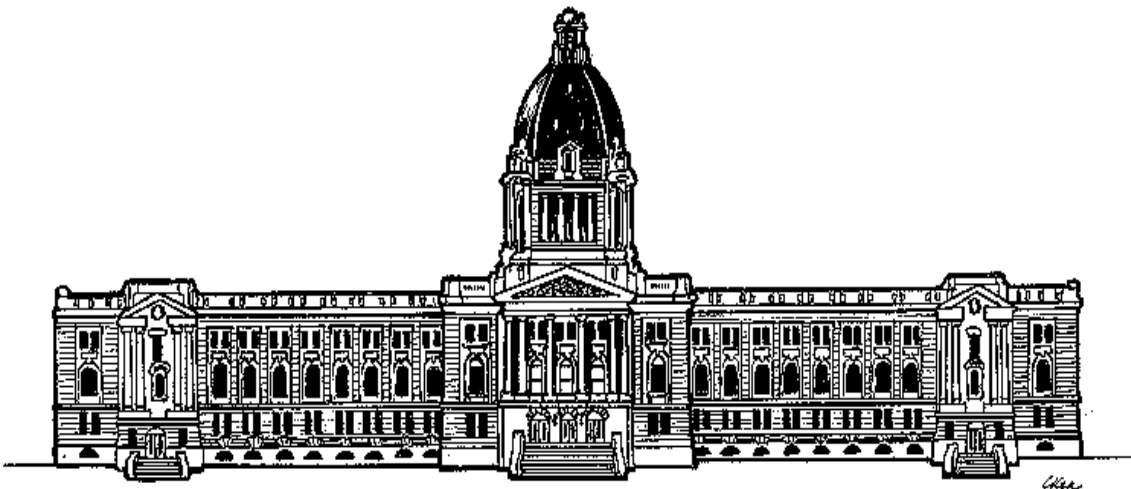




# **STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES**

**Hansard Verbatim Report**

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**Legislative Assembly of Saskatchewan**

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**STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES  
2005**

Mr. Graham Addley, Chair  
Saskatoon Sutherland

Mr. Dan D'Autremont, Deputy Chair  
Cannington

Ms. Doreen Eagles  
Estevan

Mr. Andy Iwanchuk  
Saskatoon Fairview

Mr. Allan Kerpan  
Carrot River Valley

Mr. Warren McCall  
Regina Elphinstone-Centre

Hon. Mark Wartman  
Regina Qu'Appelle Valley

[The committee met at 15:00.]

### Saskatchewan Transportation Company

**The Chair:** — Order. I call to order the Standing Committee on Crown and Central Agencies. I thank everyone for being here. The agenda before the committee is the consideration of Saskatchewan transportation corporation 2000 annual reports, which should take us to approximately 4 p.m. unless there's . . . questions are exhausted. And then at that point we will switch to SaskWater 2003 annual report and related documents.

Before we begin, I have a list of documents that are to be tabled, and they are so tabled. I won't read them all in. We also have Andrew Martens from the Provincial Auditor's office with some officials, if he wanted to introduce his officials and make any brief statements that he wanted to make.

**Mr. Martens:** — Okay. Thank you, Mr. Chair. With me today is Charlene Drotar, who's the manager responsible for the work of Saskatchewan Transportation Company audit for this year. As well we have Brian Drayton, partner with Meyers Norris Penny, and Debbie Ooms, a senior manager with Meyers Norris Penny, who did the audit directly. I'll ask Charlene to give a brief overview of our results and then ask Brian to do the same thing. Charlene.

**Ms. Drotar:** — Thank you, Andrew. Good afternoon, Mr. Chair, and committee members. Our objective under The Provincial Auditor Act is to form three opinions. We form an opinion on the reliability of STC's [Saskatchewan Transportation Company] financial statements, an opinion on whether STC has adequate rules and procedures to safeguard public resources, and three, we form an opinion on STC's compliance with legislative authorities governing its activities.

I'm pleased to report to the committee for the year 2003 . . . or sorry, December 31, 2003, STC's financial statements are reliable, STC did have adequate rules and procedures to safeguard public resources, and STC has complied with legislative authorities governing its activities. We are also pleased to report that we have had excellent co-operation in the course of our work and continue to have good working relationship with Meyers Norris Penny and with STC's management.

That concludes my opening remarks, and we would be pleased to answer any questions the committee may have.

**Mr. Drayton:** — Good afternoon. I represent Meyers Norris Penny, the appointed auditors of the organization for 2003 and 2004. Our report is contained on page 29 of the 2003 annual report of STC. Our report is unqualified, that is, standard audit report, that in our opinion the financial statements do present fairly the operations and financial position of STC at December 31, 2003. The Provincial Auditor has reviewed our reports and concurred with the conclusions that we have drawn. And I too would like to acknowledge management's full co-operation. We were given complete and unrestricted access to all of the financial records and any other information that we requested during the course of our audit. And I'd say that would be the extent of my comments as well.

**The Chair:** — Thank you very much. Committee members, we have Mr. Kerpan, Ms. Eagles, Mr. D'Autremont. And we have Mr. Iwanchuk, Mr. McCall, and filling in for Mr. Wartman is Mr. Taylor.

Before I recognize Minister Sonntag to introduce his officials and make any opening statements, these meetings that are being held today had been scheduled much earlier — later last year and earlier this year — but unfortunately some . . . [inaudible] . . . occurred that we had to reschedule. To that end, we also have in the interim, in the meantime, 2004 annual reports for STC have been tabled. And although it's not part of the agenda, I've checked with the minister and he is prepared to deal with both reports concurrently.

There's other matters that need to be dealt with at a later date and Provincial Auditor's statements, that sort of thing. So just to let committee members know that if they did have questions on '03 and '04 the minister would be prepared to answer them in best ability. So I would recognize Minister Sonntag to introduce his officials and make any statements he has.

**Hon. Mr. Sonntag:** — Thank you very much. Good afternoon, Mr. Chair, and committee members. First of all, of course, let me begin by introducing the STC officials with me here today. Immediately to my right is Ray Clayton. He's the president and CEO [chief executive officer]. To my left is John Millar, director, strategic planning and communications. Behind me is Nial Kuyek, senior director, customer services and operations. And someone who has planned to be with us, Shawn Grice, senior director, finance and administration, is not with us today. His wife is in labour so if he's watching us today, he should not be. He should be with his wife.

I'd like to make just a few opening remarks before STC officials and I answer your questions. The Saskatchewan Transportation Company has been providing service to the people of Saskatchewan for 60 years now. It's been an important lifeline to countless people, especially in rural Saskatchewan but really all across our province. The majority of STC passengers are seniors and students and people with limited incomes. STC links these passengers with their friends and relatives, their university and college classes, and their medical appointments. And STC's express service carries thousands of parcels and parts and other types of freight every year for businesses and individuals, playing an important part in Saskatchewan's economy.

Let me turn for a moment to STC's 2003 financial results. Despite an operating loss of 2.85 million for the year under review, the operating grant STC received from the government holding company was only \$1.6 million. The company applied 600,000 which it had used . . . which it had, I should say, in unspent grants from previous years against its 2003 operating losses.

STC's 2003 operating grant helped the bus company to carry about 260,000 passengers through a network of 275 communities over the course of the year. STC, for clarification, only receives operating grants for its passenger operations. STC freight operations, which compete in an open marketplace, not only earns enough to pay for its own expenses but freight

operations must also cover certain other corporate costs. Any profits left over from freight operations are used to help subsidize passenger operations.

It is important to note that STC's subsidy amounted to only 12 per cent of the company's revenues in 2003; 88 per cent of STC's revenues were self-generated. To put STC's subsidy in perspective, we need to look at the public passenger transportation industry across Canada.

STC's 12 per cent subsidy level compares with a 93 per cent subsidy level to the Toronto Transit Commission, a 61 per cent subsidy to VIA Rail, a subsidy of up to 50 per cent to the Saskatoon Transit system, and a subsidy of up to 65 per cent to the Regina Transit system.

Nova Scotia provides a subsidy of \$4.5 million a year to provide bus service to rural communities, and Quebec provides a \$2 million subsidy every year. Next door in Manitoba, Greyhound provides the intercity bus service. However, as a trade-off for servicing non-profitable lines, Manitoba has given Greyhound's subsidiary, Grey Goose, authority to operate all charter bus services in that province.

The high cost of equipment and fuel, employee costs, and declining passenger revenues are common factors facing intercity bus services across North America. Those reasons remain as true for Saskatchewan as for any other jurisdiction in North America. It is in this context it is important to take a look at who uses STC services.

Passenger information gathered by STC indicates that the number of people who define themselves as living in a city and those who define themselves as rural is about equal, much the same as it is in the province as a whole. Sixty-two per cent of STC's passenger base say their annual income is \$20,000 or less. These people have the same travel needs as anyone else in our society but they have considerably fewer options. That's why we think STC is so valuable.

The company's two largest subgroups of passengers are seniors and students, each amounting to close to 25 per cent of the passenger base. STC is a necessary transportation form for these people, and providing that service is a public policy priority for our government.

There are just a few more facts that I'd like to bring to the committee's attention before I take questions. STC travels to 275 Saskatchewan communities and, through interline partnerships with other carriers, reaches almost 400 communities in Saskatchewan. STC transports whole blood for the Canadian Blood Services for Saskatoon and Regina to hospitals and medical centres throughout our province. STC is the primary carrier of medical samples for veterinary labs in the province.

STC has 10 buses equipped to load wheelchairs, and which are available on any route with 24 hours notice. In one month, July 2003, STC moved more than 60,000 agricultural machinery parts throughout rural Saskatchewan. STC sells almost 600 medical passes a year which allow people unlimited travel throughout the month for medical reasons. And STC spends almost 150,000 each year renting hotel rooms in rural

communities for drivers' rest periods.

STC spends close to 80 per cent of its budget here in Saskatchewan and virtually all of the Avon products sold in rural Saskatchewan are shipped through STC. So when Avon says they're calling, it's courtesy of STC. With those facts in mind I'd now be pleased to answer any questions that might come from the committee members.

**The Chair:** — Thank you, Minister Sonntag. I'll open the floor to questions. Mr. D'Autremont.

**Mr. D'Autremont:** — Thank you, Mr. Chairman. Well, Mr. Minister, welcome to you and your officials. I am somewhat amused by your last statement that when Avon comes calling it's courtesy of STC. Does that mean STC doesn't charge Avon for shipping its products on STC?

**Hon. Mr. Sonntag:** — STC charges.

**Mr. D'Autremont:** — So it's then courtesy of Avon that STC is in part able to transport goods and passengers across the province?

**Hon. Mr. Sonntag:** — You're absolutely right.

**Mr. D'Autremont:** — Thank you, Mr. Minister, for clarifying that.

Mr. Minister, you stated that STC serves 275 communities, that, along with other carriers, you service about 400 communities across the province. Who are the other carriers that are doing roughly one-third, a little better than one-third of the business around the province, as far as carrying passengers and freight?

**Hon. Mr. Sonntag:** — There's five partnerships we have, but I'll let John give you specifically who they are.

**Mr. Millar:** — Thank you, Mr. Chair. The main one is Greyhound Coach Lines, which runs on Highway No. 1 and Highway No. 11 across the province from Manitoba to Alberta, and they service a number of communities on those two highways. There is also a courier, or a company that's out of, I believe, Oxbow, which is called Fuller's bus line. There is a company out of, I believe it's Ceylon; it's called KNR Courier. There is one in the Far North out of Cumberland House. It's . . . I'm sorry I can't remember that carrier's name. There's another that runs from Blaine Lake down through into Saskatoon that is . . . I'm sorry. And then there is another courier that runs out of Leader into Swift Current.

**Mr. D'Autremont:** — Thank you. I wonder if you could tell us — the minister has said that, as a public policy of the government, that STC is subsidized to carry passengers and possibly freight — if you can clarify that. But what subsidy is given to those other carriers that are doing roughly one-third of the business?

**Hon. Mr. Sonntag:** — I'll answer one part of the question. The subsidy is entirely for passengers, not for freight. The freight in fact is profitable and helps to subsidize or to reduce the need of subsidy from the government. In terms of our carriers, our partners, I'll . . . Someone else will have to answer that

question, one of the officials.

**Mr. Millar:** — There are no subsidies for the other operators. The two that operate in the Far North receive a small subsidy, operation subsidy from STC. But for the most part, there are no subsidies for private operators. There was at one point, about a decade ago, a subsidy program through the Department of Highways, but it's since been discontinued.

**Mr. D'Autremont:** — Okay. Thank you. STC, would they have the routes for the larger communities? I believe you said Greyhound operates No. 1 Highway, so Moosomin, Regina, Moose Jaw, Swift Current, along that route, and No. 11. So would they go as far south as Estevan and Weyburn or do they start this Greyhound run Regina, Saskatoon, North Battleford, Lloydminster? What would their route be?

**Mr. Millar:** — The bus runs in Saskatchewan like in any province. They're all controlled. There's called running rights on the highways for certain bus companies. Greyhound has running rights on Highway No. 1 throughout the province and Highway No. 11 throughout the province only.

However, we share running rights on Highway 11 for certain areas of that highway and we share running rights on a very small portion of No. 1 Highway with Greyhound. Otherwise, they have the running rights.

On Highway No. 1, we run from Regina to Moose Jaw and we run from Regina to Balgonie. And other than that, they run the No. 1 Highway. On the Yellowhead highway, we run Saskatoon to North Battleford and we run Yorkton to Saskatoon. And other than that, Greyhound has the running rights for that highway.

**Mr. D'Autremont:** — So Greyhound has the entire of Highway 16 as well?

**Mr. Millar:** — Yes.

**Mr. D'Autremont:** — Okay. And they have all of the entire length of Highway 11 as well?

**Mr. Millar:** — No. We have the running rights on Highway 11.

**Mr. D'Autremont:** — Is that shared then with Greyhound or?

**Mr. Millar:** — No. We have exclusive running rights on Highway 11.

**Mr. D'Autremont:** — Ah, okay. Okay. I guess where I'm confused is that you said Highway 11 initially and it should have been Highway 16. That's fine.

**Mr. Millar:** — Pardon me, sir, I meant Highway 16.

**Mr. D'Autremont:** — Okay. So does STC then have the running rights, outside of No. 1 and No. 16, servicing the rest of the cities in the province and the larger communities?

**Mr. Millar:** — Except in the case of those four or five . . . sorry, five private carriers I pointed out earlier, they have running rights on those roads.

**Mr. D'Autremont:** — Right. Which of the larger communities, let's say over 1,000 as an example, would the other five carriers in the province be servicing?

**Mr. Millar:** — None. Except as an end run; i.e., they arrive in Regina and leave Regina or they arrive in Swift Current and leave Swift Current. Other than as an end destination, none.

**Mr. D'Autremont:** — Do any of the other carriers service Saskatoon at all as an end run?

**Mr. Millar:** — Sir, there is . . . The one that runs from Blaine Lake is a direct into Saskatoon.

**Mr. D'Autremont:** — Okay, thank you. The 275 communities that STC services, how many of those runs . . . are those individual runs? I'm assuming they wouldn't be but I ask the question. What would be designated as running right runs or are there certain routes that are designated as running rights?

**Mr. Millar:** — Running rights are given by the Highway Traffic Board to highways and not to specific routes. So the running right is on a highway and a route will often take more than one highway as it does its circuit, but the running right is assigned to the highway.

**Mr. D'Autremont:** — Okay. Thank you. With STC servicing the larger communities in most cases, not necessarily exclusively because of Greyhound being there as well, where would the highest ratio be to revenues to expenses, so the most possibly profitable runs be. Would they be the larger communities or would they be servicing the smaller communities?

**Mr. Millar:** — Sir, we have two profitable runs. The Saskatoon-Prince Albert run and the Regina-Saskatoon run make a profit we count on on a yearly basis. Most of the other runs either make no profit or they're very marginal.

**Mr. D'Autremont:** — Would the size of the communities along the highway running rights impact directly on whether or not the passenger service would be profitable along that particular run?

**Mr. Millar:** — On the Saskatoon-Regina run, three of our services . . . we have three services daily. Two of them are direct so there are no stops along the way. So there is only one that makes the milk run, but the other ones are just direct runs so there is no . . . [inaudible] . . . to be gained in the communities along.

**Mr. D'Autremont:** — The other runs around the province — the non-main-centre ones, the non-end ones that would end in either Regina or Saskatoon — is there profitability or lack thereof, is it a reflection of the size of the communities being serviced?

**Mr. Millar:** — That's probably true, sir, but there are many factors, I am sorry to say which would be the most dominant factor. Factors such as the community population in the area, the trading area, the services that are available in the trading area, access to medical facilities within a trading area, all of these play a part in it. The size of the community probably is

the one that defines it the most.

**Mr. D'Autremont:** — Has STC done any statistical studies to determine what those factors are that are impacting on their bottom line, profit and loss on a particular line? And what kind of information — demographic, health care centres, surrounding trading area, population within the surrounding area . . . Has STC done any statistical studies to make a determination on what STC might be able to do to change its profit and loss picture on any particular run?

**Mr. Millar:** — Specific studies of that nature have not been done for the past decade. Other than that I have no knowledge prior to that.

**Mr. D'Autremont:** — Okay, thank you. Would it be a normal business practice with a transportation company to try and carry out those kind of studies to make a determination as to how it may influence its operations?

**Mr. Millar:** — As with a number of business practices that STC would like to conduct, we have to limit what we can do because of our resources. Yes, we would like to conduct such a study, sir.

**Mr. D'Autremont:** — So you would see that kind of a statistical study of being of benefit to STC?

**Mr. Millar:** — Yes.

**Mr. D'Autremont:** — Thank you. I guess since STC would see that kind of a study as being a benefit. What kind of a benefit might you anticipate should this kind of a study be done?

**Mr. Millar:** — It would allow us to determine where it would be most advantageous to run some routes. It could indicate where it would be to the company's interest to discontinue some routes. It would give us a better statistical package of where the individuals getting on the buses are coming from and going to. All we can track right now is by sheer number from one community to another. We don't have the ability to understand the purposes of their travel, their end destination, information like that, which, if we had that, we could take a look at our overall running map and decide whether or not we could run our routes in a different configuration to better serve people.

**Mr. D'Autremont:** — Thank you. Perhaps I should direct the next question to the minister as it would be more of a policy area. Mr. Minister, since there is the possibility or the opportunity to gain a further understanding of how STC operates — what would be good or bad for STC — if such a study was done which would affect both the customer service and the bottom line of STC, why would financial resources not be made available to provide that kind of a study which would improve both the performance and the fiscal viability of STC?

**Hon. Mr. Sonntag:** — There is, in fact, a review taking place this year, in 2005. Not to that, to the degree that you're talking about right now. But there is a review taking place in 2005 that will look at a number of the efficiencies and things like that across the province.

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

**Mr. Kerpan:** — Thank you, Mr. Chair. And welcome to the minister and his officials today. Bear with me, please. This is my first time for the STC report as I'm new to this portfolio, so I may ask some questions that might seem rather silly but they are, I can assure you, for information purposes.

I wanted to just spend a couple of minutes and go back actually to the 2003 annual report. I have a couple of questions that arose for me out of it. And I want to go back to the customs . . . Canada Customs and Revenue Agency had ruled that parcel pickup and delivery services that had been contracted out to contractors was deemed to be actual employees of STC. And I know that STC was ruled to have paid some back payments for Employment Insurance and Canada Pension Plan.

And my question was: what was the financial impact of those payments? I assume that they probably have been paid up and caught up. But do you have a dollar figure as to what the impact was?

**Mr. Millar:** — Mr. Chairman, we do not have with us at the moment unfortunately — I beg the committee's indulgence the absence of our financial officer — that figure to the end of 2004. We would undertake to get that information and send it to the committee as soon as possible.

**Mr. Kerpan:** — Okay, thank you. And I do understand by the way that Mr. Jim Hadfield was at that . . . for that year was the president and CEO so you're answering questions that came from his time as the president.

I want to talk a bit about the Regina depot. And again in 2002 an accessibility audit of that facility was completed and the Canadian Human Rights Commission pointed out that it had a number of accessibility shortcomings.

My question was: has it been brought up to the code? If it has been, what was the cost? And if it hasn't been, what is the plan for that to happen in the future?

**Mr. Clayton:** — The report of that particular group has certainly prompted STC to examine its options. At this point we have not addressed those particular shortcomings in the facility. It would cost a considerable amount of money to in fact address those problems. The question is whether that would be a good investment in a building that's as old as it is and so dysfunctional as it is.

And so the corporation has been reviewing its options in terms of whether a renovation to that facility would make sense, whether a major rebuilding on that site would make sense, or whether it would make sense to build new elsewhere. All those kinds of options are being examined.

As long as we are showing a serious effort at looking at those options and taking the report seriously, the federal regulators have given us a bit more time, but we cannot ignore the problem indefinitely. But we are looking at the options, sir.

**The Chair:** — Committee members, I've had a request that given the temperature and mugginess of the room that if leave

would be granted that we remove our jackets, if need be. Is leave granted for members and committee witnesses to do that? Is leave granted?

**Some Hon. Members:** — Agreed.

**The Chair:** — Agreed. That's carried. Thank you. That's very quick then. I recognize Mr. Kerpan.

**Mr. Kerpan:** — Mr. Chairman, supplementary to that last question then. What were the costs deemed to have been to bring the Regina facility up to code? Has the costing been done on that? I assume it has.

**Mr. Clayton:** — It is hard to isolate specifically what the costs would be to address only the access issues. Because once our renovation starts, then local bylaws kick in and any other deficiencies, code deficiency, also have to be addressed. But we're told that in total those kinds of deficiencies, it would be around the \$2 million mark.

**Mr. Kerpan:** — Has STC gone to the ... made any recommendations to the board or to CIC [Crown Investments Corporation of Saskatchewan] regarding the Regina facility, Regina depot in general, as far as moving to a new location? Has anything ... Obviously, we're obviously now almost two years past since some of these things were discussed. So what's happened in that interim that would be of interest to the committee?

**Mr. Clayton:** — We're in discussion with our own board of directors and the board of CIC in terms of examining those options and there have been no decisions made. Perhaps the minister would be better advised to answer that.

**Hon. Mr. Sonntag:** — Thank you. Yes, I indicated in the press the other day when we released the report that we hoped to have some response before the end of this year.

**Mr. Kerpan:** — Also in the 2003 report, the president at that point in time remarked that starting in the year 2004 that STC would be budgeting \$300,000 a year for three years for an advertising campaign. And has this take place? Has the money been spent and has it ... I guess my question — and obviously this might be a rhetorical question — but has STC felt that they've got value for that \$300,000 expenditure?

**Mr. Clayton:** — We've begun the campaign and it started ... the awareness campaign began last fall and we addressed our express service to some extent and as well did some advertising with regard to our seniors and students. And we have more planned for this year.

It is difficult to draw direct conclusions in terms of what the cause and effect is. But one of the things that we are very pleased about is that, although over the past number of years there has been a decline in passenger ridership of about 4 per cent a year, in 2004 it only went down by point three three per cent or a third of 1 per cent.

It also is apparent that in the first quarter of this year, our ridership is actually 8 per cent above our projections. So it's up, in other words, for the first quarter by over 3 per cent. So this is

very encouraging. We're hopeful that this represents a bottoming out of the decline in ridership and perhaps even a reversal.

But it probably would not be too prudent to reach those kinds of bottom line conclusions based on such a short period. I think we need to see what the longer term trend is but we're hopeful that through identifying the benefits and the fare structure and that sort of thing that it would have that effect on our business and that it would have that effect over a long period of time.

**Mr. Kerpan:** — Was the entire \$300,000 that was budgeted in the year 2004, was it spent in its entirety?

**Mr. Millar:** — No, Mr. Chairman, about a little more than a third of that money was spent in the spring of 2004 to do research on public images of STC, where they thought we could improve ourselves, what they thought were our problems, what were our strengths. That was done through polling and through focus group work. And then there was the campaign done that was the target advertising in the fall towards students, seniors, and medical riders. And then the Christmas campaign on the ... excuse me, on the express, which also ate up about another third of the overall budget. Essentially a little more than two-thirds of the 300,000 was spent in 2004.

**Mr. Kerpan:** — Do you anticipate then that in this fiscal year that you will spend that entire \$300,000 that would have been earmarked for this year? Would you anticipate that that will all be spent on advertising?

**Mr. Millar:** — Yes, sir. Now that we have been able to identify the issues that we must deal with in the public's mind, we're better equipped to do the advertising that needs to be done.

**Mr. Kerpan:** — Thank you. In that report as well, it talked about that STC was going to run a six-month trial basis to determine if there was sufficient demand to actually add service to some communities. And it goes on to say that unfortunately that STC felt there was not the demand to increase those services. My question then is, to which communities did STC increase their service? And can you also tell us what the loss was on that particular project? I assume there was a bottom line loss of dollars on it if it wasn't deemed to be viable to continue.

**Mr. Millar:** — There was one community, sir. It was Laird, north of Saskatoon. And what the situation was is a) one of our partner carriers, the one running from Blaine Lake, was running down there. We were subsidizing the driver to go into Laird to provide them with service. After — it turned out to be an eight-month trial period that we gave them — our weekly census of riders was one. And it did not make sense for us to continue on that basis.

**Mr. Kerpan:** — Was STC equipment used for that trial basis?

**Mr. Millar:** — No, it was the equipment used by the private carrier.

**Mr. Kerpan:** — Thank you.

**The Chair:** — The Chair recognizes Mr. Allchurch.

**Mr. Allchurch:** — Thank you. Welcome, Mr. Minister, and your officials. And a special welcome to Ray. I know your brother from Canwood very well. In fact he told me all these questions I have to ask . . . [inaudible interjection] . . . No. Coming out of Prince Albert going west, who has the services going out of there?

**Mr. Millar:** — That would be Sterling bus company out of, I believe they're out of . . . [inaudible interjection] . . . Shellbrook, yes.

**Mr. Allchurch:** — Do they just go from Prince Albert to Shellbrook, or where else do they go?

**Mr. Millar:** — I believe they go all the way across to Meadow Lake. I'd have to double-check that. Oh, yes, I'm sorry. Yes, sir, they run down through Blaine and Saskatoon.

**Mr. Allchurch:** — Blaine Lake and Saskatoon.

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — Who services out of the Meadow Lake area going south and east from there?

**Mr. Millar:** — We service out of Meadow Lake going south, and going east out of that is . . . It's a private carrier . . . [inaudible interjection] . . . It starts with a "c".

**Mr. Allchurch:** — Bouchard.

**Mr. Millar:** — Yes, Bouchard is the name of the owner and his coach company starts with a "c", but I'm sorry . . . [inaudible interjection] . . . Crosslands Coachways.

**Mr. Allchurch:** — Yes, I'm familiar with both. Crosslands Coachways is a private hauler, is he not?

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — Sterling is . . . he works under STC, does he not?

**Mr. Millar:** — He is a partner carrier with us, yes, sir.

**Mr. Allchurch:** — In regards to my questioning, who looks after the towns of Spiritwood, Leoville, and Shell Lake?

**Mr. Millar:** — I believe that would be Sterling. That would be Crosslands that serves that area.

**Mr. Allchurch:** — Crosslands looks after those towns?

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — Okay. In regards to that, Sterling just comes to Meadow Lake and then down . . . or, pardon me, to Shellbrook and then from Shellbrook goes down to Saskatoon. Crosslands Coachways comes into the villages of Shell Lake, Spiritwood, and Leoville. But there's a problem because the bus services or freight coming to the bus services that gets to P.A. [Prince Albert], stays in P.A. And we're phoned from P.A. to come pick up our parts in P.A. Could you explain why we have

this problem?

**Mr. Millar:** — Two years ago the company cancelled its interline relationship with Mr. Sterling . . . or sorry, with Mr. Bouchard over the result of a number of cross complaints between the two companies. This was a decision that was made by the then CEO and we have not had an interline relationship with Mr. Bouchard since that point.

**Mr. Allchurch:** — Because of the rights cancelled for Mr. Bouchard and Crosslands Coachway Services, how then does the people and the businesses of the area — Shell Lake, Leoville, and Spiritwood — get serviced because Mr. Bouchard has no pickup rights to STC?

**Mr. Millar:** — Yes, sir, that is correct. He does not interline with our depots. He is, I believe, the only carrier in the province who does not interline into our network.

**Mr. Allchurch:** — Is the reason he is not interlining with STC is because he is private and he is the only private company in Saskatchewan that is private?

**Mr. Millar:** — No, sir. There are a number of private companies that operate solely as private companies and do interline into our network. A very good example is Fuller bus lines from the Southeast.

**Mr. Allchurch:** — How many private companies are there in Saskatchewan that operate other than under the jurisdiction of STC?

**Mr. Millar:** — That work as interline partners with us?

**Mr. Allchurch:** — Yes.

**Mr. Millar:** — There are five, sir.

**Mr. Allchurch:** — Five private companies?

**Mr. Millar:** — Counting Greyhound, of course. Greyhound and four others.

**Mr. Allchurch:** — Okay. But Bouchard is the only one that has no interline services.

**Mr. Millar:** — That is correct, sir.

**Mr. Allchurch:** — Can you explain to me why Mr. Bouchard does not have interline services?

**Mr. Millar:** — There was a dispute between Mr. Bouchard and STC approximately two years ago. It involved who had running rights on what highways. It involved a number of countercharges about who was saying what about whose service. It was a dispute that went on for about almost a half a year before STC decided to withdraw its partnership agreement with Crosslands.

**Mr. Allchurch:** — Okay. Mr. Bouchard runs from Meadow Lake and drives down through Spiritwood. In order to get to Spiritwood, which way does he come? Does he come down highway between Meadow Lake and Glaslyn and then over to



Spiritwood? Or how does he get to Spiritwood?

**Mr. Millar:** — I would assume so, sir, but I don't know because we have no knowledge of his operations. We are not in partnership with him. I would assume that would be the logical route to take.

**Mr. Allchurch:** — Well according to my knowledge, there is Greyhound, I believe, that runs from Meadow Lake down to North Battleford to Saskatoon. Or is it STC?

**Mr. Millar:** — We both run from Saskatoon to North Battleford. Greyhound then carries on from there to Lloydminster, and we carry on from there up to Meadow Lake.

**Mr. Allchurch:** — So STC runs from North Battleford to Meadow Lake.

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — In order for Mr. Bouchard to get to Spiritwood, the only road that he can utilize is the road from, or the highway from Meadow Lake down to Glaslyn. If that is the case then they are duplicating services, are they not?

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — It's just one of the areas where he's in context of having . . . running rights that he really doesn't have.

**Mr. Millar:** — Yes, sir. We have the running rights between North Battleford and Meadow Lake. They're assigned to us by the Highway Traffic Board.

**Mr. Allchurch:** — So if he's going to run from Meadow Lake down to Spiritwood, just how does he get to Spiritwood with his bus, if he doesn't run on the highway running from Meadow Lake down to Glaslyn which is already the running rights of STC?

**Mr. Millar:** — We share running rights with a number of companies in various places in the province. And we did share running rights with Mr. Sterling . . . or sorry, with Mr. Bouchard prior to the dispute arising.

**Mr. Allchurch:** — Okay. This dispute then is between Mr. Bouchard and STC for the area running from Meadow Lake south to Glaslyn?

**Mr. Millar:** — The dispute had to do with his wishing to run a service from Meadow Lake into Saskatoon, which was our running right area and we were not prepared to give it up. That was the root cause of the dispute.

**Mr. Allchurch:** — Was this the run from Meadow Lake, North Battleford, Saskatoon . . .

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — . . . or was it from Meadow Lake, Glaslyn, Spiritwood, Saskatoon?

**Mr. Millar:** — As we understood it, sir, it was down from

Meadow Lake, through North Battleford, into Saskatoon.

**Mr. Allchurch:** — So he was wanting to obtain running rights to run there along with STC running their rights.

**Mr. Millar:** — Yes, sir.

**Mr. Allchurch:** — So I guess I come back to the question then regarding Bouchard crosstown coachways running from P.A. to Spiritwood. If we have no bus service where they can't interline, as Mr. Bouchard cannot interline with STC, how and . . . how do you explain to the people of Spiritwood and area that they have a bus service when then they don't?

**Mr. Millar:** — They have a bus service. It's just not an STC bus service, sir.

**Mr. Allchurch:** — But you failed to . . . miss my point, sir. If Bouchard cannot interline with STC, how can you say to the people of Spiritwood they have a bus service? They don't. And this has been the problem in Spiritwood for a number of years. There's been petitions raised, sent in to the minister. I'm sure the minister is aware of them. It's been two years and still nothing is done.

Just to give an example, the centennial celebration had a package for me, the MLA [Member of the Legislative Assembly], and I had to go to P.A. myself to pick it up because they would not send it out.

Now is this the kind of service that Spiritwood have? And to citizens of Spiritwood, is that the kind of service that they're paying for and is it a valuable service for the money they pay?

**Mr. Millar:** — I guess the honest answer there, sir, would be no, it isn't a valuable service because they don't get the opportunity to interline with the rest of the provincial network. We would be happy to sit and talk with Mr. Bouchard about reopening an interline agreement as long as he would be prepared to abide by the running rights that are assigned by the Highway Traffic Board.

**Mr. Allchurch:** — Okay, in regards to that then, is in question his licence to interline subject to him not running from Meadow Lake to Glaslyn or is it Meadow Lake to Saskatoon? Because I believe right now he's running from Meadow Lake down to Glaslyn, over to Spiritwood and into Saskatoon. And from what I gather from your comments that is okay.

**Mr. Millar:** — As long as he is not on the same highway that the running rights are owned by Sterling. Then there would be a conflict there. Sterling runs down No. 12 into Saskatoon. I'm not sure which route Mr. Bouchard takes.

**Mr. Allchurch:** — That I'm not sure. You mean from P.A. down to Saskatoon?

**Mr. Millar:** — Well, from Blaine Lake. Mr. Sterling runs from Blaine Lake down to Saskatoon on Highway 12. I don't know which way that Mr. Bouchard takes into town.

**Mr. Allchurch:** — Okay, I'll have to check into that to see where he goes from as far as P.A. or from Blaine Lake. So to

the citizens of Spiritwood and area — because we've had calls about this and I was asked to bring it up and that's why I'm doing it — I can say that your department is looking at talking to Mr. Bouchard to set up a different arrangement if it's possible?

**Mr. Millar:** — We would be willing to talk with him if he would be willing to talk with us. Yes, sir.

**Mr. Allchurch:** — Have you contacted Mr. Bouchard in this regards?

**Mr. Millar:** — Not to my knowledge. I don't know that he's contacted us either.

**Mr. Allchurch:** — Will you be contacting him?

**Mr. Millar:** — If this committee so directs, yes, sir.

**Mr. Allchurch:** — Pardon me?

**Mr. Millar:** — If the committee so directs, we will contact him, sir.

**Mr. Allchurch:** — I think as MLA from that area and the citizens of Spiritwood, they feel that something has to be done and I'm asking you to take their recommendations and their concerns and see if we can resolve this problem. And therefore I ask that you contact Mr. Bouchard.

**Mr. Millar:** — What we usually do, sir, is we work through the municipal councils and the municipal leaders in the communities that are looking for changes in services but we can make an exception in this case.

**Mr. Allchurch:** — All right, thank you.

**The Chair:** — Mr. Kerpan.

**Mr. Kerpan:** — Mr. Chairman, I'd like to spend a couple of minutes and I know our time is getting short, to talk a little bit about, you know, what your plans are for the future. And in order to look at the future I think you have to look at the past record of STC just a little bit. And we all know that STC has not made a profit since 1979, roughly 25 or 26 years. If you then make assumptions that rural Saskatchewan is the heart and soul of the STC operation, which I agree that it is and I think most members would agree that rural Saskatchewan is heavily dependent upon STC, and then if you assume that rural Saskatchewan, the growth in rural Saskatchewan either by people or by business is going to remain fairly static — which of course we hope to change — but if you assume that, then one would assume, it would follow, that one would assume that in the near to long future, there is no real hope that STC will ever turn a profit.

So my question then is, in order to minimize losses, either revenues have to increase or services have to decrease, or a combination of both. My question then becomes what are the long-term plans for the company to make sure and to ensure that the government and the taxpayers of the province don't have a debt that is spiralling out of control or losses that spiral out of control from year to year.

And I would just like to add before you answer that, is that if you look at the . . . just the operating revenues and expenses from this year, we . . . the company is showing a loss of some \$200 thousand more than it did last year just based on operating, which given the increase in fuel costs is not all that bad. So what happens down the road? I guess those are my questions for you folks.

**Hon. Mr. Sonntag:** — Sure, I'll be happy to answer that. First of all let me just go back a bit. The average annual subsidy to the corporation used to be about \$8 million a year. There's been considerable changes made to reduce the subsidy to now where it's roughly about 4 million a year. There have been many changes aside from the, I think, the ongoing desire to find efficiencies wherever they can.

We have introduced express which delivers parts and parcels, and that's profitable to the company. Last year we purchased three used buses so that we're looking for newer, smaller, more fuel-efficient smaller buses. There's always an ongoing evaluation of the routes across the province.

In addition to that . . . I know our president just spoke about the awareness campaign. We're hopeful that, as well, will make a difference in the ridership. So while there might be pressures in rural Saskatchewan, it's not to the point where if we couldn't increase ridership that it wouldn't improve the bottom line of the company considerably.

I think as well . . . I lost my track of thought here. But generally I think, I mean, the company will be looking to find new ways to improve its image and improve the bottom line. I know what I was going to say is the . . . There has been recognition by our government though, having said all of that, that in the long term it would seem to us that this is a company that we will continue to subsidize — but making no apologies for that; we think this is a valuable service to the province of Saskatchewan — we would be desirous of reducing that subsidy as much as possible.

**The Chair:** — Mr. McCall's been quite patient so I'd recognize Mr. McCall for a question.

**Mr. McCall:** — Thank you, Mr. Chair. I guess it's . . . And now for something completely different. I've appreciated the back and forth and the overall viability of STC because obviously it is a very important public institution in Saskatchewan. But I guess I have a . . . Certainly with the discussion around Kyoto of late, obviously public transportation has an important role to play in terms of meeting our broader goals, as a Canadian people, around Kyoto.

So I guess my first question is: what role do you see STC playing in terms of reducing carbon emissions in Saskatchewan? And then more particularly, in the discussion around the release of the report there was some talk around biodiesel and what, you know, what use STC might make of biodiesel because then of course there's a value-added opportunity for Saskatchewan farmers which of course is very important.

So, I guess, what role do you see STC playing in terms of the Kyoto accord and then what do you see around opportunities for utilization of biodiesel in terms of the STC fleet?

**Hon. Mr. Sonntag:** — I'll let our president talk about the biodiesel component of your question, but you make an important point, Mr. McCall, and I neglected in raising it. Actually it should have been in conjunction with the answer to Mr. Kerpan as well.

I think with rising fuel prices and ongoing concerns about our environment and Kyoto generally, it will only serve to increase ridership on our buses. I know there's the Senate committee . . . I don't remember the exact year; perhaps the president can reference that, but passenger bus service is believed to be the most cost-effective way of moving people around our province or around our country, even more cost-effective than trains.

With respect now to biodiesel . . . Do you want to speak to that, Ray, please?

**Mr. Clayton:** — Yes. We actually began a pilot project of using biodiesel as an additive in the bus from . . . running on the Saskatoon to Swift Current line. That project, that pilot project began in February, so we'll be — in conjunction with the University of Saskatchewan — we'll be evaluating the effects of that. And we're certainly hopeful that the results will point to the increased use of biodiesel in the province. So maybe we can lead the way a bit in that respect.

**Mr. McCall:** — Okay. I guess just a quick comment and then I'm through, Mr. Chair. I had the opportunity to ride STC about a month ago, and it was a great ride. And I understand from my colleagues that the bus driver that took the folks up to Lloydminster and back did a fantastic job, you know, and arguably way above and beyond the call of duty. So I'd just like to say thanks and keep up the good work.

**The Chair:** — We're getting very close to the agreed time of adjournment, but Mr. D'Autremont has one final comment or question.

**Mr. D'Autremont:** — Okay, thank you, Mr. Chairman. One question and then the remainder of our questions can be dealt with when we give consideration to the 2004 annual report, which will be occurring very shortly.

To pick up on Mr. McCall's questions in relationship to the environment, I wonder if STC has done any studies to determine the environmental costs or savings of running a large STC bus up and down the highway with very few passengers in it in comparison to utilizing a much smaller, or even a private small-passenger vehicle.

And the second part of that, in talking about biodiesel, where would STC be purchasing that biodiesel from? From the plant . . . would it be from the plant that was just . . . is proposed to be built in Minot, North Dakota?

**The Chair:** — Recognize Mr. Millar.

**Mr. Millar:** — Yes, sir, in response to your first part, we have done studies on where we put small coaches as opposed to the large coaches. They're based on the annual daily census of riders. We only put . . . we try to match the coach size to the amount of riders that run that route on an average basis so that we don't have a 15-seater van on a route that needs 18 seats on

a daily basis. That's the studies we've done on how we put small coaches where.

In terms of the biodiesel, we are currently using the additive that's manufactured in the plant in Foam Lake, and at this point we have no plans other than to complete our study, which will approximately take about six months, and at that point in time we will be looking for distribution availability at that point.

**The Chair:** — Thank you, members, and thank you to the minister and his officials for being here and look forward to the plans into the future.

Mr. D'Autremont, did you have a motion you wanted to make?

**Mr. D'Autremont:** — Okay. I would move:

That the committee conclude its review of the 2003 annual report financial statements and related documents for the Saskatchewan Transportation Company.

**The Chair:** — Thank you. It has been moved by Mr. D'Autremont. Will the committee take it as read?

**Some Hon. Members:** — Agreed.

**The Chair:** — Is this agreed? Is this agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That's carried. Weren't sure about that. I recognize the minister.

**Hon. Mr. Sonntag:** — Thank you very much to committee members, and I want to thank my officials for assisting in answering the questions as well. Thank you.

**The Chair:** — Thank you very much. We'll take a two-minute recess while we assemble for SaskWater report.

[The committee recessed for a period of time.]

#### Saskatchewan Water Corporation

**The Chair:** — Thank you, committee members. We'll reconvene the Crown and Central Agencies Committee. The next annual report that we will be reviewing is consideration of SaskWater 2003 annual report and related documents.

And I have conferred with the minister, and because again the same situation, we did have this meeting previously scheduled, but due to members needing to attend funerals, this was cancelled at some point. In the interim . . . since then the 2004 annual report has been tabled and the minister has said that he would be prepared to answer questions dealing with 2004 reports as well, and beyond as well.

So without further ado, I will welcome Mr. Prebble, the minister, to introduce his officials and make any brief statements if he so wishes.

**Hon. Mr. Prebble:** — Thank you very much, Mr. Chair. I'm very pleased to be accompanied by a number of senior officials

from Saskatchewan Water Corporation today.

And present and to my right is Stuart Kramer, who is the president of SaskWater; and to my left is Terry Hymers, who is the director of financial services; and behind me are Susan Ross, who is general counsel to SaskWater; Bob Wheatley, who is vice-president responsible for engineering; Greg Argue, who is vice-president responsible for marketing and business development; Mart Cram, who is vice-president of operations; and Kathie Maher-Wolbaum, who is special adviser, government relations, Crown Investments Corporation.

So I'm very pleased to be joined by these officials and, Mr. Chair, because it's been a little while since we've been before the committee, I would like to make some comments about SaskWater and what it's doing with respect to its current mandate, which is relatively new. The mandate was given to the corporation in 2002, and it's been operating under this mandate since the fall of '02. And it's basically a mandate that has focused SaskWater as a solutions provider in water treatment and water transmission and waste water services.

I'd just point out to begin with that there's no other Crown utility in Canada that provides the kind of grassroots water services to rural areas that SaskWater does. So in that sense I think it's an unique Crown entity in the country.

SaskWater services about 35,000 people, spread out over 49 communities in Saskatchewan, and it also serves 37 industrial customers. SaskWater also works with over 42 pipeline associations to develop pipelines delivering water to farms and rural households around the province. And this again is quite an unique role for a Crown in Canada.

As part of our province's drinking water strategy, SaskWater's mandate, as I mentioned, was changed in 2002, and there are three key parts to the drinking water strategy.

The first is protecting the source, and that is the role of Saskatchewan Watershed Authority. The second was strengthening regulations pertaining to water quality, and that is the role of Saskatchewan Environment. And the third element of the safe drinking water strategy was to provide solutions. And that's essentially where SaskWater comes in.

SaskWater brings significant experience as a water utility to communities around the province, looking for new ways to provide water and waste water services to residents. SaskWater now has 30 certified operators on staff as well as engineering specialists in water and waste water treatment.

I'm pleased to report today — and you can see this in the 2004 annual report — that SaskWater has experienced significant growth in the past two years. Revenue is now up to \$16.7 million, and when I look back to 2002 I note that's an increase of \$2.2 million in terms of revenue. Much of this has been accomplished by expanding SaskWater's customer base, and this has positively impacted on the 2003 and 2004 revenues.

New and expanded customers in 2003 included Star City and Star City Colony, Cudworth, Paynton, Halbrite, and White City. And new and expanded customers in 2004 included St. Louis, Casa Rio, Canadian Salt; the Agrium expansion, Vanscoy;

north central regional pipeline association, with provision to add Wakaw resort in the near future; and Edenwold. So you can see that there's been quite a number of communities that have — and private sector businesses — that have signed up for services with SaskWater over the past two years.

SaskWater has also seen significant growth in the area of operation and maintenance contracts with Saskatchewan communities. And many of the customers who signed up for water supply also recognize the benefit of partnering with SaskWater for operation and maintenance services. This is a new line of business that's just been developed in the last two years. And this is where SaskWater partners with communities to provide operation and maintenance of their water and waste water utilities, including water treatment, storage, distribution, and waste water disposal.

In 2003 new operation and maintenance customers included Halbrite, Paynton, and White City. And in 2004 we added Star City, Vanscoy, Edenwold, and the North Central Rural Pipeline Association in the Wakaw area as operation and maintenance customers.

SaskWater also works for Indian and Northern Affairs Canada in Saskatchewan, providing technical assistance and training for 109 water treatment plant operators on 54 First Nations, as well as four operators in three northern communities. And we consider this training work to be a very important part of our mandate and a very important way in which we can serve First Nations communities in the province.

In northern Saskatchewan, SaskWater plays a particular key role in planning and managing the design and construction of water and waste water infrastructure. SaskWater has an agreement with the Northern Revenue Sharing Trust Account Management Board to provide program management for a six-year, \$35 million initiative to construct and upgrade the water and waste water infrastructure in 35 Saskatchewan northern communities. So as you can see, SaskWater is providing important services in many parts of Saskatchewan.

There's been another element to the revenue increase, particularly as it pertains to the period from August 2004 to the present time, Mr. Chair, and members of the committee, and that is that there's been a two-phase rate increase that SaskWater has implemented. And for the year 2004, and that's basically impacting on the last five months of that year, the additional revenue taken in from that was \$427,000.

I also want to report to you that operating expenses for SaskWater in 2004 were held at 2003 levels and that's \$18.7 million. And SaskWater's net loss has . . . in 2003 was \$2.3 million and in 2004 it was 1.5 million. So we saw some reduction in the net loss by SaskWater in 2004. And I should indicate that both of those figures are after grants were provided by the province.

I also just want to comment on the overall approach that SaskWater is taking in terms of particularly fostering regional co-operation to help communities work together to meet their water needs. I think this is a very important element of the work. It requires a lot of staff time to . . . In many ways it's a community development process facilitating joint planning and

co-operation among communities to meet their water needs at affordable prices.

By partnering with SaskWater, communities are able to take advantage of the economies of scale and the health benefits of accessing SaskWater's regional water supply. These larger treatment facilities pump high-quality water through an extensive regional pipeline system to many smaller, surrounding communities. Through our partnership with the rural pipeline associations, good quality water from the transmission lines is distributed even further to farms through a series of spaghetti lines. And SaskWater also provides technical and management services for municipal water utilities, helping them to reduce their overall risk and contain their cost.

So in effect what we're doing is, in many cases we're able to establish one central water treatment plant and tap into a good source of water quality from that plant. In many cases it is the South Saskatchewan River. We then treat that water and we distribute it among . . . to many different communities along the pipeline. And then the costs of that treatment plant are in effect shared by many communities instead of only being borne by one.

I want to mention one other aspect of SaskWater's operations, and that's our project management work. As part of Saskatchewan's safe drinking water strategy, all municipal water systems in the province regulated by Saskatchewan Environment must have a third party assessment of their water works completed by December 31, 2005. This involves a thorough investigation of the ability of these water systems to meet safe water regulations.

As a cost-saving option for communities, the Saskatchewan Urban Municipalities Association hired SaskWater to be the technical project manager for this important project. In 2004 SaskWater tendered assessments for 169 communities. SaskWater expects to tender a similar number of assessments in 2005.

Together with SUMA [Saskatchewan Urban Municipalities Association] and the Consulting Engineers of Saskatchewan, we're trying to help Saskatchewan communities to meet these important regulations on time, but we're also trying to help them to do it as affordably as possible. And by grouping communities together to have their water works assessments done at a similar time we're able to save communities at least 20 to 25 per cent of the cost of doing the assessments. And so that's what SaskWater has been managing.

Finally I should just say that in the years to come, I see SaskWater continuing to increase its customer base and continuing to build strong partnerships with stakeholders in the water industry. Our relations with SUMA and SARM [Saskatchewan Association of Rural Municipalities] are very important. So are our relations with the consulting engineers, Western Economic Diversification Canada, our partnership with Indian and Northern Affairs Canada, the Prairie Farm Rehabilitation Administration and Government Relations. These are all important partnerships.

SaskWater will continue to operate as a total quality water management company. And I think the new mandate that

SaskWater has means that it has a real chance to impact in a very, very positive way on many Saskatchewan communities. I expect that we will see increased revenues from all aspects of our core business in 2005. And we're looking forward to working with many additional communities on the water system assessment program in the coming year.

And finally, I would just say that our government expects SaskWater will invest approximately \$7 million in water treatment and water transmission upgrades in 2005, including important improvements in the Gravelbourg water treatment plant and upgrades to the water transmission system in the Saskatoon area.

So I think that provides an overview, Mr. Chair, and committee members, of the work of the corporation, and a few brief comments about some of the plans ahead for 2005. And I'd be very pleased to answer any questions that members of the committee might have about the 2003 and 2004 annual report.

**The Chair:** — Before we go to committee members' questions, we'll hear from the Provincial Auditor's office, some of the overview of the SaskWater's annual reports and financial statements.

**Mr. Martens:** — Thanks, Mr. Chair. I'm going to ask Judy Ferguson of our . . . deputy provincial auditor of our office to give our comments, and once again I'll have Brian Drayton from Meyers Norris Penny give his comments from the appointed auditor's viewpoint.

**Ms. Ferguson:** — Thank you, Andrew. Good afternoon, Mr. Chair, members, and officials. Our office worked with Meyers Norris Penny to complete the audits for the year ending December 31, 2003 and December 31, 2004. We concur with each of their audit reports on the financial statements for the corporation. You'll find these audit reports on page 39 of the 2003 annual report and page 41 of the 2004 annual report.

In carrying out our work we received excellent co-operation from both Meyers Norris Penny and the management and board of SaskWater Corporation. And we also would like to acknowledge and encourage continued improvement in the quality of information that SaskWater Corporation is providing in each of their annual reports. We're finding that each year it is much improved in terms of providing better information to the members of the Assembly and public on actual results compared to its plan and also the future directions and targets of the organization.

That concludes my comments for this afternoon. Brian.

**Mr. Drayton:** — Thank you, Judy, and good afternoon again, Mr. Chairman, and members of the committee and company officials. As Judy mentioned, our reports on the financial statements are included in the annual reports. They are both for 2003 and 2004 unqualified reports; that is, in our opinion the financial statements do present fairly the financial position and operations of the company at December 31 in each of those years respectively.

I too would just like to acknowledge that during the course of our audits we were given complete and unrestricted access to all

the books and records of the company and given full co-operation by management and the officials, that our audit was conducted in conjunction with those of the Provincial Auditor's office and again received full co-operation from all parties involved. That would be the extent of my comments, Mr. Chairman.

**The Chair:** — Thank you very much. I will open the floor to committee members' questions. I recognize Ms. Eagles.

**Ms. Eagles:** — Thank you, Mr. Chair. And thank you, Mr. Minister, and your officials. In your 2003 report you state that there's a \$3.4 million loss before operating grants of 1.1 million received from CIC; 2002 is a loss of 3.3 million. Was that 3.3 before or after the operating grant?

**Hon. Mr. Prebble:** — Ms. Eagles, I just . . . I want to refer to both 2002 and 2003. I think the difference between the two years is that in 2002 there was no operating grant received from the province. In the year 2003 there was an operating grant received and the \$3.3 million figure that you refer to would be before the operating grant was received.

**Ms. Eagles:** — And there was no operating grant for that year, you say.

**Hon. Mr. Prebble:** — There was no operating grant for 2002, but there was for 2003.

**Ms. Eagles:** — Okay, thank you. Our time is quickly slipping away so I'm going to deal with issues I have regarding . . . mainly in my constituency but I will venture out into other areas of the province as well.

Some constituents of mine have been dealing with SaskWater out of Weyburn. And this is a group that want to register as a non-profit organization but they haven't registered at this point because they don't know if this is a fruitless venture or not.

But what they want is, there's some land along the Rafferty dam area there that is Crown land and I can give you the descriptions, Mr. Minister. It's NE of 23-2-9-W2 and SE of 26-2-9-W2. And they would like to develop this area, and they've been dealing with the Weyburn office regarding acquiring this land from the Crown. And while they realize that there will be conditions to it, there is a lot of interest for this to happen for the development of that area. They want to build cabins along there.

And what they want to do is sell parcels of land or lots of land that would be strictly cost recovery after the lots were serviced. They thought this would be a wonderful centennial project and they also feel that those that have expressed interest in purchasing lots, of course they in turn would be paying taxes to the government so it would generate revenue for the government.

Could you tell me if there is any progress on this issue?

**Hon. Mr. Prebble:** — Ms. Eagles, I should just . . . I know there's been . . . with a change in mandate and the changing role of both the Watershed Authority and of SaskWater, it's sometimes a little bit confusing for members of the public and

for MLAs to be clear about whose mandate these kind of things fall under. To the best of my knowledge this would fall under the Watershed Authority.

In effect, these development responsibilities were moved over to Saskatchewan Watershed Authority on October 1, 2002, and the infrastructure that's related to Rafferty-Alameda is now being managed by the Watershed Authority. So, to the best of my knowledge, it would be the Watershed Authority that one should, you know, that you should probably ask this about. But we can help facilitate that for you if you like and find out a little bit more information about this. I don't want to be not . . . I want to try be helpful on this. But I don't think this is formally part of SaskWater's responsibilities. I'll just double check this to be certain and I'll make sure that we put you in touch with the appropriate official in the Watershed Authority.

**Ms. Eagles:** — I thank you for that, Mr. Minister, and hopefully SaskWater in Weyburn has directed them to deal with Watershed too. It was my understanding when I talked to the gentlemen this morning that there was no indication given by him that he had been advised to go to Watershed, so if you could provide some assistance in that I would certainly appreciate it.

And, Mr. Minister, I know that you're probably also aware with the issues regarding the village of Keeler and Wood Mountain and there's also a Hutterite colony out by Swift Current that are dealing with water issues, and I'm sure this is Sask Watershed as well. But what I would like to know is if SaskWater has any involvement in those issues?

**Hon. Mr. Prebble:** — Ms. Eagles, we don't currently serve these communities. But there may be an issue related to SaskWater here, I'm just not certain. And maybe you could provide us with a little bit more information about what, what the water issues are in those communities and whether they've made an approach to SaskWater? I could certainly . . . If you could provide a bit more information we could certainly look into that and try to get back to you as soon as possible.

**Ms. Eagles:** — Well I . . . perhaps we're looking for some clarification as to what point SaskWater is involved regarding providing safe drinking water and who is the initiator? Like, is it Sask Watershed, the Watershed Authority, or is it the community that is responsible?

**Hon. Mr. Prebble:** — Well the communities can approach SaskWater, asking SaskWater to look at being a potential solutions provider to their community. And sometimes SaskWater will go out and offer its services to . . . especially if it senses that the community might be interested. But the community has a number of options available to it. It can choose to look after its water needs, you know, itself. And often it does that with help from the province and that help just doesn't necessarily come from SaskWater. It also could, you know, come through the infrastructure programs that are available.

There's been now for the last few years, I think a very successful federal-provincial-municipal infrastructure program in which the province has put in \$34.3 million and municipalities have put in \$87 million themselves. So there's

been 87 from municipalities; 34 million from the province; the federal government has put in 30 million; and 278 projects have been financed through that Canada-Saskatchewan infrastructure program.

Now that's in addition to what SaskWater is doing. So SaskWater then . . . so this is financial assistance for communities. And then in addition to that financial assistance, if communities actually want SaskWater to build a water treatment plant or help them upgrade their existing plant, and if they want project management services for their operations, SaskWater is available to try to help them with all of those things.

Now SaskWater has to go with projects that are going to be within the realm of break even, if you know what I'm saying. In other words they have to have some commercial viability. But SaskWater will work with surrounding communities to help develop a plan for a project that would be commercially viable. But these do have to be break-even projects. The funding that I am making reference to on the federal-provincial infrastructure dollars, that's direct financial assistance from the province. And over the last few years it's been, under that program, it's been \$34.3 million.

**The Chair:** — I just want to let members know that Ms. Beatty has arrived to replace Mr. Wartman. I recognize Ms. Eagles.

**Ms. Eagles:** — Thank you, Mr. Chair. I guess, Mr. Minister, one point on that is that what you're basically saying as far as the safety of the water that's in Keeler and Wood Mountain, probably strictly is under the jurisdiction of the Sask Watershed Authority, is that correct?

**Hon. Mr. Prebble:** — Ms. Eagles, we'll check, I'll check for you in terms of specifically who Keeler is relating to right now. What the Watershed Authority does in general terms is water management of the resource — so water infrastructure, drainage, water allocations. Whereas what the Sask Water Corporation is doing is water and waste water services for communities. So you know that would be the distinction. It may very well be that Keeler is working with the Watershed Authority and we'll check that for you to make sure that there's clarity on that. I'm not aware that Keeler's been working with SaskWater, but I also just want to double-check that in case . . . I'm just going to ask Mr. Cram for a word of advice.

I'm informed with the good advice of Mr. Cram that Keeler has not had a working relationship with SaskWater up to now.

**Ms. Eagles:** — Thank you, Mr. Minister. And I'm very happy that you mentioned the Canada-Sask municipal rural infrastructure grant. I have a message here from the town of Osler — I believe it's a town or a village — and it's got here, the water for Osler is piped in from SaskWater. The rates were raised 55 per cent this year. There is a grant available for which the town has applied for. It is a 50/50 sharing grant. This would be used to build a reservoir and water treatment plant.

They have been advised from SaskWater that they must build a reservoir as a certain one can only supply the town for less than a half a day of water. For quality water, you need at least a two-day reservoir. As well for fire safety the reservoirs are not

big enough to fight fires.

And this certainly isn't limited to Osler, Mr. Minister. I have areas in my constituency that have applied many times for this Canada-Sask municipal infrastructure grant and they have been denied constantly. And of course they always make reference to, you know, what's up with our rural revitalization.

One of the communities I'm talking about in my constituency is the village of Roche Percee. And after you comment on Osler specifically, I would like you to supply me with a complete list of the cities, towns, and villages that have applied for this grant and also identify which ones have been accepted or denied.

**Hon. Mr. Prebble:** — Now I, just for clarity, I don't have responsibility for the actual disbursement of the grants. But I know that the Department of Government Relations would be able to provide you with information about which communities have received the grants. That infrastructure program, the Canada-Saskatchewan infrastructure program, I believe, falls under the Department of Government Relations.

Now just so that you're . . . I can comment on the decision-making process here, which I believe is that we have a joint committee that's made up of representatives from SUMA, representatives from SARM, and representatives from the Department of Government Relations that actually sit down and make the difficult decisions about which communities will receive infrastructure dollars.

And there's always a lot more applications, of course, than there is money available, even though there's been a very substantial investment by our government. And we appreciate the help of the federal government, too into, you know, rural water infrastructure.

But I'm not able to give you a list of the projects that were turned down versus the ones approved, but I'm sure the Department of Government Relations would be able to give you a list of the ones that have been approved. And Minister Taylor would be the minister to ask about that.

With respect to Osler, it's true that Osler's rates have risen — I would have to say significantly — in the last year. If you go back to . . . August 2001 would have been the time of the last, you know, the earlier rate increase, and at that point that rate increase was 4.3 per cent. Now what happened in August 2004 is that the rates went up — I believe 27 per cent; Stuart, is that correct? — it's in the range of 27 per cent, anyway, Ms. Eagles, and then again a similar increase in April 2005. Now this is it in terms of increases. There's not going to be others. I want to give you the exact figures, and I'll do that in just a second.

So there are quite a few communities where we have an agreement with the community whereby there's an automatic adjustment for water increases already, which are basically inflationary adjustments. These have been taking place now over a number of years.

But there are also a number of communities that we serve where there is no automatic inflation adjustment. And so it's these communities where the increase has taken place. And basically, these are prices for 1,000 gallons of water. And the rate, which

had been \$4.55 for 1,000 gallons, went up effect August 1, 2004 to \$5.74 for 1,000 gallons. And on April 1, 2005 it went up to \$7 for 1,000 gallons. And this is for treated water, I should just clarify. So this is for treated water.

Now I just also want to explain some of the reasoning behind this because this is . . . I don't want to minimize this. I mean we agonized over this quite a bit and this was a substantial increase in the rates. But to put it in some perspective, the average rate for the 13 city average, if you take, you know, our 13 cities in Saskatchewan and you look at what are they paying, they're paying an average of \$6 for 1,000 gallons of water. And I mean some of them are paying a lot more and some of them are paying also significantly less, so that's an average among the 13.

We've come in at a price of 7 and, as I say, that's it in terms of any rate increase beyond inflation over the next couple of years. But we did need to bring the rates that we were charging in line with the actual costs that we were incurring. And even with these rate increases, I expect that SaskWater will lose at least one and a half million in 2005.

But there's been big increases in things like liability insurance for instance. In the last three years that's gone up 227 per cent. We've also had to incur costs with respect to enhancing water quality and enhancing monitoring arrangements because we wanted to be able to ensure communities that they had good quality water 24 hours a day every day of the year. So we have, at our treatment plants, now we have instituted 24-hour-a-day, 7-day-a-week monitoring, you know, of the quality of water.

So in the case of Osler, we're also charged . . . SaskWater also is charged quite a significant fee by the city of Saskatoon as an add-on. When we buy water from the city of Saskatoon we don't buy it at the prices that they charge their residents. We buy it at a . . . there's an additional surcharge as well that has to be paid. All of these kind of things are a factor in terms of what went into the price increase for Osler.

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

**Mr. Hart:** — Thank you, Mr. Chair. Minister, I was listening to your opening comments and you had mentioned that SaskWater has reached an agreement or has an agreement with SUMA to help in the assessment of water and waste water facilities in communities. And I understand that these assessments must be done by the end of this current year. Is that . . .

**Hon. Mr. Prebble:** — That's what Saskatchewan Environment has signalled to communities.

**Mr. Hart:** — Yes. And so could you just expand on the role of SaskWater, and then I have one or two questions in that whole area.

**Hon. Mr. Prebble:** — Well basically what SaskWater is attempting to do is to try to reduce the cost for communities of undertaking these assessments. And SUMA and SaskWater have had extensive discussions about how best to do this. And SUMA has asked SaskWater to be a project manager in this regard. And so in effect what SaskWater is doing is it is trying to facilitate a process where these assessments are done in

blocks. So a number of communities are identified and then if the person, you know, if the company that wins the contract for doing this assessment work services a number of communities at once, then the cost for each community can be reduced. And so SaskWater has been trying to facilitate that process.

**Mr. Hart:** — So then SaskWater is doing this for a fee, I would presume. Would you care to elaborate on as to what type of reimbursement SaskWater is getting to act as project manager?

**Hon. Mr. Prebble:** — This is pure cost recovery for SaskWater, so there's no attempt here by SaskWater to make a profit. We are working to break even in terms of doing this work. But this is basically a service to communities that we're trying to provide. And to date in terms of 2004, 169 communities had this work done. And we're . . . I can't give you an exact number in 2005. We're hoping it'll be, you know, more than, a lot more communities. So far our indications are that we've got at least 170 communities that would like to have this work done. We're expecting there'll be a number of other communities that will approach us during the course of the year.

**Mr. Hart:** — What type of costs are communities incurring to have this assessment done? I have had this mentioned to me on one or two occasions by members of various councils, that this work needed to be done and they were somewhat fearful of the cost that they may have to incur, although they gave me no indication as to what the costs may be. And perhaps you could provide some examples of costs that some communities have incurred to have this assessment done.

**Hon. Mr. Prebble:** — I'd be happy to give you more details on this. I'm going to ask my officials for a little bit of help on this. But in general terms, Mr. Hart, the cost will depend somewhat on the size of the water system and the waste water system. I'm going to get you additional details. Excuse me just one moment.

Mr. Hart, thanks a lot for waiting. I got some advice on this. I'm advised first of all, in general terms, as I was saying that the complexity of the system and the size of the system are a determining factor. For a smaller community the cost would be, at the low end about \$2,600, and at the high end for, say, a community of 2000 in size, the cost would be \$5,000. And the average cost is coming in, I'm advised, at around \$3,200.

You know, we're mindful of the fact that this is a financial cost to communities. I mean it's work that needs to be done, but as I say we're mindful of the fact that it's nevertheless money that communities need to find and so it's an additional expense for them. It's an important expense but it's nevertheless . . . They've got to search for the money.

So we've been saving on average about 20 to 25 per cent by having these projects bundled in a region. And typically there's about eight to twelve communities that will come in in a tender group and then they'll be a competitive bidding process. And then the firm that wins the bid, you know, will do the work for the eight communities or the twelve communities.

And in 2005, just to update you a little more, I mentioned that there were 169 done in 2004. In 2005 so far we've tendered 46, and we're expecting within the next two or three weeks to tender approximately another 50.



**Mr. Hart:** — Thank you for that information. That certainly gives me an idea as to what type of financial expenditures communities are looking at. And also, as you indicated, by the bundling of services in an area or assessments in an area, you know, I would think that there certainly should be some cost savings to communities.

In the year 2003 report you make mention of, in the Melfort region there was investment of \$1.8 million to expand or supply water to Star City and a nearby Hutterite colony. I understand that there was some problems with, legal problems that arose over the original line that was built from the river to Melfort that was resolved just within the last 18 months or less. I don't have all the facts before me, but I understand or at least I believe it was a legal action between SaskWater and IPSCO. Could you explain what that action was about and the result of that?

**Hon. Mr. Prebble:** — I'd be happy to do that. Basically what this action is about, Mr. Hart, is . . . and this action goes back many years. It goes back basically to the early 1990s when this line was being installed in the first place. And the dispute was over there were leakages in the line in the work that was done. And there was a belief by SaskWater that a significant part of the problem with the leakages related to the quality of pipe that had been provided by IPSCO. And so there was a legal dispute on this matter.

**Mr. Hart:** — Would you care to . . . I understand that the legal actions have come to a conclusion. Could you give us the end result of . . . was SaskWater successful in their legal actions and what was the approximate cost of those legal actions?

**Hon. Mr. Prebble:** — I would say that SaskWater, I would say that SaskWater was not successful in those legal actions. And in effect the settlement that was entered into ultimately was that . . . To back up here, SaskWater was declining to pay for the last invoice that it received from IPSCO when this work was done in the early 1990s. And that invoice was for an amount slightly in excess of \$900,000. I can get you the exact figure if you would like. So SaskWater was declining to pay that invoice, and of course IPSCO was arguing that the invoice should be paid.

When the settlement was finally reached, SaskWater did pay that invoice and it was paid with interest. So the total cost to SaskWater was slightly in excess of \$1.2 million. And the vast bulk of that, of course, was the original invoice, but there was also some interest charges built into that.

**The Chair:** — I recognize Ms. Draude.

**Ms. Draude:** — Thank you very much. To the minister and the officials, I have a couple of questions that involve the water systems in small towns, specifically the town of Rama and the town of Wishart. They're very . . . they have low populations, below 100.

And I know that . . . I believe it was about two years ago there was a change in the water systems . . . water works systems assessment, where it used to be that individuals from SaskWater would come in and make a tour of the waters . . . of the well system and take a look at it and they would identify any

abnormalities. And they would check over the reports that were done on, I believe five times a week, and make recommendations on changes.

Most of the officials that did this work were engineers. And a couple of years ago it was determined that this should be privatized. And there was three or four people, or three or four companies that SUMA had suggested could do this work. And it ends up that the cost for that now is \$5,000 once every . . . I believe every five years it has to be done.

The cost, \$5,000 in one year in a town with less than 100 people, is a third of their budget — or not quite, maybe a fifth of their budget. And we know that this job, this work takes probably three or four . . . 15 minutes. There's a report that has to be filled out. It's a procedural report.

And of course the people in these towns want to ensure that the water system that they're supplying for their ratepayers is adequate, more than adequate. Everybody deserves that regardless of where they live and how small the town is. But \$5,000 is a lot of money when it's the same cost whether you live in a town with 100 people or a town with 5,000 people in it.

My first question to you is, why is it no longer done by the SaskWater employees that can come in and basically do the work? They're quite qualified and they were doing it before. And why does it have to be paid in a lump sum? Isn't there something that can be done to ensure that it's spread out so that we don't bankrupt the villages?

**The Chair:** — Committee members, I'm just advised that the Prime Minister has moved his address, starting in about six minutes. So I think committee members would like to adjourn a little earlier. So if the minister could give very brief answers. And that may have been the last question, but we'll see how it goes.

**Hon. Mr. Prebble:** — We may need to pursue this again, Ms. Draude, and I'd be very happy to talk to you about this outside of this committee process too, if you'd like. Neither Rama nor Wishart are communities that SaskWater has any formal relationship with in terms of either supplying treated water or consulting with.

Now it may be — and I don't know the answer to this; I'll have to check — it may be that we have done water assessment work, in other words helped to arrange a water assessment by a private firm over the . . . in the last year and a half. It's possible that that's been the case.

I was just mentioning — I'm not sure if you were here when I mentioned this or not — but the cost of those assessments is ranging anywhere from \$2,600 through to \$5,000. Now 5,000 would be a community of a couple of thousand people, and \$2,600 would be kind of for a smaller community. So that's been the range. Now I'm not sure if that's what you're referring to or not in terms of the payment that these communities have had to make. There's no question about the fact that, for smaller communities, finding the \$2,600 is not an easy process.

But I'd be very happy to talk about this with you more, you know, as soon as we adjourn or tomorrow, whichever is best for

you, so we can kind of get to the bottom of it, fully answering your question which I realize I'm not doing right now.

**Ms. Draude:** — I appreciate it.

**Hon. Mr. Prebble:** — You're welcome.

**The Chair:** — Thank you very much, members, for your understanding, and thank you to the minister and his officials and to the Provincial Auditor and officials. And I recognize Mr. D'Autremont.

**Mr. D'Autremont:** — Okay. Thank you. I'd like to thank the minister and his officials for coming in and we look forward to the 2004 report. At this time, I would like to move:

That the committee conclude its report of the 2003 annual report, financial statements, and related documents for SaskWater.

**The Chair:** — Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That is carried. And I would entertain a motion to adjourn. Moved by Mr. Iwanchuk. Is that agreed?

**Some Hon. Members:** — Agreed.

**The Chair:** — That is carried. And thank you very much, members, and have a pleasant evening.

**Hon. Mr. Prebble:** — Thank you, Mr. Chair. I want to just express thanks to my officials as well, and thanks to members of the opposition for their very good questions. Thank you very much.

[The committee adjourned at 16:57.]

