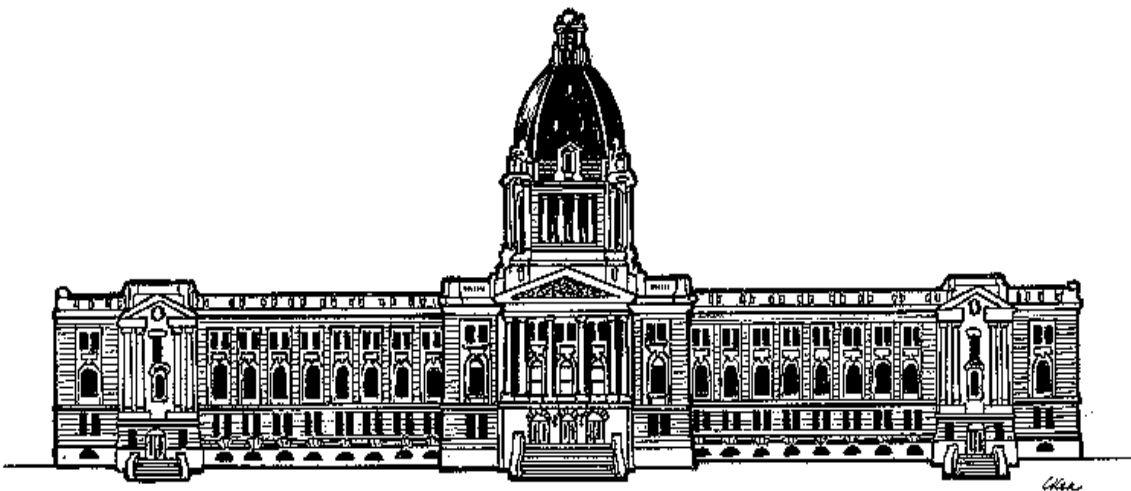




STANDING COMMITTEE ON PUBLIC ACCOUNTS

Hansard Verbatim Report

No. 20 – May 3, 2005



Legislative Assembly of Saskatchewan

Twenty-fifth Legislature

**STANDING COMMITTEE ON PUBLIC ACCOUNTS
2005**

Mr. Elwin Hermanson, Chair
Rosetown-Elrose

Mr. Lon Borgerson, Deputy Chair
Saskatchewan Rivers

Mr. Ken Cheveldayoff
Saskatoon Silver Springs

Mr. Glenn Hagel
Moose Jaw North

Mr. Ken Krawetz
Canora-Pelly

Mr. Kim Trew
Regina Coronation Park

Mr. Kevin Yates
Regina Dewdney

[The committee met at 10:45.]

Public Hearing: Reporting on Infrastructure

The Chair: — Good morning, everyone. We will commence with this meeting of the Public Accounts Committee. I'd like to welcome committee members here, as well as officials from the Provincial Auditor's office, the Provincial Comptroller's office, our Clerk. And I see just a number of witnesses out there just eager to have their turn.

This is going to be a bit of a different format this morning. We're looking at chapter 18 of the 2004 report volume 3, which is reporting on infrastructure. And this involves four separate entities of the provincial government: the Department of Highways, the Department of Property Management or SPMC [Saskatchewan Property Management Corporation], SaskEnergy, and the Saskatchewan Transportation Company.

So colleagues we're going to be fairly disciplined to move through all four areas. If we could focus primarily on the infrastructure and not get too broad so that we can, in approximately 15 minutes each, deal with these. I think that would be the best modus operandi.

We will have first of all a brief report from the Provincial Auditor's office. And then we will ask the Department of Highways and Transportation officials to take their seats, respond again briefly to the auditor's report, and then we'll get into questions and try to make the most of the hour that's available to us.

From the Provincial Auditor's office we have Kim Lowe presenting, and so we will give the floor to Ms. Lowe.

Ms. Lowe: — Thank you, Mr. Chair, members, and officials. I am pleased to present chapter 18 of our 2004 report volume 3. This chapter does not contain any new recommendations. Rather it sets out the results of our follow-up of recommendations we made in 2002 and 2003 about public reporting on infrastructure.

We focused our work on SaskEnergy, Department of Highways and Transportation, STC [Saskatchewan Transportation Company], and Saskatchewan Property Management Corporation, now the Department of Property Management. Each of these agencies manage significant infrastructure. In general each are improving the information they give the public about their infrastructure.

I will now briefly describe the progress of each agency in this area. SaskEnergy has fully addressed our recommendation. It now provides the public with good information about the condition of its natural gas transmission and distribution systems, and the ability of these systems to meet peak demands for gas.

The Department of Highways and Transportation has made progress by providing, in its public report, its key plans for highway condition, safety and reliability, and its basis for measuring its results. However the department had not yet provided targets within its performance plan. Without targets,

the annual report does not fully compare actual results to those planned or explained differences. We recognize that the department follows the government's accountability framework and was not required to include targets in its performance plan at the time of this report.

STC has also made progress. STC now describes the conditions of its Regina facilities and related risks. However STC does not yet provide similar information for its other facilities in Saskatoon, Prince Albert, and Moose Jaw.

SPMC has also made some progress. SPMC published adequate information about the capacity of its vehicles and aircraft. For a facility, SPMC described its plans to report on their condition by using an industry standard called the facility condition index. Use of this index should provide the public with adequate information about the capacity of its facilities.

In addition, SPMC has improved the information it publishes about the extent to which its use of infrastructure achieved operational and financial plans. Similar to the Department of Highways and Transportation, SPMC had not published targets within its performance plan.

This concludes my presentation. We would be pleased to respond to your questions.

The Chair: — Thank you, Ms. Lowe, and we have the deputy minister of Highways, Mr. John Law. Would you care to respond and I suppose you should introduce your colleagues as well, and then we'll get on with questions.

Mr. Law: — Thank you, Mr. Hermanson. On my right is Terry Schmidt, the assistant deputy minister of operations for our department. Les Bell is our executive director of infrastructure and land. Behind me on my left is Gary Diebel, our director of finance and administration, and Cathy Lynn Borbely is to my right behind me, the acting director of corporate support.

Perhaps I could make a couple of brief opening remarks to just comment on some of the things that were referenced in the report. I'd like to thank the Provincial Auditor's office for their work. We are, I should say as a general comment, supportive of the initiatives that the auditor's office has been taking to try and improve financial disclosure. And this has been, I think, a major effort of the department, certainly long before my arrival here.

Our annual performance plan, we think, does do a good job of identifying the key expectations for our department. And our annual report, which we prepare, allows us to report to the public the progress that we have made on achieving the results that are outlined in our performance plan.

We've worked closely with the performance management branch of the Department of Finance as well as the Provincial Auditor to try and make improvements each year to our performance plan and our annual report. And our department does follow the reporting guidelines set forth for government departments and updates our plans to reflect any required changes from year to year.

Our department developed our 2004-05 key actions to provide

greater disclosure on the performance of the provincial transportation system. We've included in that information concerning the length of our new four lanes open to the public, the TMS [thin membrane surface] roads that we have upgraded to a paved standard, and the resurfacing that we've done on the principal and regional systems — all of which improve the condition, safety, and reliability of the system. And our annual report does compare results to our previous year's accomplishments.

The Provincial Auditor's report in chapter 18 highlights the improvements that our department has made towards greater disclosure and accountability, and we do appreciate those comments. The report also stresses that there are opportunities where we can make further improvements by including targets within the performance plan and then comparing those to actual results in terms of what our original plans provided.

Our department is committed to continue to work with Finance and the Provincial Auditor to incorporate further enhancements in this regard, and we are happy to take questions. Thank you.

The Chair: — All right thank you, Deputy Minister Law. Again, colleagues, I would suppose roughly we should allocate about 10 minutes for questions, so I would appreciate it if you keep your questions fairly focused and fairly short. It would be helpful if the answers by either the Provincial Auditor's office or the officials from Highways were relatively short as well. I'm sure we'll be able to work through this effectively. Are there any questions? Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Thank you to the deputy and his officials for coming to the committee this morning. I guess specifically to get at the recommendation or the suggestions of the auditor's office, does the department have targets in place presently?

Mr. Law: — We do incorporate targets as part of our planning process. Those are largely internal at this point. The reason that we've used them in that fashion is largely in the context of trying to ensure that we're conforming to the protocols and the formats that are dictated in the accountability framework that are used by all government departments. But we certainly do have targets, yes.

Mr. Cheveldayoff: — Okay, so the '05-06 performance plan, that's a public document. Is that correct?

Mr. Law: — Yes, it is.

Mr. Cheveldayoff: — Yes. And are targets included in that document?

Mr. Law: — We have not made any changes. In terms of the public disclosure, our format that we follow is still consistent with the standards that have been established by the Department of Finance for all government departments, and that does not include explicitly targets in that, in the published report. I'm sorry if I was unclear. We have internal targets, but we have not included anything at a published level at this point. There is no provision at this point in terms of the standards we're working to, but we do have the targets.

Mr. Cheveldayoff: — A question for the auditor then. If you could just explain what you would like to see done and in your view where Highways is at with your suggestions.

Mr. Wendel: — I think what we'd like to see in the future is the targets presented in the public reports. And what the Department of Finance has done is, is brought in a system to improve accountability, but they're going to do it over a staged number of years. They're going to bring it over several years to keep the costs down. And at the moment they're still not requiring targets to be put out publicly. You may want to address your questions then to the Department of Finance on their timetable, if you wish to do that.

Mr. Cheveldayoff: — Okay. I guess my concern is reading and what happened last year. And we had some commitments made that targets would be included, and here we are a year later, and we still haven't seen them. I don't see that is there. I guess a question to the deputy, is there a downside to putting targets into public documents that you see?

Mr. Law: — I think it would be fair to say that we're fully supportive of working towards targets. The one trade-off that I would highlight and the Provincial Auditor has alluded to the fact that ... And again I'm speaking in terms of my understanding of what the objectives are from the Department of Finance perspective. But the one trade-off that we are thoughtful about in terms of how we implement targets is to ensure that the energy and the resources that would be required to establish those targets and monitor our performance in respect of those targets is achievable and is something that would not be inordinately time consuming in relation to the amount of work that we'd like to dedicate and the resources that we'd like to put in to actually repairing the road system and the transportation network.

So as I say, we're very comfortable that we've included these targets internally, and it's been a part of what we use. We have no difficulty in terms of moving forward with it. We wouldn't want to ... Again depending on exactly how those were defined, we'd want to be comfortable that those targets were meaningful and they were achievable and that we could work towards those and report to them without, sort of, any inordinate amount of time and resources taking away from our principal responsibility of making improvements to the transportation system itself.

Mr. Cheveldayoff: — Would you be able to share those targets with our committee?

Mr. Law: — I believe they're probably in a format that we would be able to share. I defer a little bit to my staff here in terms of not having looked at what we have for '05-06, but we certainly do have indicators that are there that could be made available.

Mr. Cheveldayoff: — Okay. Just generally if you could explain to me, does the department do, like, say a five-year planning, a plan, a long-term vision? Do you set long-term targets as well as annual targets?

Mr. Law: — Yes, we do. We do have a medium- to long-term plan that we establish for improvements to the transportation

system. And as you've alluded to in your question, those are governed on an annual basis by the availability of funding for the department. But we try and develop that in the context of our asset management system which is predicated on an assessment of the condition of the system and where we think the most prudent investments could be made on an annual basis.

The Chair: — Just very briefly to follow up on Mr. Cheveldayoff's questioning, are you saying that you have private internal goals, but you're not confident enough in them or feel that they may be off base and may add costs if they became public? I don't quite follow your reasoning there at all.

Mr. Law: — We do have internal targets that we use. What I was uncertain about, we have not had any discussions with either the Provincial Auditor or the Department of Finance respecting what those targets should look like in terms of what we would make public.

We certainly have internal targets. We've used them as a basis for our own planning purposes. If those would be deemed to be appropriate for purposes of reporting, it would be very easy for us, and we would have virtually no dislocation in terms of either the time or effort that would be necessary to make those public.

If it were, however, a situation where we had to make changes in terms of what those targets looked like, we might have to make some investments in terms of how we gathered the data, the kinds of measurement that we would undertake.

And we go through a fairly elaborate process now where we . . . in terms of how we get to those targets. So as one small example, we actually go out and do an assessment as part of our asset management system where we actually have vehicles that go out and travel the roads to do specific measurements about the condition of the roads. And depending again on the specificity that might be attached to some of those details, that could have a direct bearing on how much work it would take for us to put those in place.

The Chair: — I just would maybe then ask the officials from Finance, can they tell the committee when they expect the Department of Highways be making these objectives public and when they're . . . It sounds like perhaps the ball's in your court.

Mr. Paton: — Mr. Chairman, as the auditor has pointed out, there is an area of Finance that looks into this; it's the performance management branch in the Department of Finance. I can't speak specifically to what are the recommendations or what progress they're at at this time. It is my understanding though, is that it is subject to one of the chapters that the auditor's reported on, I believe in the same report, and I believe may be coming to the committee in the near future.

The Chair: — Mr. Yates and then Mr. Krawetz.

Mr. Yates: — Thank you very much, Mr. Chair. In determining targets, I would like a little bit of background, I guess, on how you'd go about doing that. And with each particular road, of course, each year the situation can change based on weather, freeze-up, surface breaks, you know, retention of water in the base — all these different types of things. So how with those

many factors can you develop targets that would be reliable? I'm wondering just if it's even possible in your mind to develop reliable targets with so many factors that can change on a very short notice.

Mr. Law: — We've been focusing our discussion so far largely on the condition of the system. There are targets in a number of different areas. For example, we will establish a target for how much pavement will be rehabilitated over a period of time, how much twinning we will get done over the course of the next year. We have other objectives with relation to what we're trying to achieve in terms of facilitating improvements for industry access to haul routes and so on — all of those things. We have explicit targets.

With respect to the system itself, I'll perhaps ask my ADM [assistant deputy minister] to help out here. But we do actually go through an annual process of assessing the condition of all of the roads, and sort of checking that again as we get through the winter conditions in particular as a basis for trying to determine whether or not our longer term or our mid-term plans are in fact still appropriate in terms of our current work plan as we approach the coming year.

The Chair: — Mr. Yates.

Mr. Yates: — Are there variances, or is it possible to actively predict the quality of the asset I guess as a whole, with all the variances that exist out there?

Mr. Law: — Well that's certainly the challenge for us. In any one season, the last two winter seasons as an example, have provided us with probably the highest degree of variability in terms of the impact on the system as a result of snow and ice. This past year, for example, we had more weather incidents where we were dealing with freeze-ups on the surface itself than we've had in the history of . . . since we've been keeping track of this in certain months of the year.

The year previous we had record levels of snowfall in February and March. This year's very fast thaw and then — I'm not sure exactly where we are now; Terry could probably tell us — but the quick thaw has a direct bearing on our ability to sort of manage the infrastructure in terms of how quickly that takes place from year to year.

So you're correct that those are all very significant variables affecting our ability to establish targets and manage to them. We would in fact have to ensure that anything we had laid out was updated virtually two or three times a year in the context of establishing targets that could be managed to on an annual basis.

The Chair: — Mr. Krawetz.

Mr. Krawetz: — Thank you very much, Mr. Chair. Mr. Law, a very specific question — and we've raised this in Public Accounts I think many years over, and that has always been . . . and when you talk about the assessment and ensuring that targets are set for improvements of road surfaces, primarily thin membrane, TMS, there was always a concern by the public that a contract would be let for a specific number of kilometres and then 2 or 3 kilometres would not be repaired, and then there

would be another section. And the concern of the public of course was, why are they leaving out these 2 or 3 kilometres?

The answer that we received was that the target, that the lifespan of that 2 or 3 kilometres was still another two or three years and indeed, you know, monies were needed to be spent on different sections.

You know, an acceptable answer. While that has seemed to be true, what we're seeing now is that I guess . . . and my question is whether or not it is a cost factor or whether it is a situation where a contractor doesn't want to come back for those 2 or 3 kilometres. What we're seeing is that those sections that were identified as having, you know, an additional lifespan of two or three years, now we're into the fifth and sixth year. The sections have not been repaired.

So are you doing an assessment of the financial implications of actually going back to fix those 2 or 3 kilometres, you know, versus comparing what the original decision was, which was to leave those 2 or 3 kilometres out of the contract and then come back at the appropriate time, assuming three years passes? We haven't seen those repairs. And now we're seeing those sections of 2 or 3 kilometres . . . And I hear this from a lot of travellers, that they're travelling on a fairly decent stretch of highway and then all of a sudden there's 2 or 3 kilometres that just is terrible, and that has five or six years since that original capital project.

Mr. Law: — The answer to your question is that you are correct. That our process where we are challenged by either availability of resources to complete what may have been in an original project scope or on the basis of an assessment that says that we have a more seriously affected part of that initial piece of work that needs to be addressed as a higher priority, in relation to some of the circumstances that may have changed as a result of the winter conditions that we were talking about, may have required us to go other places. That process is one that we continue to go through each year in terms of our asset management classification system and our assessment of the individual roads.

As to whether or not we've undertaken additional financial analysis, I know that it's part of our annual cycle that we try and include that, particularly for those sections that would've previously been identified as requiring repair. I know that in a lot of instances we simply have not been able to get out to as many of the areas as we would like to do in terms of the availability of resources.

I don't know if we've done anything specific. I would have to check for you and get back. I don't know if you know that, Terry, if we've actually done something that deals with the unfinished parts of the TMS work, but we can certainly undertake to have a look and see what we've got.

Mr. Krawetz: — Thank you for that answer, and I'd sure like to recommend that we do a financial analysis. Because if the intent at the very beginning was to save some dollars and indeed continue with construction, but now we're going to pay double and triple the amount to fix the 2 or 3 kilometres that were left, you know, overall what has been saved for the taxpayers of the province? I think we need to have a performance evaluation to say that is a good strategy or no, it

maybe needs modification. Thank you, Mr. Chair.

The Chair: — Mr. Borgerson, a final question.

Mr. Borgerson: — Yes, thank you, Mr. Chair. And I'm conscious of the time, but there's a question that I've had in my mind with a number of the departments that we've met with, and perhaps I'll first address the question to the Provincial Auditor.

In terms of targets, I mean I can understand the kinds of targets that Highways would set, and they would all be very, very quantifiable targets, easily measurable targets. But in terms of more qualitative targets, for example complaints or concerns, the increase or decrease in complaints or concerns from citizens in the province, phone calls received, even anecdotal, are those acceptable in terms of targets when we look at the performance of a department?

Mr. Wendel: — The targets would be based on what your objectives were. And once you've set your objectives, if one of your objectives was to measure those things that you talk about, well then you would probably set some target that you would want to achieve, a budget for the . . . another target or a budget amount that you wanted to achieve.

So if you go to what is it you want to do, how are you going to measure it, and how successful do you want to be, which is the target. But certainly it's not an easy thing to do. And it's going to take time and . . .

Mr. Borgerson: — So I guess I would just ask then, do you keep track of responses you get from the public on . . .

Mr. Law: — Well in fact, it's not been a part of our performance targets, but we have in fact — I can share with the committee — we have in fact, in our approach to dealing with issues management in terms of public inquiries, established as an objective, improvements in terms of our ability to deal with the incoming concerns and questions, and to see if we can't shrink the overall number as, I guess, a general measure of our responsiveness to some of the concerns about the system. But that would be a happy by-product rather than an explicit technical target for us.

Mr. Borgerson: — Thank you.

The Chair: — All right, Mr. Cheveldayoff, you indicated another question. Is it brief?

Mr. Cheveldayoff: — A couple of questions, brief. Thank you, Mr. Chair. So could you just comment on the likelihood of us seeing targets in the 2005 annual report, I guess, that we'll see a year from now?

Mr. Law: — If that standard is established for departments, we will definitely have them in there.

Mr. Cheveldayoff: — So you will rely on Finance to direct you in that way. Okay.

A couple of other quick questions, Mr. Deputy. Are you aware of any fraud or allegations of fraud or suspected fraud within

the department?

Mr. Law: — I am not at this point. Just searching my memory banks to think if there's been anything raised, even historically in the last while, I'm not . . . Nothing's coming to mind at this point in time.

My assistant deputy reminds me that we do have one outstanding issue that's under examination right now to ensure that we have not in fact experienced a situation like that. I was thinking that your question was pertaining to something we would have experienced within the auspices of the department itself and that's not the case. We do have a situation, I understand, that we are currently having reviewed with respect to some work that was undertaken, and my understanding is that we're comfortable that the services that we're contracted for were in fact received. But there are some, I understand, some ancillary questions related to some subcontractors and so on and we are actively participating in trying to come to resolution on that issue with some of the affected parties.

Mr. Cheveldayoff: — Okay, thank you. Also just to broaden the question a bit, are you aware of any illegal acts, allegations of illegal acts, or suspected illegal acts whatsoever within the department?

Mr. Law: — No, I'm not.

Mr. Cheveldayoff: — Thank you, Mr. Deputy, Mr. Chair.

The Chair: — Thank you, Deputy Minister, and your officials. We're going to excuse you and ask the officials from the Department of Property Management to take your places.

And we will ask the deputy minister, Ms. McDonald, to introduce her colleagues, briefly respond to the auditor's report, and then again we will open up the meeting to questions. Ms. McDonald. Sorry to rush you.

Ms. McDonald: — Oh no problem. To my left is Donald Koop; he is the assistant deputy minister of commercial services. To my right is Garth Rusconi; he is the assistant deputy minister of accommodation services.

SPMC continues to make progress reporting on infrastructure. We are pleased with the progress we have made and intend to continue the improvements. In the 2005-2006 performance plan for SPM [Saskatchewan Property Management] we have expanded the list to publish performance measurements in place for the department.

SPMC follows the guidance issued by the Department of Finance under the government's accountability framework when preparing its performance plans and annual reports. We expect that departments will be requested to provide targets and explanations for variances for targets at some point in the future.

SPM has implemented a new capital asset and infrastructure management system to identify buildings, components, replacements requirement over a 25-year period for all facilities for which SPM has maintenance responsibility. This system provides the information required to calculate the facility

condition index. The system was initially populated with model data that would assist SPM in predicting the building components that require replacement during the next 25 years.

This was completed for the long-term facilities. SPM is now in the process of obtaining information on whether the work is required to meet legislative requirements for fire and safety, accessibility, and hazardous materials. SPM is also working to verify the model data for remaining smaller facilities. The 2005-2006 performance plan for SPM indicates that the facilities' condition index is 26 per cent completed. SPM also reported that 80.4 per cent of the facilities meet long-term program needs, and this is as of March 2004.

The Chair: — Thank you, Ms. McDonald. Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. On page 317 of the report from the auditor, it indicates that:

SPMC has not published the performance targets it will use for these measures. As a result, SPMC has not provided a comparison of its planned and actual results for these measures.

That's for the '04-05 performance plan. Can you indicate to the committee as to the outcome for '05-06, as to what your plans are and whether or not you will be putting in place the performance targets that are suggested.

Mr. Koop: — Mr. Chair, if I may respond. I look after the preparation of the strategic plan within the department. And in response to your question, the department has just completed a full set of performance measures for its '05-06 performance plan. We were a bit behind the rest of the departments in adopting the government's accountability framework, and whereas most departments had a complete set of performance measures, we were not quite there for the '04-05 performance plan. Through the course of the year, we did develop a full set of performance measures, and those are reflected in the '05-06 performance plan. So that your question in regards to targets, no, those are not part of the '05-06 performance plan.

Following similar guidance from the Department of Finance, there was not an expectation that targets would be included in the '05-06. We're still, I guess, developing our knowledge and, I guess, appreciation for all the elements that go into performance planning where you start with a baseline measure that's, you know, hopefully can be updated on a regular basis and can be replicated from outside review. You know, it's not necessarily all internal data, developing, I guess, more familiarity with what are appropriate targets. And all of that is something that we, like other departments, are going through, and we're simply a little bit behind the rest of them and trying to catch up in terms of being ready when the direction is given that all departments publish their targets.

Mr. Krawetz: — Thank you. And my question to Mr. Paton then is, will Finance be working with SPMC to actually determine a time when you can realistically expect that the performance targets that you will ask for will be, will be achieved? Or have you set a date that is already in place?

Mr. Paton: — Yes, Mr. Chair, as I stated earlier I'm not

completely familiar with this; however I am aware that Finance is working with us on an ongoing basis, that this is developing and has moved along quite a bit over the last two or three years. I anticipate that this is a direction that the reports will take in the future. But I can't speak to the timing.

Mr. Krawetz: — And a very specific question, Ms. McDonald, regarding the vehicles division, how many contracts does SPMC compete with the private sector in providing automobiles for use, based on a tender procedure?

Mr. Koop: — I'm sorry; I'm not sure I understand the question. How many tenders do we issue?

Mr. Krawetz: — I'll clarify. Are there any contracts that SPMC has been awarded through a tendering process where you have competed with the private sector to provide vehicle service for an agency, a department, a corporation, where the private sector was tendering on the same provision of services?

Mr. Koop: — For vehicles?

Mr. Krawetz: — Yes. And if you don't, if you don't have that information, would you be able to supply that information based on who the different groups are that you supply that type of service for over the last year or two?

Mr. Koop: — Certainly we'll provide the information. I'm trying to recall if, you know for example, SaskPower put out a tender for vehicles and whether or not we submitted a bid on that. We do provide vehicles to SaskPower. We also provide vehicles to SaskTel. Did they put out a tender? That's where I'm just not clear. But we will certainly look in and provide that information.

Mr. Krawetz: — Thank you. And that's the question I'm looking for . . . is when you target providing a service to a particular entity, is it through a competitive type of tender where in fact you were successful or you were not successful based on the tender that you submitted, whether that be to SaskPower or to any other, you know, agency or Crown, etc. Are there contracts where you compete in a competitive market with the private sector to provide that service?

Ms. McDonald: — Or if they came and asked us for a specific amount of vehicles and then we'd then supplied that.

Mr. Krawetz: — That's correct.

Ms. McDonald: — Okay.

Mr. Krawetz: — Thank you. All right.

The Chair: — Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. Thank you to the deputy and to her officials. A couple of specific questions I guess first of all regarding your policy with vacant land. When I first became an MLA [Member of the Legislative Assembly] in Saskatoon, I had various people come forward with concerns regarding a piece of property across from the Bessborough hotel, Spadina and 21st Street. It's a parking lot. I guess first of all, is that still a property that belongs to SPM? And if so, can

you just outline the department's policies regarding vacant land and if there is any interest from the private sector in purchasing that land?

Ms. McDonald: — It's still our property. Maybe you want to speak to it, Garth, because we've just had some interest expressed.

Mr. Rusconi: — Generally speaking, for surplus land which has no planned use for executive government or government, SPM has a disposal policy that will work through in terms of how we would dispose of it. And there's a priority list of agencies or levels of government that we would deal with, first obviously would be the executive government. We then go through the municipalities and the federal government and the TLE, the treaty land entitlement. The last step obviously is the public sector.

So when some land is disposed of, that would be the process that we would normally go through, either for land or buildings.

Mr. Cheveldayoff: — The piece of property that I reference is some prime real estate in downtown Saskatoon, and I believe there is some interest from the private sector in that property. So how would they go about notifying you of that interest and what . . . Once they do notify you, what process would that put in place? Is there a formal process? What would you be able to respond to them as far as how they could bid, if you like, on that property?

Mr. Rusconi: — Generally speaking, the response that we would give to the private sector would be an explanation of our policy, okay. First of all the land has to be declared surplus. Secondly we would then go through our priority list of agencies and organizations before it became available to the private sector. That would be our normal response to any private sector organization that inquires about an asset of ours. So in terms of having the private sector access that piece of property, they would have to go through that priority list.

Mr. Cheveldayoff: — Okay. Could you just tell me then what that's . . . In regards to that specific piece of property, are there any plans by your department over the next, say, five years to do anything with it?

Mr. Rusconi: — Right now, depending on the future plans of the courts in Saskatoon, that property could be made available to the court systems. That decision has not yet been made.

And generally speaking, if there was some opportunity for the province and the municipality to do some significant economic development, the province would entertain making that available through that process. There's ways and means of the private sector accessing that if there's co-operation through the process. I can say that.

Mr. Cheveldayoff: — Okay. So is that land then declared surplus presently?

Ms. McDonald: — No longer. For a period of time, we had declared it surplus, and there was some interest expressed. There's no longer any interest expressed in it. And the courts have come back to us and said that they still have an interest in

that piece of property. So we have taken it from being surplus in the last few months to putting it back in not the surplus category.

Mr. Cheveldayoff: — Okay. Thank you.

Ms. McDonald: — Does that help?

Mr. Cheveldayoff: — Yes. That helps and there may be some further follow-up on my part, written correspondence or whatever.

The last couple of days we've been notified about the name change, SPMC to Sask Property Management. I suspect there's some costs involved in that. Maybe if you could just quickly, the rationale and the costs that would be associated with that.

Ms. McDonald: — Well the rationale, there hasn't been a name change in SPMC since it became SPMC in 1986. The reason that there is a name change is SPMC is now a department of executive government and so can no longer be a corporation.

In knowing that we were becoming a department of government, about a year ago we were very diligent in using up as much of our letterhead as we could and, you know, memo paper and everything and not ordering that. So we have very little letterhead left around. We told people they couldn't order business cards until, you know, they had used up their other cards. So there's very few of those around, and we don't allow everyone to have business cards to begin with.

We'll do name changes on our buildings when required, but again it's been a minimal cost because all we've had to drop is one word.

Mr. Cheveldayoff: — Okay. Madam Deputy, are you aware of any fraud or allegations of fraud or suspected fraud within the department?

Ms. McDonald: — No, I'm not.

Mr. Cheveldayoff: — Okay. Any illegal acts or allegations of illegal acts or suspected illegal acts whatsoever?

Ms. McDonald: — No, I'm not.

The Chair: — Thank you.

Ms. McDonald: — You're welcome.

The Chair: — All right. Are there any other questions? Just want to briefly ask the auditor, how does Property Management's reporting requirements change now that they are no longer a Treasury Board Crown but have become a line department?

Mr. Wendel: — I think one of the things you will see is they'll have to bring forward more detailed estimates to the Assembly for discussion on a more line-by-line basis than they would as a corporation. To that extent you'd see some difference. At the moment departments don't prepare financial statements, so there'll be no financial statements coming forward for the new department.

The Chair: — All right. Thank you. I see no one else wanting to ask questions, so Ms. McDonald I thank you and your officials for being with us. We will excuse you and ask the officials from SaskEnergy to take your place. We have from SaskEnergy, Dan Reeve, the executive vice-president, distribution utility. I'm not sure which one is Dan.

Mr. Reeve: — I'm Dean.

The Chair: — Dean. Okay, we have a typo here, Dean. And I assume then you are the spokesperson. Did you care to introduce your colleagues and respond briefly and then again we will open up the committee meeting for questions.

Mr. Reeve: — Good morning. Thank you to the committee for having us here this morning. I am Dean Reeve; I'm the executive vice-president of SaskEnergy. To my left, I have the executive director of corporate affairs, Mr. Ron Podbielski. To my right I have Greg Mrazek; he is our chief financial officer. And in behind I have the senior vice-president of TransGas, Daryl Posehn.

I will make my comments very brief. We thank the Provincial Auditor for the opportunity to explore infrastructure and in terms of how we communicate with the public. As you understand, the whole issue of our infrastructure and safety and reliability is the absolute cornerstone to our business. For most of you, you don't even see our infrastructure, and we like to keep it that way. We like to keep it underground because when it's above the ground that seems to cause a problem.

So we really are . . . I think we've reported on safety and reliability measures for many years. We've set targets. The recommendations that were made by the Provincial Auditor, I think, helped to enhance some of the information the public has about our company in terms of the state of our infrastructure and the kinds of work that we do to that infrastructure when it's not very simple to inspect it and look at it and understand the state of condition, and also to inform the public about our capacity and what we are able to do in terms of delivering gas through many parts of the province. And we do that through public releases. We do that through our website, and we do that through our annual reporting.

So this was nothing, I think, new to our company in terms of its importance. We are an infrastructure business. And we'd be pleased to take any questions from the committee.

The Chair: — Thank you very much, Mr. Reeve. And not too many government agencies, departments, or Crowns brag about their underground activity, so that's unique and new to Public Accounts Committee. Are there any questions? Mr. Krawetz.

Mr. Krawetz: — Thank you, Mr. Chair. And that's exactly where I'll begin is on your underground activities. The last number of months there has been a tremendous public outcry with your expansion and, you know, evaluation of gasoline storage west of Saskatoon, and as the concerns over, you know, good quality water and the availability of water and the kinds of problems that people have identified.

Is there any concern at SaskEnergy level about the liability implications if indeed the restoration of water levels or quality

of water is projected? And I've seen some numbers of five to seven years before water levels may return to the levels before the pumping into the caverns began. So have you done an assessment, not only of the infrastructure that you required, but have you put in place all of the studies and the analysis of what was needed and where you currently are with that project?

Mr. Reeve: — Well first of all, the project that you speak of west of Saskatoon, number one, it is of course a very significant project for us in terms of the reliability of our gas deliveries into the Saskatoon area, and so it is a very important facility. And with that there was a great deal of work done and analysis done around location, etc.

The water permit that we have through SaskWater, we operate in accordance with that water permit. We're not . . . we certainly can't set the rules around water in terms of our access to water and what we do. We comply with that permit, and in complying with that permit we certainly recognize that there were costs related to mitigation of wells in accordance with that permit. And that's what we are doing today, and that's what we will continue to do into the future in terms of mitigating the costs for landowners that we are impacting.

Mr. Krawetz: — As you get an understanding of the, you know, the potential liability, will there be compensation that will be provided to individuals through SaskEnergy? Or is this because it's a SaskWater permit that has allowed you to do what you're doing, is there implications for government then regarding potential liabilities?

Mr. Reeve: — Well I certainly can't speak for the whole of government. I can speak for TransGas and SaskEnergy. TransGas is responsible today, in terms of the water permit, for mitigating the issues caused by our use of the Tyner Valley aquifer. And we, I think we've mitigated in the order of 40 to 50 wells in the area, in terms either lowering pumps, doing a number of different actions related to those wells. And that's what we will continue to do in accordance with the permit.

Mr. Krawetz: — My final question regarding the quality, have you in your assessment of the 40 or whatever number of wells you have, you have assisted with, is there any evidence that points you in the direction that water quality is of concern?

Mr. Reeve: — Again I would point to the work that was done by SaskWater and the Saskatchewan Research Council. And I think from that work, it is certainly our view that we are not impacting the quality of water in the aquifers that we are accessing.

Mr. Krawetz: — Thank you.

The Chair: — Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Chair. And just a quick question regarding capacity, and the numbers in the auditor's report talk about 2004: storage capacity, 30 petajoules; and extreme cold temperature days, 1.2 petajoules per day. Are those numbers, have they changed in the last year at all?

Mr. Reeve: — They have not changed for quite a number of years. We have had about 30 petajoules of annual storage

volume capacity. The project that we just spoke of west of Saskatoon would add about 10 per cent to that storage capacity in terms of volume capacity. So that is, the 30 petajoules is the type of storage volume we have available today.

Mr. Cheveldayoff: — Okay, thank you. In comparing the four departments before us today, it seems that you've made the most progress in taking the recommendations of the 2002 fall report of the auditor seriously. And we appreciate you doing that.

Just a couple of questions at the end here, are you aware of any fraud or allegations of fraud or suspected fraud within the department at the present time?

Mr. Reeve: — I am not.

Mr. Cheveldayoff: — Are you aware of any illegal activities, suspected illegal activities, or illegal activities at all in the department?

Mr. Reeve: — I am not.

Mr. Cheveldayoff: — Thank you.

The Chair: — Thank you. Mr. Yates.

Mr. Yates: — Thank you. I have a couple of questions dealing with the underground storage capacity. Energy usage is going up each year. And as more industry goes online and we have a greater demand, in your targets or forecasts moving forward, at what point will we reach where we need to look for, again, additional underground storage capacity or caverns?

Mr. Reeve: — Well in terms of . . . That's a difficult question to answer because it's driven off of the kinds of activity that we have around our customer base. And you know, clearly some of the activity that has occurred in the Saskatoon area over the last decade has caused the need for expansion into the Saskatoon area. So it's driven really a lot by what our customer requirements are.

Now we don't see our customer requirements changing dramatically in the province in the next five years in terms of new storage development. The storage development that we have west of Saskatoon is our primary focus around expansion of storage really, to meet the kinds of load growth and demand from customers that now exist in the Saskatoon area.

Mr. Yates: — Okay. My final question is, is there any anticipated plans to expand the SaskEnergy network further north, and would that require additional storage capacity in the North?

Mr. Reeve: — Well we are always interested in trying to connect new customers. And the challenge that we have, you know, we have a very mature infrastructure in terms of the customer base that we serve. The types of distances that we talk about now to get to certain other locations, I don't think there's any question we have worked hard, with the La Ronge gas committee as an example, to try to extend infrastructure further north. It is a challenge of economics and distances. And I'm still hopeful one day we will solve that problem. But it's really

driven by what customers are there and what their desire is to have natural gas in their communities.

Mr. Yates: — It has absolutely nothing to do with the storage capacity in . . .

Mr. Reeve: — No, for the kinds of loads that we are talking about, storage capacity is not a critical issue in terms of some of those more northern communities.

Mr. Yates: — Okay, thank you very much.

The Chair: — Thank you, Mr. Yates. Just a final question. Is TransGas considering any purchase, any sale, or any partnering with any other entities as far as its TransGas holdings are concerned?

Mr. Reeve: — No. I mean, you know, I guess we always look for ways to bring new gas to our system, and we're going to continue to do that. We don't have a whole bunch of people knocking at our door today to bring new gas to the transmission system. We've been quite fortunate over the last couple of years in that Saskatchewan activity's been very high. And so we have . . . The kinds of volumes that we've added in the last couple of years have come from Saskatchewan-based producers adding volumes to our system. And so I expect this summer we'll be pretty busy doing that again.

The Chair: — All right, thank you. Seeing no further questions, we thank you, Mr. Reeve, and your officials, for being with us.

We have one more witness, and we would ask John Millar, the director of strategic planning and communications for the Saskatchewan Transportation Company to take his place in the chair for witnesses. I understand, Mr. Millar, that you have a busy morning, and we appreciate the fact that you pulled yourself away from another meeting to meet with the Public Accounts Committee as we deal with this chapter on infrastructure.

Do you have any comments before we open up the floor to questions?

Mr. Millar: — Thank you, Mr. Chairman. And I apologize; I'm here by myself. But we do have a board meeting going on with our board of directors right now, so it was difficult for even me to get away for this meeting.

We have been trying to make steady progress in meeting the recommendations of the Provincial Auditor in regards to reporting our infrastructure, our current infrastructure. And we believe that in the 2004 annual report we have come very close to being in full compliance with what the auditor has recommended.

We have included a full listing of all our facilities, their age, current state, their inspection requirements. We think that is what was asked of us, but we're certainly happy to take any further direction from either the auditor or from this committee.

The Chair: — All right. Thank you very much, Mr. Millar. Are there questions? Mr. Cheveldayoff.

Mr. Cheveldayoff: — Thank you, Mr. Millar, for coming to our committee in a busy time for your department, for your corporation.

Just a question about the Regina facility, there's been some discussion about the needs of the Regina facility, the concerns about accessibility. And can you just give us an overview of where you're at with the Regina facility right now?

Mr. Millar: — Yes, sir. We've been going through a number of options: the cost of renovations, the cost of rebuilding the facility, the cost of relocating the facility. We're currently in a number of discussions, and in some areas we're in some negotiations which would be jeopardized if we were to comment on at this point in time. But we are working towards, hopefully in the very near future, being able to address those problems with the Regina facility.

Mr. Cheveldayoff: — So has a definite recommendation gone forward from your corporation to CIC [Crown Investments Corporation of Saskatchewan] and to cabinet?

Mr. Millar: — We have made discussions with our board of directors at this time.

Mr. Cheveldayoff: — Pardon me?

Mr. Millar: — We have had discussions with our own board of directors.

Mr. Cheveldayoff: — So it hasn't gone any further than that?

Mr. Millar: — There has been discussions going onward. But whether or not there has been a final disposal of the item, no.

Mr. Cheveldayoff: — Okay. About the other facilities then? Say Moose Jaw, can you just give us an update on the Moose Jaw facility?

Mr. Millar: — The Moose Jaw facility is fairly recent in age. I believe it's . . . I could check, but I believe it's about eight years old. It's in very fine condition right now. We had a vandalism problem with it this winter, but other than that, we've had no problem with that facility.

Mr. Cheveldayoff: — Okay. Prince Albert?

Mr. Millar: — Prince Albert again is a rather new facility. It's about 10 years old, and we have had no maintenance problems with that facility in the time that it's been there. Well we had some complaint about our flower beds, but other than that . . .

Mr. Cheveldayoff: — Okay. And Saskatoon?

Mr. Millar: — Saskatoon is starting to age. It was built in the 1970s, but it is still very structurally sound. The garage was built in the early 1980s, and it is very structurally sound at this point. We had to do some roofing repairs to the Saskatoon garage; they have been taken of. Other than that, we don't have any structural issues with those facilities.

Mr. Cheveldayoff: — Okay. There's been some changes I know to the Saskatoon facility as far as private operators within

the facility for food and others. Can you just comment on, I guess, the changing atmosphere inside the bus stations in those cities?

Mr. Millar: — Now both the Saskatoon and the Regina passenger depots, we did have restaurants that were at one point run by STC personnel. They have since been closed, and we have entered into leasing agreements with Robin's Donuts in both facilities to provide food services for our passengers and for Greyhound passengers.

Mr. Cheveldayoff: — Okay. Has the corporation entertained any thoughts about, you know, possibly moving the bus depots themselves to the private sector and having them operated privately on a lease back situation? Has that been discussed at all or an option that has even been entertained?

Mr. Millar: — We have not been approached on that item specifically. With Greyhound Canada, we do act in conjunction with depots that they maintain in Yorkton, in Swift Current, and in The Battlefords. They own and operate the depot, and we are lessee customers. And they are — oh and sorry, and Yorkton — are lessee customers in our Saskatoon and Regina depots, which we own and operate. So it's more or less a partnership arrangement with Greyhound and for the terminals in the major centres in the province. But we have had no specific approach by anybody who would be interested in operating a depot facility on our behalf.

Mr. Cheveldayoff: — Do you have any preference to either way of doing it? Do you see upsides and downsides on both sides or . . .

Mr. Millar: — Customer service is our only preference, sir. Whichever is best for the customer is the best for us.

Mr. Cheveldayoff: — Okay. On the Moose Jaw, Prince Albert, and Saskatoon facilities, do they meet currently all accessibility standards that are required of them?

Mr. Millar: — We've had to close down one office in Saskatoon, which was not being used anyway, but it was on a second floor, but which was not accessible for people with disability, mobility disabilities. We've closed down that unused office, and that's the only issue for those two terminals.

Mr. Cheveldayoff: — Okay, thank you. Mr. Millar, are you aware of any fraud or allegations of fraud or suspected fraud within the corporation at the present time?

Mr. Millar: — No, sir.

Mr. Cheveldayoff: — Are you aware of any illegal allegations or illegal acts or suspected illegal acts within the corporation at this time?

Mr. Millar: — No, sir.

Mr. Cheveldayoff: — Thank you very much.

Mr. Millar: — Thank you, Mr. Chair.

The Chair: — Thank you, Mr. Cheveldayoff. Before I give the

floor to Mr. Borgerson, just a follow-up on Mr. Cheveldayoff's question regarding the Regina depot. I sense some hesitation and a little lack of clarity. Would it be fair to assume that in fact proposals from STC have been sent to cabinet, perhaps even rejected by cabinet, and you are now working on a new proposal? Would that be an accurate description? Or are you still working on a first proposal?

Mr. Millar: — We're still working on a first proposal, Mr. Chairman.

The Chair: — All right. I wanted to clarify that. Mr. Borgerson.

Mr. Borgerson: — Mr. Chair, I was going to speed us directly to the issue in this piece of the chapter and that was the facilities in Saskatoon, Prince Albert, and Moose Jaw. Mr. Cheveldayoff addressed those, so I have no questions.

The Chair: — Any other questions? Seeing none . . . My gosh, we are pretty well finished on time. I didn't know we could get through four departments.

I again want to thank you, Mr. Millar, for breaking away from your board meeting to meet with Public Accounts. It certainly helps us to be able to deal with all of these infrastructure issues at the same meeting, and we thank you for your indulgence. I want to thank my colleagues and the Provincial Auditor's office, officials from Finance.

I also want to inform the committee that it looks like our Tuesday, May 17 meeting will be changed. I believe we have a consensus to go on May 25. Just so that all members are aware that May 17 will not be a Public Accounts meeting.

I now declare the meeting adjourned. Thank you.

[The committee adjourned at 11:47.]