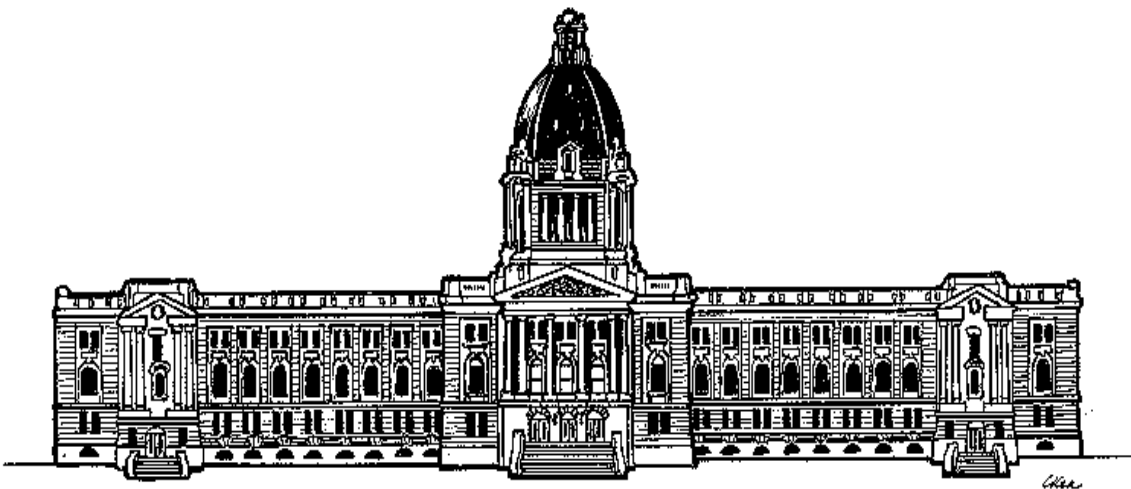




STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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STANDING COMMITTEE ON CROWN AND CENTRAL AGENCIES

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Ms. Nadine Wilson
Saskatchewan Rivers

[The committee met at 10:00.]

The Chair: — I want to welcome the members today to this committee meeting. Members will have a copy of today's agenda. If members are in agreement, we will proceed with the agenda.

We have two documents to table today. We have CCA 58/27, Minister Responsible for Crown Investments Corporation: correspondence received from Hon. Donna Harpauer, Minister Responsible for Crown Investments Corporation of Saskatchewan, re request for documents from IPAC-CO2 board of directors.

We also have another document: CCA 59/27, Crown Investments Corporation of Saskatchewan (CIC), a report of public losses (April 1st, 2012 to June 30th, 2012) for CIC and subsidiary Crown corporations, dated July 26, 2012.

Today's agenda is a consideration of Saskatchewan Transportation Company, annual report to 2008, 2009, 2010, 2011. I will introduce the Minister McMorris. Hon. McMorris is here. And I will have him introduce his officials and if he has an opening statement, he may proceed. And I will just ask that the first time an official comes up, just state his name. And then after that, he's okay, just for Hansard. I will turn the floor over to the Hon. Don McMorris.

Saskatchewan Transportation Company

Hon. Mr. McMorris: — Thank you, Mr. Chair, and to the committee members. I do have some opening remarks. What I'll do is I'll introduce the officials, then I'll do some opening remarks and kind of do a bit of a highlight of the four years that we are reviewing. And then we'll open it up for questions from the committee.

So along with me today, on my left is Shawn Grice who's the president and CEO [chief executive officer]. On my right is Phil Bohay, the chief operating officer; and behind me is Jason Sherwin who is the chief financial officer for STC [Saskatchewan Transportation Company].

I'd like to first, as I said, speak generally about STC and then provide brief outlines of the years in question, the annual reports. STC is mindful of its responsibility that it has to the people of Saskatchewan, and like any other service delivery organization, their focus is on excellence to the customer. Annually STC ships more than one million pieces of freight and carries roughly 275,000 passengers to all corners of the province. STC has added amenities and improved the cleanliness and safety of our coaches and depots. This has led to an improvement in our customer satisfaction rating, such as in 2011, 93 per cent of STC customers rated STC services as good or excellent. STC passenger demographics is changing and is now almost equally distributed across all age categories. STC's improved image and added amenities are attracting business people, and Wi-Fi [wireless fidelity] on board allows riders to convert travel time into productive time.

Because of the long distances that are served with a relatively thin population, STC requires a subsidy to operate. STC is

mindful of the importance of keeping that subsidy as low as possible and a culture of frugality exists within the organization. I would like to point out that in three of the last four years under review, STC has operated within a less grant than what was authorized. Many things have been changing at STC. These changes in some ways were shaped by occurrences of a major event in 2008.

With that I will now briefly touch on the four years under review. In 2008 STC began the year with ridership growing by as much as 4 per cent above the previous year. Then in July of that year a tragic incident happened on Greyhound bus which occurred in Manitoba. Ridership fell drastically across the industry. Over the last half of 2008, STC made a considerable effort to address the security concerns of customers. Despite their efforts, STC finished the year with a decline of 1 per cent in ridership versus 2007.

In 2009 the negative effects of the tragic incident were still being felt. In addition to security enhancements and improved amenities on board such as Wi-Fi on the company's major corridors, STC began to experiment with seat sales in an effort to win back customers. While the seat sale in 2009 varied in its success, the \$7 senior seat sale offered in September was a clear winner. Senior ridership tripled during that sale month. While these efforts aided in the recovery, STC still finished the year with a 4.3 decline in ridership.

By 2010 the added amenities, enhanced security, and the increased awareness of STC services had led to increased demand. Senior seat sales were repeated and STC's youth pass was successfully repackaged. STC's ridership increased by 3.8 per cent over 2009 levels.

In 2011 STC expanded Wi-Fi to 75 per cent of its fleet and continued to add other amenities such as extended legroom. Seat sales were again successfully repeated. Upgrades were made to the website and point-of-sale systems. A customer loyalty program was launched late in the year to encourage customers to travel with us more often. In 2011 STC's ridership increased by 7.4 per cent, which is arguably one of the largest increases in the company's history.

However by late 2011, industry changes began to occur, as not everyone in the industry had been successful in regaining their ridership. Greyhound began to reduce services in neighbouring provinces, which has directly affected the level of ridership on STC routes. This has had a significant downward impact on STC's ridership thus far in 2012.

That pretty much is a broad overview of the years in question and brings us to the end of my comments. And we'd be glad to answer any questions on the four years in question.

The Chair: — Thank you, Minister. Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chairman, and good morning to minister and officials. It's good to have the folks from STC here to discuss the people's business. We're joined as well by my colleague, the member from Cumberland, who is the opposition critic for the Saskatchewan Transportation Corporation. And to this point, I would cede the

floor to him so he might pursue some questions that he has with the minister and officials.

The Chair: — Mr. Vermette.

Mr. Vermette: — Thank you, Mr. Chair, to the committee, to the minister and your officials for being here for a couple of hours to ask some questions. And I guess we definitely have some interesting questions we want to ask, especially about looking into areas of what are the next plans and what are your five-year plans.

I have a few different questions I'd like to ask you, but I'll start out with, just if your officials can see year over year, where has STC benefited over the last four years of reports? And I mean, you've given a little bit of highlights, but from your officials, whereabouts has STC gone from 2008 to the current year as far as if you look at the different challenges that you've overcome? Where I'm looking for, there are a number of different things and we have . . . And some of the areas I want to go on will be with the cost versus other buses. So if you'll give me the idea of rider costs compared to Greyhound to other provinces, how are the costs for our seniors, our youth, just business people? You talked about all the different areas. How do we compare with other provinces? If you could start out there, I'd appreciate that.

Mr. Grice: — Good morning members and Mr. Chair. I'm Shawn Grice, president and CEO of STC. To the member's question, I think it's maybe a long answer. I'll try to keep it short and let you continue to refine in if I've missed some points.

I would say that over the last four years, STC has really begun to focus on the customer service side of things. So I mean, in prior years we would be frugal. We would run the bare bones. We would provide the transportation to get people from point A to point B. Starting in 2008, we began to see this a little differently. And we're looking at adding Wi-Fi, extended legroom, fold-down trays on the coaches, cupholders — things that customers would expect in their travels. And so as we have done that and focused on amenities and focused on improving the image and awareness of STC, we have begun to grow ridership. And in early 2008, although there were high fuel prices in that year — you'll recall that prices were spiking — we had had increased participation in our sales and on our routes just based on those amenities and our advertising alone.

In 2009 obviously we had to recover from the incident that happened aboard the Greyhound bus in Manitoba, and we began to trial some seat sales. So in that year we trialled some specific route seat sales as well as a system-wide seat sale. Then in the fall of that year, we had a seniors' seat sale that was a \$7 anywhere you can ride in STC's network. Those sales had various levels of success but the seniors' seat sale, as the minister mentioned, was pretty darn successful, with the tripling of ridership. When we looked at that though at the current price point, at the \$7, it was just a little less than revenue neutral. So we've adjusted that in the subsequent years, and we now charge \$10 for the seniors' seat sale, as you're aware. And those seat sales continue to be successful.

And in fact in 2010, as we turned the corner and our ridership started to grow and we finished the year with a 3.8 per cent

improvement, a lot of that came from the type of seat sale activity that we had in May and September for the seniors. But there was spillover effects in the months following and so, for instance, the advertising that would go for a seniors' seat sale would attract attention. It was fairly easy to understand. The flat fare was attractive, and people would be phoning in regularly to ask more information about what's the next sale, when are you having something. And at that point in time, our ticket agents could also talk to the folks about other discounts and promotions that we have.

And so I will finish with 2011 quickly and then talk about those discounts and promotions because I think when you're asking about customer fares, I think you're asking about that particular element.

So in 2011, it was a very successful year. We had seat sales again for the seniors. Our amenities had continued to attract attention, in fact we ended up 7.4 per cent above the prior year. Earlier in the fall we had been predicting or forecasting that we would end up as high as 10 to 12 per cent above the prior year which was a fantastic year for STC. And certainly even at the 7.4 per cent is arguably the best year in the 65-year history of the organization for ridership growth, and again I think attributable to those amenities, the advertising, and the increased customer service focus that we've placed in the organization over the last four years.

So I think that, you know, in summary it's been all about the focus on the customer these last four years and growing ridership. The subsidy is there, there's no doubt. And in most forms of public transport there is a subsidy involved. I think what we're trying to do is show value to the people of Saskatchewan and make sure this is a choice that they can make for transportation as opposed to a choice of last resort, if you will.

With regard to the costs per class of customer, we have various discounts that are out there. In terms of a comparison to the Western Canadian average, if you will — that is something that we target — we are right now about 3.4 per cent below the fares charged in Western Canada. So the way that is calculated is we have an average trip in STC on our network of about 117 miles. And the fares that are charged in each of Alberta, BC [British Columbia], Manitoba, and Saskatchewan by Greyhound are calculated based on 117 miles, and we compare ourselves to that. Right at the moment we're just slightly less than that amount by 3.42 per cent.

In terms of discounts that we offer, we offer similar discounts to Greyhound. In fact you almost need to offer similar discounts in order to have the interlining capacity between carriers so that people that are riding for free — children, you know, up to two years of age or students of a certain age — that they can ride for similar discount patterns. However we have a much different sale platform than they do. They will offer \$1 fares on certain corridors, and we offer things like the \$7 seat sale or the \$10 seat sale or a youth pass.

So right at the moment, seniors 65 and over are eligible for a 30 per cent discount off of our fares. Seniors that are 60 and over will soon — you've asked about plans I guess — will soon be moving towards a 25 per cent discount from a 10 per cent

discount. And we are also offering discounts to students as well if they buy a way to go pass, or what we've now rebranded as a frequent rider card that also gives them access to an additional 20 per cent discount over and above what they already get, which is a 10 per cent discount.

Regular paying fare, adults also can buy that frequent rider card as well to obtain a 20 per cent discount in total. So if I can maybe give you a cost of an average fare on STC's routes, it's about \$31, and those discounts would apply from that particular average fare. Hope I've answered most of that question.

Mr. Vermette: — Well now you talk about the rider card. How does one get the rider card and how do you qualify for it? As number of . . . Just thinking, so just explain that to me to understand how you qualify to apply or to receive one.

Mr. Grice: — Sure. The frequent rider card is purchased at any ticket agent throughout Saskatchewan, so we have agencies acting on our behalf in 190-odd communities throughout Saskatchewan and at our front counters. I think you can research them online on our website but certainly have to purchase them right now in person.

Mr. Vermette: — So if I wanted to apply for one, could you explain to me how would I apply? The number of times I ride it? Or anyone who applies? Do I purchase it? Or how do I receive? Like I understand what you say. I just want to know that part of it for riders that would go on there.

Mr. Grice: — Sure. Thank you for the question and the clarification. You purchase it once annually for the \$25, and it's yours to use and present to the ticket agents all year long.

Mr. Vermette: — And currently you're saying that whether it's seniors, the youth, doesn't matter, business people, it's just your regular fares. Anyone can apply for this card for \$25.

Mr. Grice: — That's correct. The seniors over the age of 65 do not have to pay the cost for it though. They automatically obtain a 30 per cent discount in our network.

[10:15]

Mr. Vermette: — Okay. Thank you. I guess another question I have, you probably have a department that deals with complaints or also that sends you guys, you know, compliments. Can you give me a background on some of those complaints, some of the compliments that you would be receiving over the years.

Mr. Grice: — Sure. Thank you. The types of complaints, I guess I will start with, would often be that we are sometimes providing a flag stop service, so that they would rather that we stopped in their community and provided full service to them with an agency. We have difficulty attaining agency representation in some communities because as small towns are slowly losing population, it's harder and harder to find people that have that sense of community where they would like to volunteer their time to the degree necessary to be an STC agent. Sometimes there's extended hours where the bus comes in late or leaves early in the morning. And while most of the agencies are very good in that regard, some of the communities are

getting tougher and tougher to find agencies. So I would think that that would be one issue of a complaint is that they would like more representation in terms of service in their community.

I think another complaint that STC would get from time to time is that they will have had a parcel that has been missed or delayed, and they would like to have that parcel on time and in good shape. Sometimes what we're finding though is those complaints are directed at STC, but really it's a lot of the interlining with Greyhound. We don't control all of our freight network, as you know. We ship back and forth with that company. So sometimes we will have optics issues with a lot of the material that is shipped through Greyhound. It's not always packaged with the same degree of care as it might be on the STC network. But certainly we do get the odd complaint about freight as well from our own network as well.

Mr. Vermette: — Like, you'll have individuals, and I'm going to talk about individuals that ride and the way they're treated some . . . And I'm going to talk about your, of course, your individual customers that ride STC. Can you tell me what kind of complaints you get from individuals that ride?

Mr. Grice: — You know, I'm trying to recall, you know, and I guess I've missed the compliments as well. But perhaps Phil would like to speak. Our chief operating officer, Phil, would like to speak of the complaints from particular passengers.

Mr. Bohay: — Phil Bohay, chief operating officer. Probably the most frequent complaint, if there was one from individuals, may well be on our small coaches that we've experimented with in terms of comfort of the ride and the ability for that unit to generate heat when it gets really cold. And you know, in some of those communities in rural Saskatchewan there, you know, some of the senior population taking those coaches and it's minus 35 out there, sometimes the heat is a challenge for us to get to the temperature it should be at.

And at the end of the day, when we look at our research, we've done more sort of, I guess you'd call it experimentation with different sizes of coaches. All of the population of Saskatchewan often tell us, you know, the bus is riding sometimes with it, and it's not full, right? So if we had a smaller coach, that would be optimal. And we've tried a number of different small coaches and with varying degrees of success. We're going to continue to research and look for options. There are some mid-sized coaches coming into the North American market now from Europe and other places, South America, where they're doing more manufacturing of those kind of coaches. We've recently acquired two of those kind of units. We're optimistic in terms of the ride and potentially the heat issue will be resolved. But don't know anything about its longevity, and how it'll perform in the long run.

But from an individual complaint, I think that's probably the primary thing that we hear, other than the parcel one that Shawn mentioned, individual parcels.

Mr. Vermette: — So would you guys hear any complaints from, I guess, individuals that ride the bus about the way they're treated by any of your staff?

Mr. Grice: — You know, thank you. Actually, as Phil was

speaking, there is one event I've . . . You know, you hear the odd thing where a bus driver will talk to a customer in a certain way and customers may call in and ask questions about something.

So one particular instance, there was a bus driver who made a comment to an individual, and the individual took it in a way that he thought it was racist. The mother of the passenger contacted us. And you asked about a department. That department is typically myself along with Phil that take a lot of these customer phone calls. And so we followed up on that. The driver certainly did not mean his comments to be anything but racist, used a term that some people would use just as a term every day in speaking to someone, just referred to an individual as chief. Didn't realize the person was of Aboriginal descent. And so we had a customer who phoned and just talked to us briefly and said, you know, I'm concerned; my son feels like he was harassed. And certainly that was not the case. And we followed up with the driver and he, you know, made very sure that he will be more careful with his choice of words. But he was not intending anything and had no idea about the descent of the customer.

So if you're asking about particular things that I know about, that would be kind of an issue that we would have. That's infrequent. I would say that we've had, you know, maybe two or three of those over the course of my 15 years at STC that I'm aware of that would be like that. Most of the time it is concerns about the cold or the rough ride. And frankly it's always interesting that customers will complain and say they would like us not to stop at as many locations. They would like to get on at their location and get to the other end as fast as possible. And of course every customer wants that, but they all get on at a different location, so it's quite interesting in that regard.

With respect to the member's questions about compliments, you know, just last night I received a compliment from a passenger who said that they hear us talk a lot about the positive things that we're doing for amenities and image, and until last night they hadn't had a chance to ride the bus in a number of years. And they sent me an email to thank me for the way that they were treated by the customer agent, by the driver, and by all of the staff that helped them through the process in order to buy their ticket.

So we do get . . . I would say we get compliments to a far greater degree than we do complaints. And it is a nice thing to have and certainly something that we look to maintain at STC. I mean that's what we're about. As a subsidized organization, if you don't have the customer goodwill and the support of the province, it's really hard to sustain the subsidy.

Mr. Vermette: — Okay. As a rider — and I chose to use STC — if by some chance I ran into a problem with one of your staff . . . And I'm not all saying it's the bus ride. It could be purchasing my ticket, bringing in something to be shipped. How does STC express that to the customer that if you have a complaint . . . How do you guys go about doing that so that the customer knows there is a place to go or that their access . . . You make that . . . Is it signs or something? Can you explain that to me?

Mr. Bohay: — Yes. We have different avenues. You can

contact us. We're listed in the phone books in terms of a customer service and there our head office number. Over and above that, on the website you can access through there. So we frequently get emails. Both complimentary and the odd negative one that we do get comes in by email as well. So a member of my staff checks the emails. We continue through the day and first thing in the morning. So we deal with all those the next day if they come in overnight. And our ticket offices is instructed and/or the express offices are expected to direct anything that they can't resolve to someone in management as well.

Mr. Vermette: — So if a complaint comes to your department, I'd like to see how you guys . . . And it's important and I'm asking . . . There's a reason why I'm asking. Can you explain to me how you guys handle a complaint? And I'm going to give an example. You explained one where you felt that you . . . The individual said something. It wasn't, you know, it didn't mean it in the way you said that the person may have been offended or taken it. So how would you handle that situation like that?

Mr. Grice: — Sorry. In that particular case, I contacted the parent of the customer who was concerned. I spoke with her and made sure she knew that I was going to look into it and that I often do look into these situations. I mean typically maybe a CEO of a Crown corporation does not, but at STC we're small enough that I get involved. And the staff know at the front counters that they can refer customers directly to me if it's significant.

And so I talked to the individual and reported that I would follow up and get back to her. I spoke with our chief operating officer and asked the chief operating officer to look into the issue with the driver, find out what could have been said and what might have been said. And we have all sorts of capabilities to be able to look back and speak to people with things that have gone on in the organization because we do have cameras on board the bus, we do have cameras in our facility, and so we always have ways to be able to verify issues that arise.

And so after we researched it and did a bit of an undertaking with the driver to understand what he might have said and what he might not have said, we contacted the customer again to just provide some follow-up. We thanked them for their complaints. I know I said to the parent of the customer that I would be happy to talk to her son and apologize, and I also said that we make it a very high priority at STC to put Aboriginal awareness training into our network and to all of our staff, but that in this particular case this individual was not even making reference to anything that he thought would be derogatory. And he had done it on sort of an involuntary basis because he refers to lots of his friends as chief. So it was something that we followed up, and I relayed that information directly back to the customer.

The way I see it is that customer has the ability to influence STC's ridership by a great degree by talking to her peer network and the other people that she associates with. And so I treat every one of those complaints as a possible undertaking of advertising and/or improvement in our service to the people of Saskatchewan. So I take those all very seriously. So if I know about them, I will follow up personally, as will our chief operating officer and other executives. So we don't maybe hear about everything, but we do have a reporting mechanism where staff are to report those things to us. And if we hear about them,

we do follow up.

Mr. Vermette: — Thank you for that. I'm going to go back to this. You talked about . . . because I was going to ask you this about cameras. And also does the camera pick up audio as well?

Mr. Bohay: — It has the ability to pick up audio. If there's an issue on the coach and the driver needs to address that, he can push a button to activate the cameras to pick up the audio and a higher resolution of picture.

Mr. Vermette: — So only if he . . . So it's not on all the time? So the audio wouldn't be on then? It's the control of the bus driver to turn it on or turn it off, is that correct?

Mr. Bohay: — The ability, I believe, at the front of the coach is there to pick up on a continual basis.

Mr. Vermette: — In the bus, are there any signs, or on your ticket . . . And I'm just asking because I haven't looked at a ticket. I mean I have sent stuff. I know I've put people on the bus. Is there any way if you're unsatisfied, whether it's a sign that there's contact, rather than looking in the phone book and looking for the information — and I know you said that that's there — is there any sign that says if you're satisfied with our services, is there some sign, some type of notice where people would then, you know, have access to phoning somebody if they wanted to go that route?

Mr. Bohay: — I don't believe we have a specific sign saying, you know, customer complaints department number or something like. I don't believe we do have that at this stage which we, you know, certainly could.

Mr. Vermette: — Why I'm saying this and now that I've got some information I'll be forwarding an individual to contact yourself. And maybe that would be a good idea to put something up where people can see . . . And I'm not saying that, you know, you may not have a lot of complaints dealing with that because I do say I know STC does an excellent service. The staff are very professional. Problems happen sometimes, you know, individuals . . . It happens. Life is busy. But maybe that would be something that will be useful for individuals who ride to see that, you know, you're upfront on it, and you're saying, if there are problems then everyone sees it, your staff as well as the customers see that, that hey if I have a concern, they're not scared to put a number or a contact where I can go to deal with the situation. I think it would be a good idea so if you'd look into that, that'd be great.

Mr. Grice: — Absolutely.

Mr. Vermette: — You talked about passengers and different coaches that you guys are experimenting with and you're looking at different . . . Can you just give me some ideas of when you talk about size? Is that a 30-passenger, 40-passenger? Just curious to see what size you so far have tried and just to . . . Because I've seen the different ones that are out there and I've thought sometimes they're a little small, but anyway.

Mr. Grice: — Sure. I can speak to that. Starting in about 1998, we experimented with 15-passenger vans. They are certainly the smallest of the sizes that we have trialled. I think they were

rough. They were cold. There was a difficulty for elderly people to get into the back because there really is no washroom or high head clearance so you have to bend over and carry your luggage at the same time. So it was difficult to ride with those. That was also the only vehicle that STC ever had where we had an accident where the bus rolled. So similar to . . . And there was no one injured. But similar to other vehicles for basketball teams and other schools, they've abandoned those completely. So we have not held those in our fleet for a number of years but that was something we trialled in order to get the cost down on our network.

[10:30]

We then moved to sort of 18- to 22-passenger. And I'll say they're all on the same chassis. They're sort of like, you know, maybe a 2-ton truck with a cube on the back that is a passenger containment area. So there are nice seats and everything else but it's built on a truck chassis — rough and cold. And the difference in the seating is because some had washrooms; some did not. Some had other configurations on them. And those have not particularly performed well in STC's network. In fact the cost of those over the course of the lifespan has been roughly similar to that of the full-size MCI [Motor Coach International Inc.] coach which is a 51-passenger or 55-passenger coach. And they are smaller so they do not travel as far. So it would be similar to taking a 3-ton truck to Minneapolis every day with your grain as opposed to having a Kenworth or a Peterbilt do it. So it's different in chassis and size. And so those coaches, while we have, still had some of those left in our fleet — they're safe, they have higher headroom, and they have washrooms — haven't been particularly favoured by the customers, as Phil was pointing out.

We had also looked at some other coaches as well in the 28-seat size that were run on the International chassis as well. Those ones had a much higher cost of operation than did even the 22-seaters. So those were, you know, used for a number of years till their lifespan ran out and then sold, and those obviously won't be repeated.

There were some other coaches over the course of time that have been retrofitted in the back with cargo containment. So you would buy a full-sized coach and you would take half the seats out and turn them into what the industry termed a bruck. And those also were fraught with disability types of issues and safety concerns for the people that were lifting the freight up into the back of the bus. So there's been a number of experiments that STC has undertaken.

So far, from what we have found is that it is still the MCI, the Motor Coach International coach that is the workhorse of the industry. And in years gone by, Greyhound actually purchased Motor Coach International, built this particular style of bus for this particular type of work — the intercity scheduled service — and then sold the business back. And so that bus has continued to be the workhorse of the industry.

And we're finding that the operating cost per mile of that large coach, of a 51- to 55-seat coach is as efficient as any other small coach we've tried except for those 15-passenger vans. Now at the moment we're trialling a coach that is called the Stallion

coach. It's built on a freightliner chassis. We've just taken two deliveries of that style here this last couple of months, and we are going to trial that as well and see how that works in our climate in this colder part of the world.

Mr. Vermette: — The last one you talked about, did you guys try and get two of them coming? Or I think you got . . . How many passenger? I missed that.

Mr. Grice: — Are there 27?

Mr. Bohay: — Twenty-eight.

Mr. Vermette: — Twenty-eight. Okay. Costs are always . . . I think we want to make sure, you know, you balance it out. And I think you're looking at the different reports. There's some interesting information in here and we'll get today to go through some of those questions I have about that. You look at cost and making sure you know the customer is satisfied.

Again I've said it. I think most of Saskatchewan people are truly proud of STC. You know, it's a champion when you look at it. I've always heard that. There are problems; like everything else you can have problems. But overall I think the service that STC provides . . . You know, anyone I know that used it . . . I use the service myself to send out parcels. And that gives me another area I'm going to come to and talk about — freight.

But for now I'm going to go back. You looked in 2008, and I know in here we talked about biodiesel and different things you guys were trying. Can you give us a little bit of background where that is and what's happening with that?

Mr. Grice: — Sure. Thank you. We are still using biodiesel. We're running it at 3 per cent blend right now in our fleet and we had run it for years at a 2 per cent blend. It is purchased through . . . Well previously it had been purchased through Milligan Bio-Tech and the product was good. We were noticing really no changes in terms of fuel efficiency and lubricity but certainly no damages or downside as well.

So I mean in terms of a renewable fuel source, it was a good choice for STC to look at that as an option. So long term, I mean, is it benefiting the fleet? You know, we certainly think it's fine. It's working well with our fleet. Our manufacturers are saying the warranties are fine and they're keeping all of those things intact for us. So there are no concerns at all with the biodiesel. And again we're at a 3 per cent blend and it's working well.

Mr. Vermette: — And I guess not to go too much in that area but you went from 2 to 3 per cent. Now can you explain? Like I don't know the differences. But can you give me a little information on why you went from 2 to 3 just so I have an understanding?

Mr. Grice: — Industry was mandated last year with diesel to move to 2 per cent in the country. So for us to be a bit green, STC needs to be above what's already mandated by the industry. So what's happening now is all fuel suppliers are required to run an average of 2 per cent throughout the year. And what happens is they will typically not blend any in the wintertime and go to a 5 per cent average in the summer

months. And what that ends up with is something close to a two or two and a half per cent blend for those suppliers of diesel. In order for STC to not just be filling up with fuel anywhere and somehow saying that we're doing biodiesel, STC has upped our percentage to go slightly beyond what is considered mandatory for the industry. And that is why we've moved to 3 per cent.

Mr. Vermette: — Okay. And I think you said as far as engine wear and tear, there is no . . . You're not seeing any difference that you've gone to 3 per cent with your warranty, I think you said. But how about on the wear and tear on the engine itself and the bus itself? Is there any issues?

Mr. Grice: — We've seen no issues at all. It's been fine.

Mr. Vermette: — Thank you. Just hang on here; I think we're going to pass it on.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you, Mr. Chairman. Just on the sourcing of the biodiesel, you'd said that it was with Milligan Bio-Tech. Is it still with Milligan Bio-Tech?

Mr. Grice: — We purchased the extra amount that we have to operate through Milligan Bio-Tech still, but because the industry has moved to that 5 per cent in the summer and the average of 2 per cent overall, obviously we get fuel with biodiesel in it now through our supplier and our supplier is with Federated Co-operatives. So as a result we buy less from Milligan and the other biodiesel comes in the fuel itself.

Mr. McCall: — What year did that change take place in terms of the rollover?

Mr. Grice: — That took place . . . Sorry, I believe that took place in July of 2012.

Mr. McCall: — Okay. So what . . . Up till July 2012, what would that year, what would that business have been worth for Milligan Bio-Tech, and what is it going forward?

Mr. Grice: — We purchased approximately 35 000 litres at approximately \$1.90 per litre. So it would be just a little under \$70,000 of annual product.

Mr. McCall: — Thanks.

The Chair: — Mr. Vermette.

Mr. Vermette: — Thank you. And I guess you talked about the green and, you know, people are looking at the environment and saving. And what kind of a awareness have you guys sent out to your riders, to customers to let them know you're using, you know, the biodiesel? Can you give it a little bit of background there, how people have seen that and is it something you promote and try to use in that way?

Mr. Grice: — Sure. I think the wrap on the side of the bus that says, this bus is powered with biodiesel, is probably the main form of advertising for that and as well we do a customer survey annually that asks passengers if they consider STC to be green in terms of its transportation. We are known as one of the

greenest forms of transportation. There are full cost studies out there from the federal Department of Transport that show that the bus is actually greener than all other forms of transportation. So we do try to message some of that through to our customers and we've asked that and tracked that information over the last number of years. And in the last four years, I believe we've grown our percentage of customers that find STC environmentally friendly from about 92 per cent to about 95 per cent, I think is a rough order of magnitude. So we do spend some time putting that material out there to the passengers.

Mr. Vermette: — Okay. You talked about 2008. Now I'm going to go back to 2008. And why I'm doing it, you mentioned that Greyhound experienced some difficulty, of course you know, with the tragedy that went on on one of their buses, and it impacted us. And I know the minister's opening comments talked about that. Can you tell us today, and I guess . . . Are you experiencing any problems with routes that currently you partner up with Greyhound and link? Has there been any issues in the last four years that, you know, you could share with us if there are?

Mr. Grice: — Sure, yes. Greyhound has made a number of adjustments over the four-year period. And I think it was in 2008 they reduced frequency on the No. 1 Highway heading westbound from four trips daily to three. In 2009, they again adjusted that down from three to two. On both of those occasions, commissions at STC took a bit of a hit because we work back and forth with them on those corridors. So there was an indirect hit with those.

In 2010, there was an elimination of service on the Yellowhead highway between Yorkton and Saskatoon, and that forced some customers to ride with STC on Highway 5 going up through Canora. So there was a bit of an improvement for us on that particular corridor, but yet overall commissions again still taking a hit with regard to the interlining of service.

In 2011, Greyhound in October made adjustments to the Calgary to Alsask route; and as well, in February of 2012, made adjustments on the Saskatoon to Edmonton corridor. They cut that service back by one trip daily on the main highway, on Yellowhead. And they cut the service back on Highway 40 heading through Cut Knife, Marsden, and Neilburg as well that went through Wainwright and up into Edmonton, so they eliminated that service as well. Then in July of this current year, they eliminated service going from Winnipeg through to Flin Flon which also impacted our connection in Swan River, Manitoba. And as a result, STC had to make some adjustments to sort of adapt to the industry changes at that point as well.

Mr. Vermette: — Now, and I know that there are different cuts that, you know . . . As I guess a senior staff, you make recommendations to the minister to how you handle certain cuts and you try to save money for the corporation to make it more profitable. Can you give us any details into those areas?

Mr. Grice: — Certainly as we responded to the Greyhound cuts in this current year, there has been a large impact on our network. The Alsask to Calgary corridor used to carry around 12,000 riders and that was impacted with the withdrawal of Calgary's connection through to Alsask by Greyhound by about 10,000 riders. You know, STC worked very hard to find another

partner to interline with and we did have another private sector partner step forward. But the ridership levels have really only regained to about 20 per cent of ridership in the first few months and a year later are really only back up to about half of the previous levels.

So there is a difference between carriers and sometimes that happens because of the way routes are run. But with Greyhound we had similar safety standards and service standards and our drivers went through the same types of training and accreditation. And as a result we were able to, in Alsask, leave our passengers seated on our respective buses, switch the drivers, and continue on. Now what has to happen is they have to deboard in Alsask and hop on to a smaller bus and travel the rest of the way to Calgary. So there's a difference in service levels that happen as you change partners in the industry that is really based on size or economies of scale that has been in place with the Greyhound and STC relationship.

On the Saskatoon to Edmonton corridor, when they eliminated certain services on that route they took away the opportunity for people in Saskatchewan to get out of the province with one-day service if you were leaving from anywhere other than Prince Albert and Regina. So therefore you would now have to have an overnight stay in Edmonton. So as that happened, there was a huge impact on the eastern side of the province in terms of ridership. And so as we reacted to that drop in ridership, we had budgeted this year for ridership to grow, and in fact ridership is still trending to be down about 6 per cent from last year. And therefore we had to make adjustments to our network.

We have made some adjustments on the La Loche corridor this year where we reduced service from four days per week to three. We've also eliminated one trip on a schedule, that is so it's frequency only, from Regina through to Nipawin. And when Greyhound made their adjustments in July in Manitoba, they were no longer meeting us in Swan River. And as a result, 90 per cent of our passenger traffic was no longer going to be there at the time that we were there to meet them. And we have thus curtailed service from Swan River, Kenville, Durban, and Benito and Arran, Saskatchewan, and we've terminated that route in Kamsack. And at the same time we also curtailed the Estevan route that goes through to Carnduff at the moment, and it used to travel to Gainsborough. We were unable to find agencies in Gainsborough or Carievale and as a result we've curtailed that trip by about 25 miles on the tail end of that as well.

And all of those have helped us sort of regain some of our financial status in 2012 because we were considerably behind budget in the early part of the year.

Mr. Vermette: — Can you give me a little more detail into some of the . . . Like you're talking about cuts. And as far as times that you're going to go in, La Loche is going to three from four. Can you give me . . . And Swan River too, I'd like to have a better understanding of why you're doing that. And I'd like to have some numbers, riders that were riding the bus in La Loche on those four days. Can you give me some numbers? And if you can't, can you please get those? I would like some of those numbers if it's possible.

Mr. Grice: — Sure, we actually have those numbers here.

Typically we're running around 200 riders per month. The ridership on La Loche is 2,400 annually; I think it fell briefly. In fact we can have those exact annual numbers, and perhaps my chief operating officer can read those into the mike here in a minute. But there are around 24 to 2,500 riders per annum on that route.

Now since we've reduced the service from four days per week to three, we're not seeing any drop in ridership to date. They've migrated to those other schedules. When we set up this service in 2008, in November of '08, we had very open communications with the communities and with the service provider — that is a private sector provider that runs that route on our behalf — that we would look to see if we had to collapse the schedule, to reduce it or to change it in any way to make it more efficient to run while still providing service to those communities.

So this was something that we let go for about two years because we wanted to let the route mature, to make sure that there was an opportunity for growth, or that we were reacting too quickly. So we ran it for three years before making the adjustment, but it was certainly anticipated from the outset of the contract with that operator.

[10:45]

Mr. Vermette: — Now did you say you have a partnership with somebody who's doing the route for you?

Mr. Grice: — That's correct.

Mr. Vermette: — Oh okay. See, I wasn't aware of that. I thought that was STC that was in there itself, but it's a partnership you have with a private individual or companies?

Mr. Grice: — That's correct. There's an individual. The operator's name is Larry Young, and he operates it under Young's North West Bus Line, I believe. And he's a private sector operating under our authority on the route through the Highway Traffic Board, and he runs the entire service.

Mr. Bohay: — STC retains the agencies in all the communities, and Young's is out of Buffalo Narrows. And in terms of those ridership numbers, if you wish, I can comment on those. 2009 was the first full year of operation; we had 2,400 riders. 2010 was 2,244, and 2011 was 2,440. So fairly consistent year over year.

Mr. Vermette: — So just to be clear. You're saying now you've got . . . What days currently is the bus running to La Loche right now that you have it? I know it's three days a week but what days are those?

Mr. Bohay: — Monday, Wednesday, and Friday. Previously they had also ran on a Sunday, so we eliminated the Sunday travel.

Mr. Vermette: — When you made that decision, who did you consult? Or was it based on numbers and not so much on the talking with the community that would be impacted going down from, you know, from four to three? Did you talk to anybody in the community, or was it based on internal and it was because

of the numbers, finances, and different things that you guys looked at? How did you guys determine that?

Mr. Bohay: — We did collect data from a few sources, the operator himself who runs the route and is familiar with it in terms of what the travel patterns were and so on. We also consulted with the agencies in each of those communities. We did get some input from community leaders, primarily in the towns. And we did contact some of our major freight shippers as well, but we did not do a full-fledged survey of the population, for example, or anything like that.

Mr. Vermette: — Okay. So you wouldn't have, of course, have some type of question when people are . . . Of course the ones that use it frequently from the community, they use it for different reasons that go out, probably medicals. There's different things that people would use it for, seniors. So you had no contact asking them, no type of a survey, no are you concerned about this. It was just you did it the way you did it and you've explained that's how you've decided to make the decision to cut it from, you know, to go to three. Is that correct?

Mr. Bohay: — That's correct. Over and above that, I guess part of the Highway Traffic Board process in terms of making changes to routes, we're required to publicize our route change and there's opportunities for public consultation in that process. We didn't receive any complaints or requests for further information following that public notice. And I believe that public notice went up for . . . That was the frequency one. I can't recall if it was 21 days or 60 days. I can't remember the length of time that went up. I believe it was a 21-day period which that public notices were posted in communities and at the agencies.

Mr. Vermette: — So when you say . . . And I want to go into this because I'm really interested in understanding. You talk about a process to make sure that the customers that are using the service, that's the ones you want to cater to. You want to make sure that you know you are providing a good service, which I think you've already . . . You know, we know that STC does an excellent job. There are issues. We know that.

Having said that then, can you give me truly how that would have been in the paper, local paper? Would it have been posted in the bus depot or where people were getting on the bus? Where would that notice for 16 days, or how many days, be put so people would know that there is going to be a change or could potentially be a change to the number of times a week that the bus service would provide that community members with getting in or out of their community?

Mr. Bohay: — It is prominently posted in the agencies and in each of the communities. In this case it also is gazetted for public opportunity to review. In addition, if there is no agency in town, we make concerted effort to put it in whatever place the community uses for public notices, whether it be the town office or what have you.

Mr. Vermette: — Okay, thank you. For the community, La Loche, what type of freight and how do you determine . . . I realize there's passengers and I understand that. You know, you balance it out. But then for freight, how did you find the freight part of it for STC? How was that?

Mr. Bohay: — If I may, the combination again of input from the agency, the operator, and we did have one of our staff go out and talk to some of the major shippers that we have in those communities — hospitals, town offices. I believe even in some cases some of the First Nations nearby were consulted in terms of freight and shipping, so those kinds of inputs were then taken. And in balance with looking at our corporate record in terms of our understanding of where some of the traffic was, both passenger and freight, we had a pretty good understanding in terms of, you know, Sunday was somewhat lighter than the other days in terms of both travel and freight service.

Mr. Vermette: — Now you talked about numbers, and that's fine for riders. And I think you went each year. Do you guys have an idea of what type of that would have been daily, just to give me an understanding of that? I'm just curious to see. Was it, you know, 15 passengers on . . . Do you have it broke down like that or no?

Mr. Bohay: — On an average, the only other number that we'd use is an average number of riders per trip. So I think in La Loche's case, it's about 5.6 passengers per trip.

Mr. Vermette: — Thank you. Now going back to, let's say there comes a time where, for whatever reason, the community decides that and feels, okay, that Sunday was an opportunity for community members to use that service. Would that ever be considered for you to look at it again, or is it just kind of for the cost and everything else you're saying, not for the convenience of the customer?

And I realize it's an end of a road and it's not going to go on. When you get to La Loche, you don't have another community to go other than when you come out. So would there be any consideration of community members or the leadership? You said you consulted with the First Nations. You consulted with, you know, the hospitals, some of the business, maybe mayor and council. Would there be consideration if they wanted to pick another date other than the Monday, Wednesday, and Friday? I'm just curious to see how you guys would handle that.

Mr. Grice: — Absolutely. We would always be open to that. I mean our number one concern is service and ridership and revenue from freight. If we can do something that will benefit everyone and increase our traffic, then we will be, you know, sure to do that. So we will often send our staff up or attend these meetings ourselves to go and meet with local councils or band offices or whatever it need be to make sure we understand their concerns and requirements.

We do a route review annually and every second year probably, more thoroughly than the annual review. But we will certainly look at our routes, and if there are changing circumstances in terms of new shippers or new customer groups that are opening up on an operating line, then we will make adjustments to, I guess, adapt to that.

Mr. Vermette: — Now I had someone contact my office with concerns, and I'm going to talk about freight a little bit, the cost of freight. How do you guys decide what the cost will be and is it the weight, size of the package? There are different things. Can you give us a little background information into that process, how you'd determine your cost to the customer?

Mr. Grice: — Sure. There are various rates per pound by category. So we'll have rates for envelopes, rates for special product that we have carries up to a pound. We have a product called an econopak which is up to 5 pounds. Then we have parcels and ratings all the way up to 100 pounds, which is our maximum weight that we carry.

We also have oversized requirements as well, so it'll be based on measurements much like an airline. And those are all compared or, I would say, competitively shopped against our competitors and Canada Post and others to make sure that our rates are in the norm for the industry.

Mr. Vermette: — So are you saying right now — I want to make sure I'm hearing you correctly — that the rates are comparable?

Mr. Grice: — Depending on who you're comparing to, yes. There are various carriers out there that will have different rates, and they are non-published rates as well. So we have lots of evidence that rates that are posted are not rates that are charged to customers because there's discounting going on. So there's no real way for us to know with any great degree of accuracy that we're on the market. Discounting is a common thing in the freight business based on volume and other types of factors.

Mr. Vermette: — If somebody was to contact your office or somebody with STC and asked the question, that their concern would be how do you determine your rates? And currently I take my parcel to STC, to a depot or to wherever, you have I guess somebody in a private . . . handles the depot for you. They drop that piece of freight off, and it gets sent out to wherever, and then somebody at the end has to go and pick it up, versus the price of where you have a courier service who brings it to your door, picks it up. What would be your price and are you saying, would you be cheaper than that process? And if somebody was to call or to request information, what kind of response would they get from you, do you think? Just give me an idea that you think you might send to somebody.

Mr. Bohay: — I'm not sure I understand the final part of the question in terms of what kind of question would they ask?

Mr. Vermette: — About the price. If you're saying that you're competitive with the other industry and you look at your different areas, what I'm talking about if an individual feels that you're not. And they phone into your office, what type of response would they get how you determine your price? How would you explain that to an individual on how you determined your price?

Mr. Bohay: — What we do do is set our prices as Mr. Grice indicated. We look at published rates that are available. There are not a great number of companies that do that, but there are some. So we look at those and we look at the average price and, you know, we'll set our standard tariff according to that.

We have the ability for some customers who purchase large, you know, who ship large volumes to do some volume discounting as well, which is very common in the industry. So if this particular individual has a volume of shipments that they're looking for, and they're prepared to commit to a certain

number of volume, you know, pieces on a regular basis, we'd certainly give that consideration.

Mr. Vermette: — So then a response then wouldn't be to somebody that they're based on Greyhound's prices and that's how they determine the price. And it's not Greyhound that you follow their prices — they wouldn't be told that?

Mr. Grice: — It really depends, because we are an agent for Greyhound in this province . . . so Greyhound doesn't have a building or staff in Saskatchewan, so if they want to ship from Regina through to Swift Current, it may go 100 per cent Greyhound. And if it goes 100 per cent Greyhound, on one of their coaches all the way, then our staff will actually say, look, these are the prices that are Greyhound's, and we are giving you Greyhound's prices. And that's what it is.

So our staff have two hats to wear. So they may give an answer like that depending on which corridor that route or that parcel is going down. If we're hauling it from here to Saskatoon, it's STC 100 per cent. If it's going from Regina to Swift Current, it's Greyhound 100 per cent, and then our staff will be acting as an agent of Greyhound to make that transaction. And they actually toggle over to a different computer system and run it through the Greyhound system versus our own system, if that helps explain potentially conflicting material that you may have heard from someone.

Mr. Vermette: — So if that's the case, and they switch to a different program on the computer or screen, whatever it is, to come out with that formula, then in that situation if that customer is where Greyhound is, I assume, doing the actual run, is what you're saying. Correct?

Mr. Grice: — Correct.

Mr. Vermette: — Because you have a contract with Greyhound. Then Greyhound determines the price and it's not STC determining the price. So that person would get that answer then. Right?

Mr. Grice: — Correct.

Mr. Vermette: — And if that is the case, then it also could be possible then that that customer is paying more than having it couriered or door to door versus that. Could that be the case too?

[11:00]

Mr. Bohay: — Yes. I might comment also. You asked earlier about how our price is determined, and one of the factors in terms of Greyhound recently, which was in 2011, they went to cubing as opposed to weight. So they actually . . . We measure the box and there's a price formula for cube size of the box. So it is a shift in the way they price their parcels.

So we don't duplicate on any particular route. So if we are the agent out of Regina, Saskatoon, or Prince Albert, for example, or Regina or Saskatoon where we ship directly with Greyhound out of province and it doesn't touch our buses at all, that would be clearly a Greyhound price. And yes indeed that would be, could well be more expensive depending on that cube size.

Mr. Vermette: — So I guess then what you're saying is, if it touches a STC bus — actual bus — then they would get STC, even if it only went on it for a, I don't care, a small, little run to I guess connect with Greyhound, the customer that you're servicing would get the STC price. Is that correct?

Mr. Bohay: — No, they would get the Greyhound price. If it's a Greyhound . . . If ultimately it crosses the two networks, that one would be a Greyhound price.

Mr. Vermette: — Okay. Do you have any idea of the cost, like, and as your customer . . . So I'm going to assume the customer thinks they're dealing with STC in this situation. And the complaint that I got from the individual, I don't know if it was 100 per cent Greyhound — the person maybe didn't understand, as you're explaining here today. And that's why I'm asking this, because I had a complaint. Is there any way to know what the cost would be more to your customers that use the service of STC assuming that it's STC charging them? You know this, the information, might not be getting out to the customer that's using the service and thinking well . . . and then get that answer kind of leaves them, well this is, you know, our Saskatchewan STC and why is some other company . . . And I'm going to go back and follow up with this individual to make sure that they understand that maybe that's the case just so they feel a little better, because they were a little upset the two times that I've talked to them, the letter I've got from them. So I'm just a little . . . making sure it's clear. So I want to get a clear message to them because this person was a little upset, because they're wondering why, you know, if you look at the different costs, and if that's the case. Do you have an idea of what those costs would be?

Mr. Grice: — I don't know on a parcel-per-parcel basis what that would be. It would depend again on, you know, your length and your width and your height of the box because of the Greyhound's formula now versus ours which is poundage based. So we would have to look into it for a customer-by-customer query, I think is the way to handle this one. And certainly as I alluded to in my opening comments to your first question about types of customer complaints, this is exactly what I was referring to when I talked about Greyhound and their freight and our freight interlining. They don't often see that we are two different companies, and so they expect that STC will handle everything. And so from time to time we will say, look, this is a Greyhound issue. We are acting as their agent, but our authority is up to this point and after that point you must call the 1-800 number and speak to someone at Greyhound. And so that's where customers will, from time to time, get frustrated through that relationship.

But that is common in the industry. It would be no different if someone is flying south on a vacation. You might pay Air Canada or your travel agent once, the money is split up amongst three or four different airlines in the background. And so there are interline established splits or industry splits, and they are standard. And so those aren't just negotiated with ourselves and Greyhound, but those will be with all the carriers across Canada and the United States in terms of splits. So those types of formulas are actually quite complex and they're not easily explained to the customer, and the customer often does see us as Greyhound and does not understand why we can't control those rates.

Mr. Vermette: — Thank you for that. I'm going to come back to that, but I know my colleague has a few questions he'd like to ask.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you very much, Mr. Chairman, and minister, officials. I guess maybe to ask some . . . it'll cover some of the similar ground, but perhaps in a different way. One of the interesting features of today's meeting is of course the dealing with four years of annual reports all in one go. You know from 2008 when, Mr. Grice, you were the CFO [chief financial officer] and now you're the CEO, obviously a lot has changed.

And I guess moreover the interesting feature of 2011 being a banner year in terms of ridership and on into the problems being experienced in the earlier part of 2012, so if the way we put some of the questions is a bit frustrating, know that we share that frustration in that we've got a lot of ground to cover. And we appreciate the opportunity to discuss these issues with officials and with the minister.

So I guess off the top if I could ask the minister and officials, what was the amount of the subsidy — 2008, 2009, 2010, 2011 — and is there . . . I guess I ask that to (a) get the numbers on the record, but also to get a sense of what the trajectory is.

Mr. Grice: — The grant in 2008 was 6.2 million. In 2009 it was 7.8. In 2010 it was 8.4, and in 2011 it was 8.7 million.

Mr. McCall: — Earlier on in the discussion, three of those four years there had been mention of less than full initial request for the subsidy being accessed. Do those numbers represent the actual subsidy or do they represent the initial request or what do those numbers represent?

Mr. Grice: — That was the actual subsidy requested. The initial amount of the request was higher in three of those years.

Mr. McCall: — In each of the years where it was higher, was it higher substantially? Or are we talking on those numbers hundreds of thousands of dollars or 20 per cent off or is there any sort of information you could provide us with in that regard?

Mr. Grice: — Sure, yes I can. In 2008 the approved grant was 7.5 million and we requested and took only 6.2. The reason for the savings in 2008 is largely wages and training. We had a number of vacancies in the organization as we were having a very difficult time finding and retaining mechanics as well as drivers in that time frame. Also there was a delay in the implementation of the La Roche route. We expected it to happen earlier in the year and it did not initiate until November of that year, so there was some savings there.

In 2009 the grant approved was 7.8 million and the grant requested was 7.8 million. So that was a year where our ridership fell on the heels of the incident on the Greyhound bus, and as a result we needed all of the grant that was given to us. In fact we ended the year with a little bit on our operating line of credit that you may notice in the financial statements where we had to borrow about 150,000 to get through the year-end.

In 2010 we requested 9 million and took 8.4 million, and again the savings there were wages. And in 2011 we requested 8.9 million and took 8.7 million, and that was primarily driven by the revenue increases from the 7.4 per cent ridership growth.

Mr. McCall: — Thank you, Mr. Chair. The overall FTE [full-time equivalent] complement or employee complement labour force issues, certainly the way it plays in the balanced scorecard makes for some interesting reading. And certainly, you know, talent is a key challenge for any sector of the economy these days, as you'd referenced with the mechanics. Where is the corporation at in terms of the labour force need, labour force health, succession planning issues coming down the pike? Would you care to characterize those issues for the committee?

Mr. Grice: — Sure. We have seen changes by occupation and where the pressure is. I think in 2008 and 2009 we were seeing a lot more pressure sort of on the entry level or semi-skilled positions. And while that has continued, certainly now as we move into 2012, there's getting to be more pressure on mid-management and senior management positions as well. So in terms of succession planning, I think the organization is relatively healthy, but there's new pressures every month in this growing, hot economy. There's no doubt.

In terms of the classifications where we've felt the most pressure, I would say that we've had turnover in our mechanics, in our freight handling staff, and some of our accounting staff, especially in the years where the international financial reporting standard transition and the CEO-CFO certification projects were being implemented.

Mr. McCall: — What would be the duration of employment in terms of challenge around turnover?

Mr. Grice: — Our current turnover rate is running around 16 per cent, which is very high. And I would say it's abnormally unhealthy right at the moment, and we would like to try to resolve some of those things in our next round of collective bargaining to make sure those classifications where we're seeing the highest turnover are addressed. We know what those classifications are, and we've got a plan in place to look after those things as we head into the next three years.

Mr. McCall: — Are you seeking a monetary package to improve that standing or what's the plan?

Mr. Grice: — Well, you know, we can't really disclose what it would be that we would be looking at certainly, but there's a number of things. I think it really boils down to work-life balance for employees in today's day and age. So, you know, there are a number of things that we have to look at to make sure we're an employer of choice for those classifications where there's high turnover.

Mr. McCall: — Thanks very much. I guess backing up to ask a question I should have asked right off the top, what are the number of employees working for the corporation? How many are in-scope? How many are out-of-scope? And the in-scope ones, which collective agreements are involved? And what's the next . . . When do those contracts expire?

Mr. Grice: — The collective agreement that we have is only with the ATU [Amalgamated Transit Union] so we just have the one. The number of employees is around 230. I could get you exact numbers or have one of my officials look them up by year for you, as well as the complement of in-scope. But it's roughly about 185 in-scope, I believe, to 230 total employees, but there's a number of part-time and seasonals in that number as well. I believe we have about 38 management staff in total for full-time. But we can get those exact numbers if you'd like them read to the record.

Mr. McCall: — In the four years under question, have those proportions changed significantly or is that pretty much status quo on through the piece?

Mr. Grice: — I would say it's relatively status quo, and certainly we could read the numbers. I think we've had some drop in full-time positions both in the express service agents classification and in some of the driver classifications. And some of the reason for that is we've had less work with Greyhound as Greyhound's been cutting schedules. So we've had to sort of refine our hours of operation in the express sheds, and as well our drivers as we've lost some of our charter contracts over the last four years as well. We don't have quite a need for as many drivers as we used to have on our spare board.

Mr. McCall: — I guess one last question on the HR [human resources] side of things. I see representative workforce is still on the balanced scorecards. I'm glad to see that. Is that a directive out of CIC or is that something that STC has been engaged in a number of years and is just sort of carrying through?

Mr. Grice: — I think historically it was something that was put there from CIC and the government as a whole saying, like, this is a very important initiative to stay in touch with and it should be reported publicly. I think STC has just carried on with those types of feelings with regard to the numbers, and we have our own internal targets as well to make sure we're addressing diversity candidates.

Mr. McCall: — Yes. And again I'm glad to see certain of those targets not just being met but exceeded. I guess having said I'd be finished on my HR questions, I've got one more HR question for you. The 2011 report is the first year that STC engaged in lean activities. In terms of . . . I'm presuming outside consultants were brought in to conduct those exercises. Could you characterize for the committee what was undertaken under the lean heading by the corporation, and what sort of dollar figure was involved in the services both purchased from whatever contractors and whatever sort of savings have been identified as a consequence?

Mr. Grice: — Sure. We did hire a consultant. STC certainly looked at whether or not one would be necessary, but realized that sometimes the momentum and the inertia that comes from the initial engagement of a consultant to bring in some new thought processes around your organization is not only healthy but having an outside look tell you whether you're efficient or not is wise because we often feel we're running efficient. But somebody needs to open the door a little bit and shed some light on things for us. So we did consult with one.

The total costs over 2011 and 2012 was about \$100,000. And we do have some material in our briefing material here if you want that read into the record in terms of the invoices that were paid, but roughly \$100,000 that was spent. The type of projects that we engaged on, number one was we conducted a review of our safety inspections. So there's a process that we go through to inspect our own coaches and many of the other coaches in the Saskatchewan industry.

And there's a process that a mechanic must go through to check all buses for all things. And as those mechanics were inspected or watched wandering around the bus to complete the inspections, they designed things like a spaghetti diagram to show you where they walked to, how many times to the parts room, and where they would go. And at the end of the process, I think we saved about a 30 per cent savings over each and every one of those types of inspections. So that's the kind of interesting things that the consultants can yield for you.

[11:15]

We then moved into a review of our parts management process and systems as well. So there are a number of recommendations in there such as moving parts that are high use closer to the mechanics, prepping carts that mechanics would use on certain types of jobs. So if it's a brake job, those parts are there right beside the mechanic as opposed to having to wait for storekeepers to get them out of the stores, things of that nature.

Then there was a review completed with regard to our service line, which is work that will be done to clean a coach and ready it for a trip between trips. So it's not major mechanical work. It's cleaning and readying the washroom and things of that nature. And so that work that was done was done, I guess, to improve the consistency of the quality for the customer and also to expedite those tasks to make sure we were doing them as efficiently as possible. At each and every stage of the work that was done, we made a concerted effort to make sure the management team and the mechanics participated.

There's a culture change that has to occur with lean at all times. And what we were hoping to do was transfer the dependency on consultants away to make sure that our staff could do this on our own, and that is indeed what we have done. And so we are continuing on with lean internally now without the use of the consultants and it is, you know, sort of an ongoing way of life now in our maintenance garages.

In terms of the savings, I don't have the numbers right in front of me here. It strikes me that we were in terms of an annual avoidance of around \$63,000 that would go on every year after as long as we sustain the culture of lean in our organization. And we'll continue to look for those new lean opportunities. So I guess the investment of 100,000 for STC, we found it to be expensive. There was no doubt that that's a big number for our little Crown, but we think it was well worth it to give us those types of savings, and it will go forward with those savings for years.

Mr. McCall: — Thank you, Mr. Chairman. I guess and just closing out the lean questions for the time being, who was the contractor that was brought in?

Mr. Grice: — It was a company named Argo based out of Ontario.

Mr. McCall: — Okay. I guess a question I have, along with my colleague, I certainly recall when the La Loche line was added in 2008. And certainly, you know, it's a great sort of example of the challenges that a corporation like STC has to navigate in terms of serving a widely dispersed population. And I guess, I hadn't realized that it was a private contractor out of Buffalo Narrows involved in actually providing the service. What sort of process does the corporation go through in terms of securing the work of that contractor? Do you put out an RFP [request for proposal]? Or what does the corporation undertake?

Mr. Grice: — Yes, an RFP was issued in early 2008, and there were a number of bids that were submitted. The lowest cost contractor was awarded the bid. The contractor that's currently there is represented as a First Nations individual, in terms of our reporting through to the government in terms of our contracts, and has been operating that non-stop since the RFP was issued.

Mr. McCall: — How many other contractors would be performing similar services for the corporation, or would this be a relatively unique circumstance?

Mr. Bohay: — There's about 18 other agreements that we have with various contractors either to provide end point distribution of parcels, in some cases, to the door. We also have some other northern communities that have extensions of service that are provided by other contractors as well. And when I say 18, that's agreements counting Greyhound, for example. All totalled, that's what we have.

Mr. McCall: — In terms of something on the scale of what is being provided in the case of Young, that would be relatively unique, would it not?

Mr. Bohay: — It certainly is the biggest of any of those that we would have. There's a couple of others, but they're much shorter than that, shorter routes.

Mr. McCall: — I guess in the balanced scorecard for 2011, one of the objectives is grow our business operations with other private entities. Is that what is envisioned, or are you talking about purchasing your biodiesel in part from Milligan Bio-Tech? What does that statement mean?

Mr. Grice: — That particular measure is in regards to partners along the lines of our agencies as well as those types of contracts that Phil just mentioned, which would be another 18 there. We also have pick-up and delivery operator agreements in place in each of our major centres to deliver freight door-to-door as well.

Mr. McCall: — Thanks for that. I guess moving to a different sort of line of questioning. If you could, for the four years in question, if you could just sort of provide us a broad characterization of routes that have been added and routes that have been discontinued for each of the years under examination by the committee.

Mr. Grice: — Sure, I'll maybe start in and then if Phil has something to add, he can correct. The only route that we've

added, per se, would be the La Loche route. And I think that was the first time we've added a route since 1978, so that is relatively unusual. We have made some adjustments. As I said earlier, we annually do a route review process that we undertake to make sure we're running as efficiently as possible.

From time to time things will change in the province where there's industries closing or industries opening. So there's new opportunity. And one of those types of adjustments we made was heading out of Prince Albert through to Melfort, I believe. And we were able to reschedule some routes in order to add some additional service two days of the week, but allow us to reduce the cost of one night's hotel stay for our drivers that would be there every night on the end of that route. So while we were able to save some funding for the organization, we were still able to add some service at the same time. So sometimes it's minor adjustments like that that allows us to add. But in terms of adding a route, it's La Loche, and that would be the only one over the four years.

In terms of discontinuance of a route, we have not discontinued an entire route to eliminate service other than the shorter things that we have done in 2012, which would be end-point changes as we would refer to them. So stopping the route at Kamsack instead of going all the way to Swan River, Manitoba and curtailing the route at Carnduff as opposed going all the way to Gainsborough, those would be the types of eliminations that we've undertaken.

Mr. McCall: — I haven't been around the legislature for a million years, but I have been around for past discussions of line discontinuance or line adjustments that have been made. And one suggestion previously was that before lines were discontinued, that that business should be offered up to the private sector as a possible means to supplement the work of the Saskatchewan Transportation Corporation. Was that done in the case of the end-point being changed from Swan River to Kamsack and to Carnduff from Gainsborough? Was that undertaken by the corporation?

Mr. Grice: — We are always receptive to those that are in the areas if they're interested in running service, but typically what we will do is we will announce the elimination of the service and it will go through the process that we formerly discussed under the Highway Traffic Board rules. And so there are public notices that are put out, and if there is someone that would like to step forward, then certainly we would be happy to talk to them. But more importantly they need to talk to the Highway Traffic Board about applying for operating authority on the corridor. It's not up to STC to approve operating authorities. So once we pull out, we have to let the Highway Traffic Board make some of those determinations.

Mr. McCall: — Well I guess the thing that I found interesting about it in the past was that if STC was pulling out, being the fairly low-cost, competitive operation that it is, that it'd be interesting to see if there was a viable alternative come forward. But I guess again there's nothing in the process right now as regards end-point changes or line discontinuance to offer that out to other organizations. But presumably it'd be because there'd be nobody interested in taking up what is not a viable business.

Mr. Grice: — I think, you know, we can speak a little bit from Greyhound's experience as well. They've abandoned a lot of routes in the last little while. Not very many of them have had uptakes so far. There are certainly carriers that speak to it and have taken a run at certain things. I think there was service from Peace River area into Edmonton that was operated for about 12 days and they realized that they weren't making enough cash flow to keep going. So every once in a while you will have those start-ups take a look at it. Again they would need to apply in our jurisdiction to the Highway Traffic Board to seek the authority to run, so it's really not for STC to make those transitions or to hive off a route to a private sector per se. We really do have to work with our regulator to make those types of decisions.

Mr. McCall: — For the year to come, do you have any . . . And I see you'd referenced certainly different sectors of the economy can take off, different pressures can arise throughout the system. Do you have a forecast of any sort of growth pressures out there in the line offerings of the corporation?

Mr. Grice: — Well I think recruitment and retention is still going to be a difficult thing for any employer in Saskatchewan. There's no doubt about that. The economy is good; there is lots of opportunities, so I think that's a good problem to have, as opposed to some of the problems that we could have. On the other hand, you know, wages is 70 per cent of STC's cost. So that is a large driver for the organization.

Fuel as well is a large driver for the organization. And I don't foresee fuel rising drastically. I mean in 2007, we were tracking around 80 cents a litre; it jumped to \$1.12 in 2008. We've been tracking back down around the mid-'80s for two years in the middle there and then back up to \$1.04 and \$1.05 this last couple of years. I'm not sure that diesel is going to jump considerably, but again that really does depend on the world economy. I would suggest that, based on my own research, that I don't think fuel is going to be as big of a driver as wages will be next year.

In terms of our revenue, we're continuing to drive hard for new riders, and we've launched our ride rewards program which is a loyalty program of sorts at STC to try to encourage our current ridership base to ride more often. And certainly our seat sales are taking off. There's no doubt that we've done some good things in that regard. Our youth pass, for instance, that we had in 2009 priced at \$75, we sold 264 of those passes. So that's roughly about \$20,000 of revenue. Last year with our repackaging of that price to \$40 per month, we sold just over 3,000 of those passes, which was \$120,000 in revenue. So there's some things that are taking off for STC, and I think those youth that are riding on our buses are going to sort of carry the message out there to other passengers.

Mr. McCall: — And I thank the president for that information. But I guess I didn't state my question as clearly as I should have. In terms of adding new destinations or new routes for the corporation, is there any sort of forecast seeing that happening?

Mr. Grice: — I don't think there's any current thought on adding new routes. The subsidy is certainly paramount in our minds as we're watching Greyhound withdraw service on both sides of the province. So I think at this point in time there's no

thought for additions. I'm not sure if there's even any thought for deletions at this point in time. We've made some adjustments in 2012 that are out there already, and we're hoping that we can let those sink in a little bit and see where our ridership ends up.

Mr. McCall: — Thank you. In terms of that split between revenue derived from passengers, revenue derived from freight, revenue derived from charter, again you've said things that lead to certain conclusions on each of those fronts. But how do you see those, if you could characterize the contribution of those different sort of profit centres for the corporation, and changes coming down the line?

Mr. Grice: — Sure. Revenues to about two to three years ago are roughly 50/50. After the incident on the Greyhound bus, our passenger revenues dipped, and so our freight revenues are slightly higher. I would say they're 55 per cent versus maybe 45 per cent for passenger revenue. We include charter in the passenger revenue. Our charter revenues right now are probably running about 300,000 to \$400,000 per annum.

Mr. McCall: — And has the charter line of business, has that been relatively status quo for about the past decade?

Mr. Grice: — Other than two major contracts that we let go in 2010. The universities were once with STC, the U of R [University of Regina] and U of S [University of Saskatchewan], and those went out to an RFP process and STC bid but was unsuccessful in the contracts as well. So those have gone out to private sector operators. And that was probably about \$225,000 of charter revenue.

Mr. McCall: — Okay. The freight, what do you see as your growth opportunities on that side generally?

Mr. Grice: — Well certainly the province is growing. There's more and more businesses in the province I think that need freight services. The difficulty is competing with a lot of the carriers, especially the nationals that are now looking at Saskatchewan as a bit of a have province. So they're aggressively going after a lot of these contracts as well. So we're hearing stories of some deep discounts, that their piece rate is far below what STC could charge. So that will have some impact on the organization. But that being said, there's a lot of business in Saskatchewan and STC just has to focus on getting it right and looking at our niche opportunities. We are one of the only carriers that operates on the weekend. And we certainly go to further places than many others.

Mr. McCall: — Okay. And just a last couple of questions before I hand it on back to my colleague. The whole question of fleet replacement — and certainly it's been interesting to see it sort of manifest on the road, the different sort of iterations of sizes of coaches, vehicles, and what have you — but do you have any, I guess both on the fleet replacement and fleet maintenance side of the coin, and as well with infrastructure generally, any big challenges coming down the line there for the corporation?

[11:30]

Mr. Grice: — Well certainly fleet maintenance costs will go up

as your fleet gets a little older. And over the last few years, you know, our fleet has been aging a bit. We're struggling a little bit with the industry with revenues going down. So certainly watching our bottom line is important.

That being said, there is opportunity in a struggling industry as well. And in the last few years we've been buying used coaches, used full-sized MCI coaches for about half the price of a new coach. And those coaches that we're purchasing are usually, in terms of a mileage life, have only had two years of useful life taken from them. So we're buying coaches that will last another 13 to 14 years and we're buying them at half price. In 2012 we've acquired four of those coaches. So certainly, you know, while there are some challenges, there's opportunity as well and we're taking advantage of those right now with the US [United States] market being as low as it is.

Mr. McCall: — Which begs the question, whereabouts are you getting those great bargains from?

Mr. Grice: — Well they're varied and they're distributed throughout the US but we've picked up I think some in New Jersey. And maybe I'll let Phil speak to this. Maybe he's got the details on top of mind.

Mr. Bohay: — The four that we just purchased was out of Texas and Mississippi.

Mr. McCall: — Not getting them off of Craigslist or anything like that?

Mr. Bohay: — No, no.

Mr. McCall: — Okay. Texas and Mississippi. And how does the corporation become aware of those opportunities?

Mr. Bohay: — Well given that we're in the industry, we get a lot of people sending us their website posted sales. We also have MCI sales staff that do resale of used coaches, and two of those were actually through MCI's used coach market. And the other one was a charter company down there that we were made aware of, also through MCI, but we were able to look at those. Certainly there are . . . You know, I mean it's a defined industry and we can, you know, it's primarily website-driven at this stage.

Mr. McCall: — And other than the MCI used offerings, the corporation, they're just going out of business due to sort of economic circumstance in the southern United States, or how do those coaches become available?

Mr. Bohay: — A couple of them were from a perspective, the operator decided to downsize. He was actually a surgeon who had a charter business on the side and decided to grow the business significantly a couple of years ago and then, all of a sudden, realized he had bought too many coaches so he wanted to downsize a bit. So those are on the market. And then the other one was a charter operator who's actually just decided to refresh his coaches very quickly and he's churning them out every couple of years. And in the charter market, that's pretty important in terms of having a, you know, fresh, clean, good-looking coach.

The other thing that is occurring in the US market is that all coaches need to be wheelchair accessible relative to a certain size of business venture. So certain operators . . . I can't remember the exact number of coaches. But operators over a certain number of coaches have to have 100 per cent wheelchair accessibility. So in that case, that might have driven some of the marketplace to churn out a few of those coaches a bit sooner than they might have as well.

Mr. McCall: — Okay. Thank you for that. I guess my last sort of shot at questions would be around the infrastructure needs. Certainly the roof needed to be shored up in Saskatoon. And again it's how long it's been since we've had a chance to have a good, long conversation like this with STC officials. But just wondering how things are going with the new headquarters and how that has all rolled out in terms of location, in terms of continued integration with the Regina downtown business folks, how that's all worked out.

Mr. Grice: — Well I think the new head office has certainly been a good thing for the organization. You know, a bit of an anecdotal story, but we never had people walk in with resumés to the old building. We moved into the new facility, and the next day people were walking in with resumés to apply. So it's done a great deal for STC's image. And in terms of the downtown, it has enhanced the downtown in that corner of the city. And concerns that we thought we may have certainly have all dissipated, and the traffic that we have around that building is greatly improved. And the passengers are enjoying it. So I would say that it has turned out very well.

As well the facility itself was built to very good standards and we've only had a couple of small issues. We had some peeling paint on the roof of the area where the buses park on the lanes and that was replaced under warranty. And we've had a few issues with the air conditioning as well, which is all being looked after under warranty. But other than that, the building is operating as anticipated.

The rest of our facilities are generally in good shape. The Regina garage, though, is old and it will need to be addressed at some point, probably in the next five-year window. We'll look at that this year. We're currently putting in some structural supports to the facility to make sure that it's safe to be in. And it's just an old building but certainly it's meeting the needs of STC right now.

Mr. McCall: — In terms of the new headquarters, I believe it was built to a fairly significant environmental standard. Has there been any sort of savings accrued at the corporation to the standard of the build? Any sort of tracking of that information?

Mr. Grice: — We did build to what . . . There was a model national energy code that was out there, and I believe we built to 25 per cent in excess of that. Certainly there's no way to compare it directly to the old footprint of the old facility. So it would be tough to say what the savings would be in that regard. There are definitely savings, though, over not building to that level of efficiency in terms of the envelope. We certainly have high levels of insulation, better windows, an efficient boiler and an air-to-air heat exchanger as well that keeps our utilities as low as possible on a building of that size.

If there's a metric that you could use to measure the efficiency of a building, perhaps it's sort of the cost of ownership per square foot. And that has fallen by half to the new building versus the old building. So perhaps that's the only comparative that we could use.

Mr. McCall: — Good to know. Good to know. One last question: the Regina revitalization initiative and the plans for the . . . Feel free to chime in, Mr. Minister.

An Hon. Member: — I just don't know which one's the last one.

Mr. McCall: — Yes, this is absolutely the last one, certainly. The Regina revitalization initiative and certainly the planned relocation of Mosaic Taylor Field, are there any opportunities that that presents for the Saskatchewan Transportation Corporation in terms of you've got a lot of people that want to get to a very definite part of the city? Any sort of involvement on the part of the corporation in the planning that has been ongoing or any sort of thoughts that you'd care to offer to the committee?

Mr. Grice: — Sure. I would say at this level or at this point, it's really just been high-level discussion, not with anybody on a formal basis at all, but just wondering about what STC could have to offer in terms of the revitalization. We often look at whether or not STC can bring people in to these Rider games and allow them to reduce the, I guess, the congestion of all the vehicles in the downtown core. So if we can have more people riding our buses, that would be fine.

There's certainly a risk of competing with the private sector in terms of charters. There are a lot of businesses in the province that want to be able to make their profit on charters to game day. And so perhaps if we are careful and not competing with them, but yet still working with them in some regard so that they can use our passenger lobby as a drop-off point or something of that regard, then maybe there's opportunity. But no, it's really just been those types of conversations. Really nothing in particular.

Mr. McCall: — Well thank you very much. And I'd turn the floor back over to my colleague. Anyway, thanks.

The Chair: — Mr. Vermette.

Mr. Vermette: — Thank you, Mr. Chair. You talk about the lean process and when I was thinking about it I was going to ask you. In this area you talk about, I guess, safety. And we'll talk about not only with your employees that work for the corporation, but also the customers that utilize this service. Did this lean process look into any of those areas where safety, the riders, claims that you may have against you, the corporation, for I guess whatever reason . . . Can you give us a little background information on that?

Mr. Grice: — I would say no. I can turn it over to Phil. But the focus was really about efficiency of our maintenance processes with regard to the external consultant that was brought in.

Mr. Bohay: — Yes, that's correct. I mean we had to start somewhere and that was the area we decided to focus in on, was

on the maintenance side.

Mr. Vermette: — Okay. Thank you for that. Can you then tell me currently right now, with safety — and I mean in the workplace we know that is a huge issue facing a lot of different companies, corporations — whereabouts are you guys and how many, I guess would it be claims, or do you have a number of employee injuries that you could report on?

Mr. Grice: — I think the measure you're referring to is probably a compensated absence per se which would be a workplace injury that is the, I guess, the fault of the employer. I don't know the current number right now. I think it's . . . [inaudible interjection] . . . Okay. Sorry. My chief operating officer assisted. The number last year, I believe, in 2011 was 24 compensated absences, and those can be associated with drivers lifting heavy objects or a freight passenger dropping something on their foot or things of those types of concerns.

We do have a lot of injuries with regard to our drivers who are sitting static for periods of time and they have to immediately get up and unload the bus at a stop every 9 or 10 miles. And so that is certainly a source of injury for our drivers, especially as they are aging.

Mr. Bohay: — That is an area of focus for us in 2012 and going forward in terms of lost-time injuries.

Mr. Vermette: — You're going to focus on that. What kind of things, or how you . . . Just give us some idea.

Mr. Bohay: — In terms of the specifics, as Shawn indicated, about drivers and what it is we might do to be able to assist in terms of how packages are unloaded from the underbelly of the bus to simplify it or to make it easier to get that luggage out. It's less shoulder strain and back strain.

Mr. Vermette: — Okay. Thank you for that. Claims against you from your customers that ride. Do you have claims that people file that get injured, fall, you know, slip, whatever? Do you have any claims in 2008, 2009, 2010, 2011? Can you just kind of run through if you have those numbers at all?

Mr. Grice: — Sure. I don't have the numbers and I can't really discuss the specifics of any of those claims, obviously, but there would be, there would likely be one a year on average, I would think, that we could point to right now.

Mr. Vermette: — So you're saying one per year?

Mr. Grice: — I would say that we go years without, but there are times when you have some that there will be a claim, but it'll take a number of years for it to resolve itself. So I would suspect that over the four years that you're asking about that I could probably think to two or three claims for sure. Some are freight related, some are passenger related.

Mr. Vermette: — Something else I had noticed. Some of the buses are hauling — and I'm assuming, of course — your number of probably pieces of freight that are being sent to a different community. They have these trailers. They're hooked up to the bus. When did you start using that type of a system like that you would start using trailers like that?

Mr. Grice: — I believe the first trailers were purchased in '98 or 1999.

Mr. Vermette: — How do you guys determine . . . Now we're talking about freight because of course it's money. And we'll go over some of the dollars that you're showing in the report, and 2011 was interesting. Can you give us an idea, 2008, 2009, again '10 and '11, how your freight compares? And where I'm going is some of the areas you had increase in freight and then to revenue that came in. Some of the years in your reports, and I think 2011 is one of them, you show it cost you more to haul that freight, yet you had more income, revenue, but it's costing you more to ship the freight. What would be the reasons for that? Some of them I think it's 100-and-some thousand, you show a difference in cost.

Mr. Grice: — I'm not sure that I have the specific facts to speak to that answer. So perhaps you're referring to 2011 in the annual report where the costs of providing freight service have increased more than what the revenue has increased, but yet the margin is improved. Is that what you're referring to?

Mr. Vermette: — Yes, that's the . . .

Mr. Grice: — You know, I might let my chief financial officer and my chief operating officer speak to this. But off the top of my head, certainly we have made improvements and efficiencies throughout the organization in staffing levels in some of those departments with the Greyhound reductions occurring. And so as Greyhound reductions occur, there are steps where you can make an adjustment to staffing, but it's not always completely variable. So from time to time we will make adjustments in staffing that will make for a considerable step down. But it won't be completely variable as we go.

As you know, when you're dealing with personnel, there's usually a point where you can make an adjustment that was not there even though that person might have been only 50 or 60 per cent busy prior to that. So I'm not sure if there's anything else that can be added to that.

Mr. Bohay: — Not that I can think of.

Mr. Vermette: — Okay. And I guess where I was going into it was, I guess, of your 2011 report, and I was looking at page 41, and if you look at the cost, and that's why I'm . . . your expenses, and that's what I was looking at. It cost you about 175,000 more, so that's why I was a little concerned where . . .

[11:45]

Mr. Grice: — You know, if I look at this chart on page 41, I think it would be the opposite though of what you had asked. Respectfully, the numbers are going up on the expenses, not down.

Mr. Vermette: — Oh, maybe I misunderstood that then.

Mr. Grice: — Yes. So what would be the driver in there is that express is predominantly wage related. There are many employees working in the warehouses. And so the ongoing labour contract negotiations and step range movements for people as they move up in the organization with years of

service, as well as making sure that all of our positions are filled, will make swings happen in that wage from year to year. But that is an increase as opposed to a decrease.

Mr. Vermette: — Okay.

Mr. Bohay: — There'll be a small commission to agencies, for example, for parcels shipped. So as volume increases, then of course there's a little bit of increased cost on the expense side for that increased commission to agencies as well.

Mr. Vermette: — Thanks for clearing that, because I took it the other way. So that's good. I appreciate that. Having said that, looking at I guess the company itself, and I know Saskatchewan people and all of us . . . STC has a long history of providing a good service to the province, to the citizens, to companies. All different, you know, companies — whether it's hospital like you said, you refer to — use the service of the freight.

And people are truly proud of STC. And I say that, and we don't have a lot of complaints and that's good. And I mean, it takes a while. And being new as a critic, I want to make sure I ask some of the questions, some of the concerns that have been raised. And I know people are very concerned when you look at the subsidies that government currently provides to STC. Where people are concerned — and I don't know that it's so much concern that they want to make sure that that service is provided to them — they don't want to lose routes.

People are concerned when you talk about cutbacks. And when you start looking at cutbacks, people start wondering what's behind that. And the current administration, you know, has been clear over years, you know, looking at privatizing STC. And it's been talked about in different areas. And as they look at areas to, you know, go to the private sector, people are very concerned about that. So I guess whoever wants to answer it, whether it's morale amongst your staff, Saskatchewan men and women who, you know, ride the service and our youth that ride the service. There are concerns when you start seeing some of the things going on in other ministries, in other corporations that see downsizing and losing assets, and government looking at saving. People are truly concerned. They're wondering how far will those go, and what's exactly going to come out.

So if you can give me a little background information on the corporation, that would be wonderful. And people's concern when it comes to looking at losing money and the subsidies and government looking at, and the current administration looking at, you know, privatizing things to the private sector. People are really concerned and they're paying attention to it. So I just see what your comments are.

Hon. Mr. McMorris: — Thank you for that. You know, I think we've had a pretty good overview of the four years, and even a little bit of a look into the future of some of the issues around SaskTel . . . or STC I mean, sorry. And certainly as we look at it, we know that STC provides a great service throughout the province. STC has done great work, as in my opening comments, to make sure that customer service is paramount so that the riding experience is as good as it possibly can be — whether it's Wi-Fi, whether it's extra legroom, whether it's safety — all of those things are looked at on the passenger front

as well as on the cargo front, looking at expanding the business there to help offset some of the losses that we have on the passenger side.

Having said all that, we also realize that each year the subsidy has grown, and if you can go back . . . You know, you can look at these four years. But you go back a number of years, and I remember sitting on the opposition side in this committee where the subsidy was 2 or \$3 million, and we're up to over \$8 million. So it is a cost to the Government of Saskatchewan, taxpayers, to subsidize this program. But, you know, it's a government service. It's a service that's provided to the citizens of Saskatchewan that people in Saskatchewan I think overall appreciate.

I find it very interesting, though, you're trying to weave in the issue of the privatization. And, you know, people are concerned about the private delivery of services, although you asked a number of questions about a service that was delivered to one part of the province and you didn't even know that it was private. Now you're very . . . [inaudible] . . . you're questioning why it would go from four days down to three days, and it was a decision of the corporation. But what we're looking to do is supply as many services around the province. Does it have to be an operator, an employee of STC that operates that route? And in that example it isn't, and it's supplying a service in that area.

So I know you're trying to kind of get into the argument of private delivery or privatization of the company, but especially on the private delivery side . . . And I think you'll sit here and have to say that first of all you didn't realize it was a private deliverer working with STC in partnership which is able to provide a service to those citizens that weren't receiving a service before.

Mr. Vermette: — Well thank you for that. And like I said, as a critic of STC, I just recently was appointed. So as my role of that I'm trying to understand it. Four years without a report, and now finally there's time for it. So, you know, I understand. I'm trying to get information, clarity. And to be clear, no I did not know that it was a private company over there. You're right. And now I do know that, so I mean . . . And that's good to know that, because I assumed STC went through all the different routes. So you've explained some things that I didn't know. I mean I'm not a frequent rider of it and haven't seen that, so having said that, I appreciate that.

I want to be very clear that the minister has commented. Yes, people are concerned when government looks at . . . You look at the subsidies. You look at your administration and the way that you guys have been selling off some of the things, some of the assets of different companies, corporations. You see that. People are watching and they're concerned. And if you're looking at saving money, you have a corporation, STC, that people are very proud of. And your government is actually subsidizing it fairly heavy. You've just said that again. Years ago it was 2, 3 million when you were in opposition. Now it's 8 million. So people are concerned that you're looking at it that way. And it is a good service. And people want to be very clear. They want to keep it that way. So I remind the minister when he says . . . I'm not trying to make the point of it, I'm very clear. I'll ask you. Are your plans then at this time to get rid of STC, privatize to the private industry? Is that a question I can ask you

then?

Hon. Mr. McMorris: — You can ask me that question and the answer is no. I think you can see by the record over the last four years of what our government has done. I mean I find it interesting that, you know, there hadn't been a new route in STC since 1978. And many of those years it was, you know, your government, your party that was in government. There has been an extension of that route or a new route.

Having said that, we also have to look at, you know, the overall subsidy. I know that STC is very, very aware of the subsidy that they receive and work very hard to make sure that they come in under. Obviously they do. Three of the last four years they came in under the amount that was initially agreed upon. They do a great job on making sure that they operate as efficiently as they possibly can.

Having said that, we also know that the subsidy keeps increasing and we need to look at that. We need to make sure that the services that are being provided are being provided efficiently. I believe STC is doing that. Are we privatizing STC? No.

Mr. Vermette: — Okay, and thank you.

Hon. Mr. McMorris: — We allow private providers obviously, yes, because it has been done.

Mr. Vermette: — I guess then I go back to this, and of course as the critic . . . and people are concerned and they'll look at that, and they expect the opposition to do the job and ask the tough questions. And I'll be very clear. People want to make sure STC is protected. It provides a good service. The employees do an excellent job. So of course people are going to pay attention and I think people want to make sure that before anything is . . .

The Chair: — Mr. Vermette, I will cut in. We are dealing with the '08, '09, and '10-11 reports. We're starting to get into a political debate which probably could be carried on in the House later today through question period. But we are dealing with . . . Mr. McCall had raised a good point. We do ask quite a few questions on '08, '09, '10, and '11 so I would just ask that we confine it to the remarks and not get into what's happening in the future. This isn't the avenue for that today with this committee.

Mr. Vermette: — Well thank you, Mr. Chair. I appreciate that. Then I guess I'll end here, you know, with some of the comments and talking about STC and the job it has done, and morale when you talk about employees. Do you guys do any survey? Is there any way of indicating the lean process, how the morale of the employees do? Did you look at that, the service that you provided with lean? Did you have a look in those areas with employees? Are they happy working for the corporation? You talked about challenges finding mechanics, drivers. And how are you dealing with those challenges then in the type of, you know, economy that we see going on currently?

Mr. Grice: — We do survey our employees annually, and we are sort of running anywhere between, I think, 62 and 67 per cent in terms of employee satisfaction. So it depends on the

year and it depends on the issue. Obviously in a bargaining year, sometimes that number drops a little bit; in other years, it goes up.

I would say that we deal with those issues of mechanics with the union. We will meet as an executive of STC with the executive of the union, and we will sit down and discuss what we need to do to sort of right the company if there are things that are going on. So it is collaborative to some degree.

Obviously, management always has to make certain decisions in the organization and sometimes those decisions are not necessarily the best in terms of the perspective of the union. Any time there's downsizing of staff or any of those issues, obviously that's not going to be taken well by the in-scope members.

That being said, we are very focused on engagement of employees. And we do survey those employees specifically with regard to do they feel they're getting enough training. Do they feel they work in a safe environment? Do they feel that they're engaged and empowered? We ask them a number of questions on the survey, and there's an overall ranking that we take that we measure. And we publicly report on our balanced scorecard because we do believe that that is, you know, our greatest asset — our people. So it is important that they're happy.

Mr. Vermette: — You say you do a survey. And maybe if you have some of the areas where you do the survey with the employees, what are the challenges that are identified by your employees? What would you say would be the, you know, one, two, or three of the biggest challenges for the employees? Would you know that offhand?

Mr. Grice: — I think certainly two might be . . . Number one might be communications. I think the employees always feel that we could do more to communicate. They would like to know more about the organization or more about what's going on in the organization. And we've got a number of things that we've undertaken over the last number of years. We've got an employee newsletter. We've got an employee website that's an intranet site. We do quarterly meetings with our employees where, particularly Phil's team will travel around the province and make sure we're having presentations and opportunities for those staff to sit down with us and discuss issues. We've also got the executive meetings, as I referred to, with the union in Saskatchewan, with the executive locals and others. And those processes, I think, are aiding in communication, but yet communication continues to be at least in their top one or two.

I would say that their second one quite often would be room for advancement. I'm pretty sure that most of them say that they don't seem to see a lot of room for advancement at STC. And it is that we're small and we're lean and we're keeping things trim, so there's not a lot of room for additional positions to be built into the organization to make room for people. So it's kind of a stagnant organization in that regard. But that being said, those employees that are there that are working, as I say, are somewhere around that 64 or 65 per cent satisfied. Now that's a number we'd like to get up. There is no doubt about that.

Mr. Vermette: — Okay, thank you. And I know the time's

running out so I'll get to the end of my comments. But I guess any time you affect employees, I guess like anyone else in the province, if you're going to affect or, you know, decisions made will impact — whether it's residents, whether it's passengers, customers, employees — they do want to be consulted. They do want to have that communications. It's crucial. They don't want decisions made and then handed down. And we all know that.

And that's not only with employees, but it's also with people in our beautiful province who want to make sure that they're consulted, talked to. And there's many groups that I've said that they want to make sure when decisions are made by — whether it's STC, whether it's government, whether it's a municipality — they want to make sure that they feel like they're a part of the decision making with communications. And I think that's crucial. And again you hit on one of those where people say communication, so that tells me something again. And that's what everybody really feels strong about.

And people in our province I think feel strong about decisions made based on communicating and sharing ideas. So you know, you have some challenges there. And hopefully you guys can improve that in different ways that you were saying you want to improve that, and that was your number one.

[12:00]

So with that I know we have more questions we could have asked, and I tried to be, from my point of it, learning. You know, it's a new critic role I had. But I thank you for giving us the four years to go over the questions and ask any concerns that were there, we got a chance to ask at this time.

Again to the minister, the officials, thank you for answering the questions. Sometimes, you know, a little challenging sometimes with some of the information but I appreciate that to the committee. And, Mr. Chair, thank you for giving me the opportunity.

The Chair: — Mr. McCall.

Mr. McCall: — Thank you, Mr. Chairman. Again thanks to the minister and the officials. Please don't stay away so long next time. Maybe come back next year. That'd be great. But with that, Mr. Chairman, we'd conclude our questioning for the annual reports under consideration.

The Chair: — Thank you. Did you have a quick little wrap-up? We're pretty near out of time.

Hon. Mr. McMorris: — Sure. I'd just like to thank the officials too for not only being here but doing such a great job over the last number of years. Thank you.

The Chair: — Thank you. Seeing no other questions I would ask that a member make a motion:

That the committee conclude its consideration of Saskatchewan Transportation Company annual reports of 2008, 2009, 2010, and 2011.

I ask a member to move the motion.

Ms. Wilson: — I so move.

The Chair: — Ms. Wilson has moved a motion. Are all committee members in favour?

Some Hon. Members: — Agreed.

The Chair: — Agreed. Motion is carried. I would now ask that a member move a motion of adjournment being that the agenda is done for the day. Mr. Moe has moved adjournment of committee. All agreed?

Some Hon. Members: — Agreed.

The Chair: — Carried. This meeting is now adjourned.

[The committee adjourned at 12:02.]