear of any. Actually, I'm sorry, let me go back
10 to this H-44. You had a property value impact on the
11 high of \$2,761,000 there for Site D? You had from zero
12 to \$2,761,000?

13 A. That's back at 2C.

14 Q. You said you did it at 2C. I
15 guess my problem is I'm thinking in terms of a million
16 dollars. You had a range back then?

17 A. Yes.

18 Q. Now, when you came to do H-45, you
19 actually have a specific number of a million dollars?

20 A. No.

21 Q. You just told us you did.

22 A. The regional contingency. I'm
23 thinking of the opposite -- yes.

24 Q. Wait a minute, isn't a million --
25 you just told me it was for injurious affection. Isn't



1 that off-site?

2 A. I gave a long list of things, one
3 of which was injurious affection.

4 Q. That's off-site, isn't it?

5 A. It is. In addition to that there was
6 an allowance under private sector.

7 Q. I'm going to come to that. Let us
8 stick to the million dollars. So it is a million dollars
9 there but you can't really tell us specifically how it
10 was derived?

11 A. I have told you the things it's
12 designed to cover.

13 Q. My question is can you tell us
14 specifically how the million dollars was arrived at?

15 A. I can go back in my working papers.
16 I allowed so much for legal, so much for appraisal and
17 those were rough estimates.

18 Q. So you do have a breakdown of how
19 much is legal, how much is appraisal, how much is
20 injurious affection?

21 A. Yes.

22 Q. Can you look those up for us right
23 now?

24 A. I would appreciate the time to sit
25 down with it. You are now speaking of H-45?



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1 Q. Yes. The one million? Yes. So
2 you can break this down for us? We will leave that for
3 now.

4 A. I can indicate generally what would
5 occur. As I say, it is not a breakdown in the sense that
6 we have Appendix A to H-45 which is item by item. I have
7 a basis for saying -- suggesting a million dollars, yes.

8 Q. That includes -- I want to be
9 clear -- that includes injurious affection which you
10 agree is an off-site impact, but what portion of the
11 \$1 million you don't know?

12 A. I do know. I just have to get it
13 for you.

14 Q. If you did know you would tell me
15 right now, wouldn't you?

16 A. I have it.

17 Q. How do you know that none of the
18 excess lands, the takings that we have been talking
19 about, areas 9 through 12 or the Wombat land on H-277
20 are in that million dollars or not?

21 A. Because I didn't put them. I
22 didn't put the value of those lands in the abutting
23 land value that I applied the factors to that gave rise
24 to the assumptions.

25 Q. Since you don't know what is



1 injurious affection I am giving you the opportunity.
2 Do you know or don't you know for certain, as you stand
3 there, whether or not the \$1 million might include some
4 of these other items? You don't know what is in the
5 other items?

6 A. It's probably 9, 10, 11, 12 and
7 Wombat. I know for certain it does include it, yes.
8 It is in the site value.

9 Q. All right, so you will get that
10 for us. Now, let us turn to page 2-12 of H-45. At
11 the same time I would like you to look or get ready to
12 look at H-44. Have you got it there too? Now, I am
13 looking at page 2-12, first of all. That says, reading
14 from the middle paragraph -- this is in the "Private
15 Sector Cost" section -- it says:

16 "Based on the results of other similar
17 studies and our analysis of the situation
18 in this particular case a range of hypo-
19 thetical property value percentage
20 impacts have been considered. These
21 percentages have been applied to a current
22 market value estimate for properties in
23 the immediate area, in order to yield a
24 possible dollar impact."

25 Stopping there, do you recall that back in H-44 there



1 were various percentages applied to properties in the
2 area?

3 A. Yes.

4 Q. That is what is being referred to
5 then as how this figure was derived, is that what I
6 understand?

7 A. Percentages, not the same percen-
8 tages.

9 Q. Let us look at H-44 so we are
10 sure what I am referring to. Look at pages 7-8 and
11 7-9 of H-44. There we see that if we go through it,
12 as I understand it, looking in the second paragraph under
13 Section 7.5, page 7-8, H-44:

14 "For rural residential properties the
15 range is a minimum of zero per cent to a
16 maximum of 20 per cent reduction in
17 property values."

18 So that is the first category, zero to 20 per cent for
19 those rural residential?

20 A. Yes.

21 Q. A range of a minimum of zero to a
22 maximum of ten per cent reduction for farm properties.
23 For businesses a potential loss of value range was used
24 from zero to \$50,000. Then there is further discussion
25 about it. I would ask you to look over at page 8-3B --



1 sorry -- Table 5. Isn't that figure there of zero to
2 \$2,761,000 the result of doing these off-site impact
3 costs based on 1985 figures? They are somewhere between
4 zero and \$2,761,000?

5 A. Yes.

6 Q. If we were to take the present
7 value of that figure we see it down at the bottom of
8 that column eight, Table 5, at \$2,201,052?

9 A. Yes.

10 Q. Two million, two hundred thousand
11 dollars rounded off?

12 A. And zero.

13 Q. Yes. Going back to 2-12 in H-45
14 and having -- picking up at the middle of that paragraph
15 on page 2-12 it says:

16 "This figure is judged to a maximum
17 (underlined). The impact could be
18 significantly less than this."

19 Now, this is your report?

20 A. Yes, this is my report.

21 Q. You did the underlining of
22 "maximum"?

23 A. Yes, I did.

24 Q. "Any negative impact on market
25 values is expected to diminish as the



1 landfill site gradually becomes part of
2 the local landscape and the impact will
3 virtually disappear as the site is decom-
4 missioned. A hypothetical property value
5 reduction in the vicinity of Site D is
6 estimated to range from a nominal amount
7 to \$2,200,000."

8 That is the present value we have just seen back there,
9 the \$2,200,000?

10 A. You have just moved, Mr. McQuaid.
11 You can't move from 2C to the landfill technical which
12 moves us over the course of a year and treat the figures
13 as though they are directly comparable. Every time we
14 move from 2B to 2C everything was redone, increased
15 detail, increased information.

16 Q. I thought up above when we read
17 the first two lines that -- I took you back there but
18 that was the same reference back to the same point.
19 You tell me that you update here and that \$2,200,000 is
20 the figure as of November, 1986, that's fine. That's
21 what you're telling me?

22 A. That's what I told you then. I
23 said it's percentages but not the same percentages.

24 Q. So your nominal amount being zero
25 or \$1 or \$2; right, to \$2,200,000; correct?



1 A. No, I don't -- in this -- we are
2 talking now about H-45, a nominal amount. I thought
3 there was going to be something. Zero, I don't think
4 zero is realistic, no.

5 Q. You tell me what nominal is.

6 A. A small amount. I don't have a
7 number for it.

8 Q. A small amount. The \$2,200,000,
9 this is as of November, 1986; correct?

10 A. This report was published in
11 November of 1986. Is that what you meant?

12 Q. Is that your opinion as of November,
13 1986? I'm not asking you when the report was published.

14 A. It was my opinion in September of
15 '86 when the report was written.

16 Q. You didn't update it, though, when
17 it finally came out?

18 A. I didn't update it then.

19 Q. Wait a minute, Mr. Watson, you
20 draft something in September-October, you type it up and
21 you give it to council in November. You didn't update
22 it in November when it came out, did you?

23 A. No.

24 Q. So that is your figure as of
25 November. If it wasn't your figure as of November what



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1 are you releasing it for to the Region?

2 A. I released it in September. It is
3 my figure as of the fall of '86. I don't recall a
4 precise date when we finished our work. We released
5 our work to the Region prior to this being published
6 and as far as I am concerned that is when our report is
7 written as of and the Region's schedule for printing it
8 and binding it and sending it to the committee is another
9 matter.

10 Q. Now, continuing at page 2-12, it
11 says:

12 "Thus, using the upper end of the range,
13 the total private sector costs for Site D,
14 (private hauler costs and potential
15 property value impact) is in the order of
16 \$14.6 million (present value as of
17 January 1st, 1987)."

18 That's what it says, isn't it?

19 A. Yes.

20 Q. If we go back to page 2-10 and I
21 ask you just to go back to that page with me, we see a
22 table there, Table 5 in which the present value of the
23 private haul cost analysis for Site D as of January 1st,
24 1987 is \$12,746,478; right?

25 A. Yes.



1 Q. Going back to the bottom of page
2 2-12 we see there that you added together the private
3 hauler costs which are \$12,746,000 and the upper end of
4 the range, \$2 million, something in the order of \$2
5 million, the present value of that. If I take the
6 difference between \$14,600,000, that is what your total
7 comes to, \$14,600,000 and ...

8 A. And \$1,854,000 ...

9 Q. ... is the difference between the
10 \$14,600,000 and the \$12,746,000 which is the private
11 haulers cost?

12 A. I think what you've said, this
13 represents the \$2,200,000 inflated to 1990 when we
14 expect it to be incurred and then discounted to our
15 January 1st, 1987 date and that diminishes it because it
16 is inflating at a lower rate than it is being discounted.

17 Q. Having made those adjustments it is
18 the present value of that \$2.2 million being the impact
19 on areas in the immediate area?

20 A. That's right.

21 Q. Now, this morning I guess we
22 crossed in a way. I was thinking in terms of injurious
23 affection back in the cost, the cost flow, back at that
24 page 2-3 but in fact what we see if we go back to the
25 executive summary, small Roman Numeral i, that you
actually included these off-site impacts that we just
discussed in this third item private sector haul and



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1 other costs where we see the \$14.6 million; is that
2 correct?

3 A. Yes, it is.

4 Q. Would you agree with me that there
5 would appear to be double counting possibly occurring here
6 because you have \$2.2 million adjusted to the \$1.854,
7 \$1,854,000, under this particular private sector cost
8 and you also have \$1 million, some major portion of
9 which is presumably also injurious affection back at
10 that item 13 on 2-3?

11 A. It goes back to the amount. As I
12 say, I don't recall the amount of the million which
13 related to matters other than, shall I say professional
14 costs to be incurred by the Region dealing with claims
15 and concerns. I didn't mention matters such as -- I
16 think I did mention litigation matters as part of that
17 million dollars. That would encompass actions that
18 might be taken by the Region over above the present
19 plan to deal with problems as they occur.

20 Anyway, when you subtract all of those
21 things from \$1 million to the degree you have something
22 left over which is attributable to compensation, off-
23 site compensation, injurious affection, you could
24 conceivably argue that that is double-counting but my
25 recollection is that there wasn't much. The \$1 million



1 was designed to cover other things. It wasn't much if
2 it was anything. A million dollars as, as I say, other
3 things, direct actions the Region could take to do some-
4 thing about the situation.

5 Q. But as we read page 2-12, if we
6 look back to H-44, you obviously sat down and other
7 members of your team and you tried to get a handle by
8 assigning certain percentages and you studied other
9 circumstances. You tried to get a handle, as I read
10 this paragraph on 2-12 as to what the maximum would be
11 for these off-site effects and impacts?

12 A. That is right.

13 Q. That was to be put into the
14 \$2,200,000?

15 A. It is but that doesn't in any way
16 mean the Region itself is not in that type of setting
17 going to be faced with a considerable volume of claims,
18 nuisance claims it is going to be presumably obliged
19 to do something about. I just wanted to advise we had
20 some funds in there for that purpose.

21 Q. What do you understand ...

22 A. I'm sorry, just recalling in a
23 neighbouring region we are looking at a similar situation
24 and I think the allowance there for costs to be incurred
25 by the Region to deal with these sorts of claims was



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1 one and a half million dollars. I think I was interested
2 in that allowance but in any event, that is just one of
3 the many things I was thinking of at the time I developed
4 the \$1 million estimate.

5 Q. All right. Just to pick up on
6 contingencies if we could just so that I have got them
7 all in one section of the record, when we go to -- look
8 at H-286 for a moment with me and I direct your attention
9 to UP-1. You refer in the last paragraph, second
10 sentence:

11 "The site acquisition cost for Site D
12 included in the landfill technical study
13 (Schedule K) was \$2,262,000 ..."

14 And then you have:

15 "...(\$2,057,000 plus ten per cent for
16 appraisals, hearings, et cetera)..."

17 So I see you have approximately \$200,000 for appraisals,
18 hearings, et cetera, at that point?

19 A. We added the ten per cent. That's
20 how we got to the \$2,262,000 and I indicated that
21 appraisals, hearings -- I must admit I am not a hundred
22 per cent certain on that -- I believe that to be -- I
23 could double check on it, but we did add ten per cent
24 as an additional cost requirement from the valuation that
25 we had and I believe that is what it was for.



1 Q. When we go over to page UP-2, am
2 I correct that you add at the bottom there another five
3 per cent, another \$250,000 for -- again for a contingency,
4 the various contingencies?

5 A. Contingencies but I think they
6 are expenses that one can expect to make. I don't think
7 they are unspecified.

8 Q. How do you know whether the
9 et cetera back on UP-1 includes some of the items we see
10 over here on UP-2? How do you know that?

11 A. I would have to go back to last fall
12 when we put the ten per cent amount on and see what our
13 working papers say precisely.

14 Q. Then when you have taken the
15 figure from UP-2 and actually carry it over to the up-
16 date document and we can continue to deal with H-286,
17 when you go over to page UP-15, am I correct that you
18 added another figure from the \$3,450,000 on UP-2 to the
19 upper range figure of \$3,650,000 on page UP-15?

20 A. Of course the estimate I made on
21 UP-2 was not to the nearest dollar, it was within a range
22 and I believe it is within about a five per cent range.
23 It could be higher or lower. I added the high side.
24 Of course we covered off the low side with -- by going
25 down to \$3 million.



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1 Q. All right, so what we have then is
2 the series of adjustments, ten per cent back, the ten
3 per cent figure back in the earlier analysis, the
4 \$250,000 on UP-2 and then ultimately another \$200,000,
5 approximately, on UP-15?

6 A. Yes, all of which are falling
7 within this range of \$3,650,000.

8 Q. So you have those figures and
9 then you have the contingency of \$1 million, details of
10 which you will get me and then you have the \$2,200,000
11 which is in the other figure that we went on back in
12 the executive summary of H-45?

13 A. Yes.

14 Q. Now, we have gone through the
15 first flow on Site D and you placed it through to the
16 update. I now want you to go to Site F.

17 DR. KINGHAM: I wonder if before you do
18 that it would surprise you to know I got lost in some
19 of the numbers back there. I just want to make sure
20 that -- I would like to try to understand the 2-12
21 figure, on the bottom of page 2-12, on H-45. You had
22 a nominal amount where you said \$2,200,000.

23 MR. WATSON: I'm sorry?

24 DR. KINGHAM: Page 2-12 of H-45.

25 MR. WATSON: Yes, \$2,200,000.



1 DR. KINGHAM: I think you said something
2 about that is inflated forward to 1990 and then present
3 value it back to 1987 and you came up with a 1,854
4 number or something like that.

5 MR. McQUAID: That is the difference
6 between the \$14,600,000 on the bottom of page 2-12 and
7 the \$12,746,000 on 2-10.

8 MR. WATSON: I should have said coming
9 back to 1986. All these reports are different years and
10 this report was January 1st of '87, the end of '87.

11 DR. KINGHAM: Then the question I had
12 then was I thought I had heard that was what you said
13 but then I looked for it in the cash flow analysis for
14 Site Plan Area D, H-44 and thought that maybe I should
15 find that property value in that thing appear somewhere
16 around 1990, present value back to 1986 and I see a
17 number there of \$2,761,000 in 1986 present valued down
18 to \$2,200,000. I just don't understand how those numbers
19 relate, if they do relate. Does the \$2,200,000 relate --
20 on the bottom of page 2-12, relate to the figure of
21 \$2,200,000 on Table 5?

22 MR. WATSON: It is purely a coincidence.
23 We updated everything. We had different percentages,
24 different land values and we looked at different areas
25 and they just happened to be similar.



1 DR. KINGHAM: So I should not have been
2 comparing these numbers?

3 MR. WATSON: It is useful to look at
4 how they are changing all the time but there is no
5 reason to think they should be the same.

6 DR. KINGHAM: Or not changing over the
7 time as the case may be in this case. Thank you.

8 MR. McQUAID: Thank you, Dr. Kingham.

9 Q. Just while we're at this page 2-12,
10 just one other question for you on the aspect of the
11 negative impact on market values is expected to diminish
12 as the landfill site gradually becomes part of the local
13 landscape and the impact will virtually disappear as
14 the site is decommissioned. Just harkening back to
15 what we were talking about this morning on H-277 and those
16 extra 120 acres and the house and so on. That would mean that
17 at the end of the 20-year period, as you are going into
18 decommissioning, that the value of the properties on
19 Highway 25 and the property to the south of Wombat, 25
20 acres would come back then to full value?

21 MR. WATSON: A. We are talking about
22 properties in the vicinity of a landfill. You have now
23 moved onto the site itself. I don't know -- I have never
24 directed my attention to properties actually on a land-
25 fill site. I would think there would be added difficulty



1 for them returning to value since they are in the midst.

2 Q. I am not talking about the rear
3 portions of these lands, Mr. Watson, I am talking about
4 the lands excess.

5 A. You are speaking of these, not the
6 four houses?

7 Q. Yes -- no. This statement seems
8 to clearly contemplate that full value will return to
9 the area when decommissioning occurs, doesn't it?

10 A. We say will virtually disappear.
11 It is a matter of are there continuing or are there any
12 problems associated with the landfill and so on. Yes,
13 it is quite conceivable and there are examples of this
14 around the Metro area where properties abut landfills.

15 Q. I am going to ask you to go with
16 me to Site F and again thinking in terms of the capital
17 cost flow, that first element that we have been discus-
18 sing and you gave me -- you also gave me this morning
19 a printout of the cash flow analysis that gives rise to
20 the current update on Site F. I am showing you that
21 document. Could you just confirm that that is the docu-
22 ment that you gave me?

23 MR. LANCASTER: We will mark this H-287.

24 --- EXHIBIT NO. H-287: Regional cash flow analysis
25 for Site F



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1 MR. McQUAID: Q. Again that reads
2 referable to Exhibit H-279 and it is the revised cash
3 flow for Site F. This gives us the numbers that we see,
4 the low, first of all, of \$35.7 million on the regional
5 cost on UP-15 of H-286 and also the high if \$39.1 million;
6 is that correct?

7 MR. WATSON: A. Yes.

8 Q. Now, before I go too much further
9 and I forget to ask you, you recall this morning that
10 you indicated that by the time of H-45 -- if you could
11 just take that H-277 drawing down for me, Mr. Rinaldo or
12 Mr. Watson -- you indicated, I think, Mr. Watson, by the
13 time of H-45 or maybe it is the update and you correct
14 me which if the two it is, that when you got to this
15 cost flow analysis, or portion, the capital cost portion
16 that you applied a sinking fund adjustment to the block
17 12 on H-284, the closure and after-use cost?

18 A. Yes.

19 Q. Could you just tell us, first of
20 all, when you did that and what you did?

21 A. H-284?

22 Q. That is the drawing right there.

23 A. What we did was to establish an
24 amount of money to be collected annually, a level amount
25 I believe, and invested in the Region's reserve fund at



1 the anticipated reserve fund earnings rate which would
2 yield by 2008 I believe, the amount of closure and after-
3 use costs involved.

4 Q. Now, looking -- did you do that in
5 H-45 at Stage 2C? I'm sorry, not the Stage 2C, I'm
6 sorry, at November, 1986? I think you told us this
7 morning you didn't do it at 2C, it was a refinement that
8 came along later?

9 A. Yes. We did it in, I believe it
10 was part of H-45, yes, it was because it was modified
11 in H-279 and we were modifying H-45 ...

12 Q. When I look at Site F, capital
13 cost which is Table 7, page 3-3 in H-45, I see there an
14 item No. 10 which is called after-use and there is an
15 item there of \$1,598,000, 3-3, under item 10.

16 A. One million, five hundred and
17 ninety-eight thousand dollars, yes.

18 Q. You have just described for us
19 that you took that figure and presumably somewhere in
20 Table 9, which is at 3-5, you then included this sinking
21 fund amount?

22 A. Yes.

23 Q. Where would it be?

24 A. It is an annual amount, it is
25 incorporated.



1 Q. Is there a percentage or a figure?
2 Can you tell us what analysis you did to get to that
3 sinking fund figure?

4 A. Just simple calculation of the
5 amount required to be set aside each year.

6 Q. I'm sure it is. Just tell me how
7 simple it is and see if I can get it.

8 A. You look up S-20 at eight per cent
9 in the tables and multiply it or divide that into the
10 amount that you want to produce. That gives you the
11 amount.

12 Q. So I take \$1,598,000?

13 A. Well, we were -- the fund was
14 designed to deal with closure and after-use. This is
15 after-use. I believe it was designed to
16 deal with 6 and 10.

17 Q. You are sure it was dealing with
18 after-use? What you're saying is it may have been done
19 with 6 as well; is that right?

20 A. Yes.

21 Q. I'm sorry, I don't understand the
22 S-20.

23 A. All right. This doesn't call it
24 S-20. It is just an actuarial designation. It is just
25 the present worth of one per period and I think we were



1 working at an earnings rate of eight per cent.

2 Q. So having said that, do I under-
3 stand you take item 6 which is \$2,950,000 and item 10
4 which is \$1,598,000, and you put it into this table, you
5 want to get the sum of those two numbers at the end of
6 20 years and this table gives you the -- at eight per
7 cent what you need to set aside each year in order to
8 have those two sums at the end?

9 A. Yes. I will have to verify what
10 the fund was set up to realize. My recollection is
11 that's what it is. That's what it says on the board
12 but I will have to go back and check that.

13 Q. All right. I know you went right
14 through here on H-284, you went right through the
15 inflation adjustment. The figures that we have just
16 talked about on items 6 and 10 are, as I understand it,
17 1986 numbers?

18 A. They have to be inflated.

19 Q. So they have to be inflated, right?
20 So where you have sinking fund going right through the
21 inflation adjustment you should have a box there saying
22 inflation adjustment as well; right?

23 A. I think what happened was, and
24 once again I can verify it, that we incorporated in that
25 calculation, we work with real rates of interest. So with



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1 one and the same calculation that we incorporated the
2 inflation of the cost and earnings of the actual payments,
3 getting the one from the other, getting a real rate of
4 interest and we used that.

5 Q. So you didn't use eight per cent?
6 You probably used eight per cent plus an inflation
7 factor percentage and that figure would be what number?

8 A. Well ...

9 Q. Do I understand correctly that is
10 what you did, eight per cent plus an inflation percentage?

11 A. I have to verify we used eight.

12 Q. You told me eight.

13 A. We have two calculations, one in
14 H-45 and one in H-279. On H-279 we were working with
15 five per cent cost inflation, ten per cent cost of capi-
16 tal and I believe we were working with eight per cent
17 interest earnings on the reserve.

18 Q. Just stop there so we get that down
19 clear.

20 A. I would like to verify this.

21 Q. That's fine, just so we've got it
22 clear on the record and we understand where you are
23 going. On H-279, which is the update document; right?

24 A. Yes.

25 Q. You said -- three percentages you



1 used, ten per cent cost of capital and then I thought
2 you said a five per cent and another number.

3 A. Five per cent cost inflation.

4 Q. Five per cent cost inflation.

5 A. And then eight per cent interest
6 earnings on the fund. Now, in the sinking fund calcula-
7 tion we therefore would have made use of the eight per
8 cent and five per cent, the ten per cent not being
9 relevant to that particular calculation.

10 Q. So subject to double checking your
11 best recollection now is that in H-279 you used eight
12 per cent interest earnings on the fund and five per cent
13 inflationary factor throughout the period; correct?

14 A. Yes, and then in H-45, page 1-6,
15 it indicates that we used five and ten, so we used the
16 same assumptions.

17 Q. Five and ten? You just told us
18 five and eight.

19 A. Five per cent cost inflation, ten
20 per cent discount rate, understood, eight per cent
21 reserve fund earnings rate. We changed -- obviously
22 the period during which we did these studies was quite
23 changeable in terms of economic factors. From stage to
24 stage there was some variation in the assumptions. That
25 is what I am trying to get straight on the ones we've



1 been pulling out and these particular studies you have
2 been speaking of.

3 Q. You are going to double check that
4 and you could also tell us how much you added then each
5 year throughout the period?

6 A. Yes.

7 Q. Now, so that I sort of get it clear,
8 do you add the eight and five per cent?

9 A. No, you subtract them but you
10 don't exactly. There is a bit of a manoeuvre but more
11 or less you subtract them.

12 Q. So, you subtract the five from the
13 eight, is that it, and you have a real interest rate of
14 three per cent over the period, earnings throughout the
15 period; is that what I understand?

16 A. Yes. The money is accumulating at
17 eight and the cost is accumulating at five. As I say,
18 that is a difference more or less of three. There is
19 another factor in there.

20 Q. There is another factor in there?

21 A. Just an actuarial wrinkle, it's not
22 a major factor.

23 Q. You will tell me what that wrinkle
24 is. Do you need to look at it or is it taken care of
25 in the tables?



1 A. It would be taken care of in the
2 material and we'll show you exactly what we did which I
3 believe is consistent.

4 MR. LANCASTER: Mr. McQuaid, might we have
5 a few minutes now?

6 MR. McQUAID: Yes, sir.

7 --- Recess

8 MR. LANCASTER: Be seated, please.

9 MR. McQUAID: Q. Were you able to track
10 any of those items, Mr. Watson?

11 MR. WATSON: A. No, we have a list of
12 three or four items and we will have to bring them to
13 you tomorrow morning. I think they all appear to be
14 as I have been telling you but we will go back and
15 verify that.

16 Q. Now, take if you would your H-279
17 or the last three pages of H-286. I refer you to UP-15,
18 the second dot:

19 "Corrections made to sinking fund calcula-
20 tion in regional capital cash flow."

21 Just while we are at the point of sinking fund calcula-
22 tions can you tell us what was it, what corrections were
23 made to the sinking fund calculation?

24 A. We will provide that information as
25 part of the explanation of the sinking fund calculation.



1 I think the problem was with the landfill technical that
2 the rates of interest we used, the real rate of interest
3 used, was higher than we would ordinarily have liked to
4 use. So we have modified to make it more ...

5 Q. Okay.

6 A. Thereby increasing the size of that
7 sinking fund, annual sinking fund requirement in both
8 cases.

9 Q. Now, those corrections, that would
10 go into which of the categories up above, regional cost,
11 area municipal or private sector costs?

12 A. The regional sinking fund would
13 provide for the after-use closure of the regional site.

14 Q. That would be in the first item,
15 regional costs?

16 A. Yes.

17 Q. All right then, I am just going
18 to go down the dots under Site D to be sure we have got
19 what it is that happened and then we will go back onto
20 Site F. The third dot says:

21 "Minor change re allocation of minor
22 haul costs."

23 Can you just tell us, maybe by reference to the two
24 printout exhibits, looking at H-285, the second page of
25 H-285, there appears to be a change that is noted in the



1 haul costs?

2 A. Yes.

3 Q. What is that all about?

4 A. What that was all about was simply
5 the allocation, the total haul cost allocation didn't
6 change. What did change was the distribution between
7 the municipal haul component and the private haul com-
8 ponent, the private commercial haul component. The
9 situation is simply that the so-called small haulers,
10 that is to say individuals and those hauling without
11 commercial haul vehicles, of whom there are a considerable
12 number but they don't account for a large percentage of
13 the waste but there are quite a number. In our estimate
14 they represent about 15 per cent of the total cost
15 because of their numbers. The way in which the calcu-
16 lation should have been made was to take the 15 per cent
17 from the total cost of haul and then attribute 45 per
18 cent of the remainder to the municipal haul with the
19 balance going to private. What we had done in the
20 landfill technical was to take the 55/45 split from
21 the total and leave it at that. So this is a long way
22 of saying that there is a modification of the distribu-
23 tion. So we have less on the municipal haul side of
24 it and more on the private haul side of the equation
25 with the same total. So it is a refinement.



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10B

1 Q. Are you saying the area municipal
2 costs and the private sector costs between the Schedule
3 K and the update really add up approximately to the
4 same -- it is just a shift in which category they are
5 under?

6 A. Yes.

7 Q. Then the approval costs at note 4,
8 Site D, that is -- that just means that the same figures
9 would be on either equation or either site; is that
10 correct?

11 A. Yes, we are just flagging the
12 numbers that we have used, we wouldn't be surprised to
13 see that they are low but as you say it is a null factor
14 in the sense it applies either way.

15 Q. Now, the next item is one that I
16 guess escaped me when I was talking to you earlier when
17 I was reading through these. I am going to back up a
18 little bit for purposes of the record because I want to
19 be sure we have it correctly. I went through with you
20 that page 2-12 in Exhibit H-45 and you recall we had
21 that discussion about what you did based on 2-12 in
22 putting that \$1,854,000 present value into the private
23 sector costs back as of January 1st, '87?

24 A. Yes.

25 Q. We had that discussion and you



1 confirmed for me that is what you have done?

2 A. Yes.

3 Q. I don't think I realized it until
4 I read this dot over this recess that you made another
5 adjustment as I understand it to that private sector cost
6 now at Site D at this point 5?

7 A. We had another adjustment and
8 what did you say?

9 Q. An adjustment has been made, you
10 have actually lowered the amount now, have you?

11 A. You're speaking for Site D, we
12 have lowered the amount, yes. We have gone with the
13 mid-point of the range going from zero to \$2.2 million.
14 One point one is the mid-point, the present value of
15 that on the same basis is \$900,000.

16 Q. I gather that is the result.
17 Looking at that again, you feel more confident that the
18 off-site figure is not going to be in excess of that
19 mid-point of the range obviously; is that correct?

20 A. The mid-point of the range is an
21 expected area. The possibility for variance is still
22 there. I felt that a variance from zero to \$2.2 million
23 was just a little wide. Working with the middle of the
24 range was a reasonable approach.

25 Q. Okay ...



1 A. If I had continued with the range,
2 it would have been a narrower range than zero to \$2.2
3 million.

4 Q. Now, going to Site F. We have
5 just filed the exhibit H-287 which has revised cash
6 flow analysis for Site F. I highlighted for the Board
7 the two figures that are under regional costs. I wanted
8 to discuss with you as we are looking at page UP-15 and
9 the text earlier what it is that you have done, first
10 of all, with respect to property acquisition costs.
11 At page UP-15, that dot, the first dot under F and I
12 have just numbered it 6 and the remaining dots that go
13 down to 11, looking at that dot 6 then on this page, it
14 says:

15 "Property acquisition costs are updated
16 from \$5.8 million to \$2.2 to \$6 million
17 in 1987."

18 A. You said \$5.8 million?

19 Q. Yes.

20 A. Yes.

21 Q. If you look at the text here in
22 H-286 you have a summary, if I understand it correctly,
23 of what approaches were taken to Site F in terms of
24 valuing that property beginning at UP-4?

25 A. Yes.



1 Q. You say here you have used two
2 alternative approaches to valuing this 219-acre site.

3 A. You are on page?

4 Q. Page UP-4, first sentence.

5 A. Yes.

6 Q. The first relates to the land for
7 industrial and related development purposes and the
8 second approach involves the value of the land as a
9 waste disposal site?

10 A. Yes.

11 Q. From your experience, if you have
12 any, Mr. Watson, what is the test that would be applied
13 here in terms of valuing Site F? What do you under-
14 stand under the Expropriations Act you would actually be
15 looking at?

16 A. I think to my mind in any event
17 not as a lawyer and not being a lawyer, there is some
18 uncertainty about it and that is why I have gone with
19 the two approaches and the range. I understand the
20 Expropriations Act to say that the value to be applied
21 to a piece of property should not be the value that
22 the expropriator, should not relate to the use that the
23 expropriator has in mind. However, in this case, I
24 understand that the owner of the land was pursuing the
25 idea of creating a disposal site and that that would



1 seem to be a clear clause in the Expropriations Act but
2 may not apply in this instance, but far wiser heads than
3 I will prevail on that one. I don't know, but it
4 appears as though it would be prudent to do it both ways.

5 Q. What is your evidence as to the
6 highest and the best use of this property?

7 A. Well ...

8 Q. Or is that an area that you are
9 an economist and you said your experience in being an
10 Ontario land economist is what allows you to comment on
11 these things. Do you really feel that you should venture
12 into this area?

13 A. I don't think I'm venturing into
14 it. I have been in it for ten or 15 years.

15 Q. You are actually called at
16 compensation hearings to give appraisal evidence on the
17 value of land, what the highest and best use is and
18 what techniques should be applied among the various ...

19 A. That is an appraisal.

20 Q. But you are not called to do that,
21 are you?

22 A. I'm not an appraiser so I'm not
23 called to do it.

24 Q. You wouldn't be qualified in those
25 forums to do that?



1 A. I would not be qualified as an
2 appraiser, no.

3 Q. Do you feel that you should give
4 evidence here of an appraisal nature as to what an
5 appraiser might conclude as to what the highest and best
6 use of the land might be?

7 A. I think, as you say, as a land
8 economist, I have been a land economist for 15 years,
9 that I would have no hesitation about giving evidence
10 on highest and best use of property. I think I have
11 qualifications, if you care to look at them, that deal
12 with the many related studies that I have done in terms
13 of the use of land, market studies and so on. If you
14 would like to go through those perhaps that would allay
15 your concern.

16 Q. My question really is to you --
17 I am saying you've got a range here in this valuation
18 of from \$2 million to \$6 million; correct?

19 Two point two million dollars to
20 \$6 million which is a pretty wide range?

21 A. It is.

22 Q. What are you saying as an
23 economist is the likely value for this Board to try and
24 establish the relative economic cost of these two
25 properties?



1 A. I am saying where I have clearly
2 said that I would expect it to be within that range.
3 It could be at the top, it could be at the bottom or
4 it could be in the middle. I can't go beyond that at
5 this point. I don't know that anyone in a definitive
6 way could go beyond that at this point.

7 Q. As a starting point then what then
8 have you concluded is the highest and best use of the
9 property?

10 A. I have looked at alternative uses
11 from the sentences that you have read. I have looked at
12 the use as a disposal site and I have looked at the use
13 of the land as best it can be put to industrial uses and
14 the other uses that are permitted in the rather restric-
15 tive clauses of the Parkway Belt Plan and the by-laws
16 of the City.

17 Q. All right, if we look at UP-4 going
18 over to page UP-8, if I understand it correctly, you are
19 saying that based on industrial and related development
20 purposes at UP-8, the total Site F would therefore have
21 a value in the order of \$2,190,000 to \$2,745,000 as
22 development land. That is on the first approach?

23 A. Yes.

24 Q. However, you went on to value it
25 as a landfill facility based on the private application.



1 that had been filed by NSP; is that correct?

2 A. Not entirely based on that, but as
3 a result of that. Not based on it, as a result of it
4 I went on to look at it as a landfill.

5 Q. Okay, you went on to look at it
6 as a landfill. Let us just look at that for a moment.
7 Now, in the first sentence underneath valuation as a
8 landfill facility, you say:

9 "There is a possibility that this app-
10 roach to valuation may be applicable."

11 A. For the reasons I explained earlier,
12 yes.

13 Q. You can't be more definite than
14 that?

15 A. I can't be, no.

16 Q. You are not in a position then to
17 say that the highest and best use of the land would be
18 as a waste disposal facility?

19 A. Well, that use would certainly be
20 the best in the sense that it would appear to be the use
21 that would generate the largest amount of value for the
22 site. Whether it is considered to be highest and best
23 use for the purposes of valuating a piece of land in an
24 expropriation situation, that I don't know. The landfill
25 would appear to be the highest and best use, yes.



1 Q. Could you just then, going on
2 page UP-8 over to the next page, you set out certain
3 assumptions first on UP-8 and then over on UP-9. Can
4 I ask you to explain for me the first one on UP-9:

5 "The site capacity was set as a maximum
6 at the total (underlined) 20-year, most
7 likely landfill tonnage required by the
8 Region."

9 Is that what you're saying?

10 A. Yes.

11 Q. What is that figure?

12 A. How much waste is that?

13 Q. What is the tonnage you were
14 working on?

15 A. That goes back to my evidence in
16 the spring, it is four million tons, 4.2 million
17 Imperial tons.

18 Q. I'm sorry, say again?

19 A. That is including contingencies.
20 I would have to look that up to be sure. We took the
21 most likely forecast of the Region's landfill requirement,
22 entire landfill requirement for the 20-year period which
23 would be just under four million Imperial tons in total
24 on the optimistic scenario that the site would be set
25 up, the site would be operational the entire 20-year



1 period and would capture all of the Region's landfill
2 designated waste.

3 Q. Then you go on to say in the next
4 sentence:

5 "As a minimum, it was set at total
6 regional requirements for an 8.75-year
7 period."

8 Can you explain to me what that means?

9 A. The application was made, it was
10 for a particular quantity. From memory I believe it
11 was one million point six.

12 Q. The application by whom?

13 A. NSP, the landfill, I saw it several
14 years ago.

15 Q. This is the private application
16 then?

17 A. The private application under --
18 to the Ministry of the Environment.

19 Q. Right.

20 A. I took that to indicate the nature
21 of the enterprise that was being considered, the capacity
22 of the land and so on. I used that as the low end of
23 the highest and the best use range. Eight point seven
24 five years, taking 100 per cent of the Region's landfill
25 waste would generate approximately -- it would generate



1 almost exactly the amount of waste mentioned in the NSP
2 application which I may say -- I can locate it but I
3 believe it is 1,600,000 tons.

4 Q. So I am clear I understand the
5 English in this sentence, that the minimum capacity you
6 examined was approximately 1.6 million tons, Imperial
7 or tons metric?

8 A. Those were metric, I believe.

9 Q. So tons metric. That would have
10 been filled up if it took 100 per cent of the regional
11 waste in about 8.75 years, that is at the low end of
12 the scale, the minimum end of the scale?

13 A. Yes.

14 Q. All right, so that gives you a
15 site capacity from 1.6 million metric tons to approxi-
16 mately four million Imperial tons which I think we have
17 heard -- we have heard a figure I think of 3.8 metric
18 tons as being the capacity.

19 A. One million, five hundred and
20 seventy-four thousand metric tons was mentioned in the
21 Certificate of Approval application in 1982.

22 Q. Okay then. So that gives you a
23 capacity, it is 1,574,000 to approximately 3.8 million
24 metric tons, is that what you understand? You will
25 check that. Let us assume that.



1 A. I said just under four.

2 Q. Then at line two you go on to
3 indicate that there is a tipping fee to be charged in
4 the range of -- was judged to be in the range of \$20
5 to \$30 per tonne with the lower end of the range being
6 more likely to apply than the former. You say:

7 "This conclusion is based on two conside-
8 rations."

9 You refer to the figure which is at page UP-10. Now,
10 can you be more specific? What figure is it -- did
11 you actually run a calculation based on this capacity
12 as to what the tipping fee rates would be over the
13 period that this site capacity was being utilized?

14 A. Did we calculate what sort of
15 tipping fee would be required to cover the costs?

16 Q. It says here:

17 "The tipping fee to be charged was judged
18 to be in the \$20 to \$30 ... with the lower
19 end ... being more likely to apply than
20 the former."

21 So I can be clear do you select a figure and run it
22 across the tonnes and deduct the cost to come up with
23 a conclusion?

24 A. Yes, we ran -- we did about a
25 dozen runs, running different variables in that regard.



1 The figure that I was looking for earlier would appear
2 to be 3.6 million tons, Imperial tons.

3 Q. Three point six million Imperial
4 tons?

5 A. As 100 per cent of the Region's
6 landfill waste, that is the most likely figure that I
7 spoke of in the spring.

8 Q. Okay. Now, my question really
9 is what figure did you use in order to come up with the
10 conclusion that is summarized here? What is the actual
11 tipping fee to be charged?

12 A. We ran \$15 -- these are metric
13 tons -- \$15 per tonne, \$20, \$25 and \$30. We ran
14 different profit levels, ten per cent, 20 per cent and
15 I think one higher. We ran two capacities that we
16 have been discussing, discounted at 15 per cent so that
17 gave us a range of present values for the land based
18 upon the landfill use and the profit which would
19 conceivably flow from that use, making a reasonable
20 assumption about -- making a reasonable assumption on
21 all those counts.

22 Q. All right. I see that the range
23 of values that you came to as a result of running these
24 various assumptions over at UP-11 is \$4.5 to \$6 million?

25 A. Yes.



1 Q. Can you give us what the \$6 million
2 range represents, what were the combination of ...

3 A. UP-12 contains one run of, as I
4 say, a large number. I took the various runs and I
5 looked at the ranges and I considered the most likely
6 range, for example, with the tipping fee \$20 to \$25,
7 looking at what the costs would probably be and what
8 the market was obtaining charging. Then in working
9 with the range, in Figure 2, the range at the top of
10 the bars of course is the difference between the eight
11 years and the 20 years, I looked at all these ranges
12 and it was a matter of simultaneously considering
13 different profit levels, different volume levels and
14 different tipping fee levels. It went from 4.5 to 6
15 successfully straddled all the most likely possibilities.
16 You can see clearly where that puts you if you look at
17 UP-12. You are basically at \$25 a tonne for any amount
18 of waste within our consideration at 20 per cent profit
19 level. If you move to the \$20 per tonne, obviously
20 the amount falls. Obviously when you get up into the
21 range of \$20 a tonne it would be to increase the profit
22 level. At the higher level, the \$30 per tonne, I didn't
23 feel that that was a realistic amount to assume as a
24 revenue item but it was, most of it was within that
25 range in any event.



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1 Q. Have you ever valued a landfill
2 site before?

3 A. No.

4 Q. Have you ever been responsible for
5 setting the tipping fees for a landfill site?

6 A. I have never been a municipal
7 staff and actually done it but I have worked with the
8 Municipality of Halton and Mr. Rinaldo and staff over
9 five years. It wasn't my responsibility but certainly
10 looking at the factors involved.

11 Q. That would be the extent of your
12 responsibility and experience in terms of setting
13 tipping fees; is that correct?

14 A. I have worked with a number of
15 other landfill projects but as far as the establishment
16 of tipping fees, yes.

17 Q. Going back to UP-10 we see that
18 Peel, for example...

19 A. ...is charging \$34.50 for private
20 haulers and \$20 for municipal haulers. The blended
21 charge is very close to the \$25 line.

22 It would be slightly above it.

23 Q. All right. Well, tell me. I
24 look at it and I figure well, if Peel is charging some
25 figure that is above the range of the figure that you
charge, why wouldn't Halton do the same? Tell me why



1 I can't make that assumption.

2 A. Well, a municipality is normally
3 going to look to some aspect of cost recovery and
4 Halton in its charges elects to fully finance its solid
5 waste disposal program which goes well beyond the
6 operations of the present landfill. It goes to the
7 ongoing cost, the closure cost of the former landfills
8 at Oakville and I believe Georgetown, it goes to the
9 container stations. It covers a very wide area of
10 administrative works costs and there is -- it covers
11 debt costs. There is a long list of items in there
12 that don't directly pertain to the operation of the
13 landfill. In any event, I think the municipality would
14 establish a cost recovery policy and we pursue that
15 policy rather than simply charging what the market may
16 or may not bear.

17 Q. Can you explain to me why?

18 A. Given that they have a monopoly.

19 Q. Can you explain to me why, if I
20 look at H-40, at K-3, can I ask you to just look at that
21 page? This is in ...

22 DR. KINGHAM: That is H-14?

23 MR. McQUAID: H-40, sir. Oh, have I got
24 the wrong -- thank you, Dr. Kingham. I have it numbered
25 wrong.



1 Q. K-3 in Appendix K. I refer you
2 to criterion No. 4 where there are projected annual
3 tipping fees in current dollars per tonne. Those
4 figures are at the lowest I think on Site D, \$32.80 in
5 1988. They are \$36 at Site F. We see correspondingly
6 the increases. I said the lowest. I guess the lowest
7 is \$28.10, 1989, \$28.10 for Site D. Why wouldn't you
8 expect the same sort of annual tipping fee that is being
9 projected here would be used in a calculation to figure
10 out what the highest and best use of the property would
11 be?

12 MR. WATSON: A. I will give part of the answer
13 and perhaps, Mr. Rinaldo, if that is permissible, can
14 add to that. I think I have already given part of the
15 answer that we are talking about the tipping fee to be
16 charged by a private organization. You are comparing
17 that for the operation of one particular facility. You
18 are comparing that to a tipping fee being charged by a
19 regional municipality for a whole host of purposes
20 beyond the operation of a particular landfill. So,
21 obviously whatever it is charging is going to be more
22 than the actual cost of that particular landfill facility.
23 It could be incorporating export and all kinds of things
24 but I will let Mr. Rinaldo answer.

25 MR. RINALDO: A. Basically you have to



1 remember that the projections that are included in this
2 page, K-3, includes a projection of costs of tipping fees
3 into the 1990's. What you are talking about here is a
4 tipping fee in 1987-1988 dollars. It is very important
5 to be aware that the Region charges other things, other
6 than landfill in its tipping fee. It includes a source
7 separation program which many municipalities do not
8 include. The actual landfill itself is in the vicinity
9 of \$25 a ton. The projected landfill costs of our new
10 landfill site is in the vicinity of \$25 a ton in 1988
11 dollars.

12 Q. Do I understand then, Mr. Rinaldo,
13 the difference between the 25 and these figures we see
14 on criterion 4, K-3 of H-14, would be this combination
15 of source separation and is there an inflation factor?

16 A. Yes, there is source separation,
17 container station operations, general administrative
18 cost, overhead cost that we apply to the entire program
19 and so on but the direct cost of the landfill operation
20 is in the vicinity of \$25.

21 Q. Is the same thing true if we look
22 through these tipping fees that you have analyzed in
23 H-280?

24 A. Yes, that is correct.

25 Q. Thank you, that is fine. That



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1 explains for now what the Region is doing.

2 Let me go back to you, Mr. Watson, and to
3 UP-12. Based on \$25 per tonne tipping fee then you
4 concluded that that range, actually the figure that we
5 see on UP-12 is 4.35 to 5.85?

6 MR. WATSON: A. Those are millions of
7 dollars as the vertical axis indicates.

8 Q. You say you've bracketed at
9 4.5 to six million; is that what I understood?

10 A. Yes, because as I say I simply
11 didn't take \$25 a ton or 20 per cent. I considered the
12 other variations and tried to get a range that straddled
13 all the reasonable eventualities.

14 Q. Do you have any idea at all what
15 NSP values the lands at?

16 A. The amount that NSP maintains the
17 land is worth? I don't know that.

18 Q. No one you are aware of at the
19 Region has made that inquiry or asked what that figure is?

20 A. There have been continuing discus-
21 sions and communications but I attempted to do evaluation.
22 The fact that NSP might value it at \$2 million or \$20
23 million isn't going to alter the basis that I would
24 pursue.

25 Q. But they may have some information



1 as to what they thought the tipping fee would be, the
2 capacity, the amounts, what they thought the highest
3 and best use might be? In other words, they might have
4 what we might call an expropriation proceeding, a claim
5 indicating what amount they thought their land was worth.
6 My question really to you is is there any idea of what
7 their claim or their request for payment might be?

8 A. I don't have it. We haven't had
9 access to that. I haven't had access.

10 Q. Now, all of the information which
11 we see here in this update, Exhibit H-286, would I
12 be correct if you had this information throughout the
13 five -- certainly the latter part of the five years you
14 have been involved and you had this information when
15 you did your calculations back at H-45 ...

16 A. I'm sorry, what information?

17 Q. The information about, you know,
18 what the capacity may be and what percentages profit
19 there might be and what the tipping rate, tipping fee
20 might be. This is not the first, this Exhibit H-286
21 is not your first attempt, I would take it, at trying
22 to figure out what the value of Site F might be as a
23 landfill site?

24 A. Previous calculations were made
25 by others. We were party to them but they were made by



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1 others.

2 Q. Would I be correct that is the \$5.8
3 million we see referred to back in H-45?

4 A. To be more specific it was a range
5 in the low two's to 5.8 and we used 5.8 at the time.

6 Q. That is I guess the point I am
7 getting at. You had, the low ball, there is a low end
8 of the range known to you about what would happen if you
9 sold it for industrial for some considerable period of
10 time. You had a range back in November of 1986 in H-45
11 from the low two's to the 5.8 as you have just indicated.
12 You just confirmed that for me.

13 A. We had a report that was prepared.
14 The report actually wasn't finalized until after this
15 report but we had discussions with the appraiser, with
16 the regional finance people about it and at that point it
17 was felt that the 5.8 was more reflective of the value.

18 Q. At that time, that being when you
19 did Exhibit H-45?

20 A. Yes.

21 Q. You put forward your best report
22 in November of 1986 in this H-45 as to what the real
23 cost of Schedule -- I'm sorry -- of Site F would be;
24 correct and at that point it was 5.8?

25 A. That was our estimate, yes.



1 That was the estimate of the team.

2 Q. You again passed on that particular
3 estimate and for your report back in November of '86 you
4 used, as your best understanding of the value, 5.8?

5 A. That is what we used.

6 Q. Okay. Now, can you tell me, tell
7 the Board, why would you even consider going back to
8 this lower range in the update if in fact you had
9 concluded in November of 1986 that the figure of 5.8 was
10 the appropriate figure?

11 A. Well, as I say, the valuation
12 report was not made available to us in its complete form
13 until after we had written this report. What we were
14 working with then, in terms of a value for Site F, not
15 in November of '86, I have indicated it was September
16 of '86, was verbal discussions of findings. We had a
17 number of discussions with the appraiser as he did his
18 work and we had discussions as he was nearing a conclu-
19 sion. When we subsequently received the document, had
20 an opportunity to consider it and explore it further,
21 and to expand our understanding of the situation I felt
22 that it was appropriate to show the range. I don't
23 think that we have the wherewithal to say today that
24 unquestionably that site would be valued in that way and
25 that it would be at that high end.



1 DR. KINGHAM: I wonder if we could get
2 clearly on the record what you just said. You said
3 the evaluation report was not made available to us in
4 its complete form until we had completed this report.
5 "This report" being H-45?

6 MR. WATSON: Yes, sir.

7 DR. KINGHAM: Are you saying H-14 was
8 not available to you as a comprehensive document until
9 you had completed H-45? That's why I asked the
10 question. I'm not sure what "this" was.

11 MR. McQUAID: Q. I think "this" means
12 the appraisal report that you subsequently obtained; is
13 that correct?

14 MR. WATSON: A. Yes, that report is
15 dated November 4th, '86. We had, some time before that
16 date, completed this work.

17 Q. Can you explain then why when we
18 look at H-45, page 3-1, in the second paragraph, 3-1 --
19 I've just about finished this section, Mr. Chairman.
20 Just bear with me. I will finish this up.

21 MR. LANCASTER: We will do that.

22 MR. McQUAID: Q. Page 3-1 says:
23 "Site capital costs include site acquisi-
24 tion, site development, approval, off-site,
25 road improvement and after-use cost. The



1 site acquisition costs were estimated in
2 an appraisal prepared by Chambers and
3 Company Limited."

4 If we go back to H-44 which was dated earlier, actually
5 in June of 1985, that is H-44, page 7-2. I will refer
6 you to the middle paragraph on that page 7-2:

7 "For the site plan area of F, Chambers and
8 Company Limited was retained to appraise
9 the site due to the greater complexity of
10 valuing a quarry site. Two valuations
11 were prepared for purposes of the
12 environmental assessment -- one consider-
13 ing the longstanding application for a
14 private landfill operation on the site,
15 and the other, excluding this considera-
16 tion."

17 This seems to indicate, doesn't it, Mr. Watson, that
18 Chambers and Company Limited, and they are a firm of
19 qualified appraisers in the Hamilton area, the Southern
20 Ontario area; is that correct?

21 MR. WATSON: A. Yes.

22 Q. They had been working on this
23 problem from at least June of '85 through to -- you
24 referred to a report dated November of 1986?

25 A. Yes.



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1 Q. Indeed in your own report in
2 November of 1986 you said you had an appraisal prepared
3 by Chambers and Company Limited. Now, they had been
4 working on this problem, you had been aware, you even
5 said a little earlier that they had given you the range
6 of the low 2.2 to 5.8 and you used the 5.8?

7 A. Yes.

8 Q. So this lower figure and this
9 lower approach has been around I assume for many months,
10 if not years, before November of 1986; correct?

11 A. Yes, the first appraisal that they
12 did or valuation they did was dated December.

13 Q. You called it an appraisal?

14 A. That's what we call it.

15 Q. You call it an appraisal in H-45,3-1.
16 You call it an appraisal?

17 A. Yes.

18 Q. Are you going to say that because
19 you couldn't get access to a house on Site F that you
20 call it an evaluation?

21 A. I think the situation with Site F
22 is clearly different from the situation on Site D. I
23 don't know if that moves us from evaluation to an
24 appraisal. We did call it an appraisal, though.

25 Q. It seems that way.



1 A. In December, 1984 there was a
2 report from Chambers. They had the range. The second
3 report, as I said, was produced in November of 1986,
4 but the focus of the discussions we had with the
5 appraiser and with the finance staff prior to that
6 report coming out were concentrated on the upper end.
7 Once again when we received the report we thought about
8 it and we considered it in subsequent months. We were
9 of the opinion that the range should be used.

10 Q. You don't think that it would
11 have been more realistic having regard for this pattern
12 that you have, that in fact you used it in 1986 it
13 wouldn't be more realistic to use the figure you used
14 in November so that we can be looking at your best
15 efforts?

16 A. If I thought it was more realistic,
17 that is what I would have done. I don't think it is
18 more realistic. I think the range should be considered
19 here because I think -- I think it is a potential variable.
20 It is a highly variable, a very difficult evaluation, a
21 highly variable situation and that is why we have got a
22 fairly broad range there.

23 Q. What is it that is highly variable?
24 What is it that has changed since November of 1986
25 factually that would lead you to think the situation is



1 such that you can get the property for as low as \$2
2 million?

3 A. Nothing has changed. Both
4 appraisal reports indicated that, so there is no change.
5 The only change is the way in which we carried the
6 numbers forward into our analysis. I think when you
7 receive reports and we do work ourselves and we clearly
8 see the basis for a range then that is the best practice
9 to use. In retrospect the use of a range would have been
10 more appropriate in the landfill technical report but
11 we didn't use one and we have remedied the situation in
12 the present update.

13 Q. You stand by your comment a little
14 earlier to Dr. Kingham and to me earlier than that that
15 the valuation report was not made available by November
16 of 1986, H-45 or would you agree with me that the
17 comment that you make on 3-1, the acquisition costs from
18 the estimation appraisal would indicate you actually had
19 that appraisal as of that date?

20 A. I didn't have this appraisal and
21 my recollection is that it was a matter of discussion,
22 verbal discussions. If my colleague had it, I didn't
23 have it and I don't believe she did.

24 Q. So the statement here on 3-1:
25 "The site acquisition costs were



1 estimated in an appraisal prepared by
2 Chambers and Company Limited."

3 That's not accurate?

4 A. I'm not saying that's not accurate.
5 They reported on their findings to us verbally prior
6 to the issuance of the report but they undoubtedly had
7 some documentation. We don't have any on file. They
8 were able after a period of work to talk to us, they
9 had already done an appraisal and as you say, there was
10 no major shift from their first appraisal to the second
11 appraisal so it wasn't -- it wasn't a major change but
12 we simply -- I simply didn't have the report to sit down
13 with and think about carefully over the period of time.

14 MR. MCQUAID: Well, Mr. Chairman, I am
15 not going to finish this area tonight nor am I going
16 to finish this witness. So perhaps this is an appropriate point.

17
18 MR. LANCASTER: We will adjourn until
19 9:30 tomorrow morning.

20 MR. LEDERER: Mr. Chairman, just before
21 you rise if I could just get some clarification. I had
22 originally told Mr. Walker he should be prepared to be
23 here tomorrow. That is obviously not -- I wonder if it's
24 at all possible to make any judgment now as to whether
25 he will be required this week.



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1 MR. LANCASTER: Mr. McQuaid, how long
2 will you be?

3 MR. McQUAID: I will be most of tomorrow.

4 MR. LANCASTER: It appears that he won't
5 be, I don't think. Ms Vigod?

6 MS VIGOD: I don't think I have any
7 questions at this point.

8 MS CRONK: At this point I don't know
9 how long I will be but it seems that if Mr. Leitch is
10 reached on Thursday there is a good chance we will
11 finish on Thursday.

12 MR. LEITCH: I am scoping as I go along.
13 I hope I will be finished on Thursday. I hope we would
14 all be finished on Thursday.

15 MR. LANCASTER: I don't think Mr. Walker
16 will need to be available until next week.

17 MR. LEDERER: I won't call him entirely
18 off. I call him half off.

19 DR. KINGHAM: If you all will be finished
20 on Thursday we will write up a decision on the weekend!

21 --- Adjournment at 4:38 p.m.

22 CERTIFIED CORRECT

23

24

25


P. D. McQueen

. (page 12350 follows)

