



Saskatchewan Transportation Company
2009 Annual Report





2009 at a Glance

- › Travelled over 3.1 million scheduled miles, serving 290 Saskatchewan communities.
- › All coaches fueling in Regina and Saskatoon operated on a two per cent canola biodiesel blend.
- › Service added along the La Loche-Prince Albert Route, servicing Green Lake, Canwood, Debden, Shellbrook and Big River by private contractor.
- › Operating subsidy requirement of \$7.8 million.
- › Passenger satisfaction rating of 91 per cent.
- › Purchased \$10.5 million in goods and services from Saskatchewan suppliers, with 82 per cent of purchases made in Saskatchewan.
- › Carried 258,534 passengers.
- › No passenger fare increases.
- › Total revenues of \$15.7 million.
- › Total expenditures of \$26.3 million.

Corporate Mandate

The Saskatchewan Transportation Company (STC) is a provincial coach company which provides SAFE, AFFORDABLE and ACCESSIBLE bus passenger and freight services to Saskatchewan communities.

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Letter of Transmittal

Regina, Saskatchewan
March 31, 2010

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province
of Saskatchewan

Dear Sir:

I have the honour to submit herewith the annual report of the Saskatchewan Transportation Company (STC) for the year ended December 31, 2009, in accordance with *The Crown Corporations Act, 1993*. The financial statements are in the form approved by the Treasury Board and have been duly certified by the company's auditors.

I have the honour to be, Sir,
Your obedient servant,

Honourable Jim Reiter
Minister Responsible for STC

Message from the Minister

STC continues to fulfill an important role in our province. Diversely serving 290 communities, the company takes pride in its ability to deliver all passengers and freight to their appropriate destinations in a safe, timely, and cost-effective manner.

As both the Minister Responsible for STC and Minister of Highways and Infrastructure, it is my aim to optimize Saskatchewan's transportation network for social and economic development. STC buses travelled over three million miles in 2009 and carried more than 258,000 passengers while also delivering countless parcels, packages, and pieces of equipment to people across Saskatchewan. STC helps to connect friends, families, and businesses across our vast province.

From the beginning, our Government has held a collective vision of province-wide growth. It is a common theme throughout all Crown Corporations and necessary for Saskatchewan's continued well-being. At STC, the primary target for growth is ridership. With an increase in passenger levels, our revenues strengthen and our reputation grows. To this end, in 2009 STC piloted a number of deeply discounted seat sales intended at exposing our service to those unfamiliar with it. Environmental stewardship is also a priority of our Government; STC contributes to the Government's goal of reducing greenhouse gas emissions. One STC bus has the capacity to displace the emissions of up to 55 vehicles from the highway.

I firmly believe tremendous opportunity awaits our Province. An effective and efficient bus service plays an important role in the movement of people and goods.

I am pleased to present STC's 2009 Annual Report.

Honourable Jim Reiter
Minister Responsible for STC



Message from the Chair

The primary function of the STC Board of Directors is to represent the shareholder as stewards of the Corporation, and, to the greatest extent possible, establish its strategic direction. The Board members represent considerable diversity with experience in both business and community activities, in both rural and urban Saskatchewan. This experience contributes in a very positive way to exercising our role in establishing direction for the company.

Looking back over the past year it is very apparent that the negative effects from the Greyhound tragedy of July 2008 carried over into 2009 and led to continued passenger volume decline. The Board believes that increasing ridership must be STC's top priority. During 2009, we trialed seat sales targeted at specific routes and demographics – with varying degrees of success. The *\$7 Seniors Anywhere Fare* received a very positive response.

While much of our focus has been devoted to ridership growth, we continue to stress our community commitment. 2009 saw us partner with CTV for the *This is Your News* broadcasting event, where local news was transmitted from rural communities across the province. STC provided a charter coach and driver to transport the CTV crew and their equipment to the various locations on their tour. Reports indicate this project provided excellent prime time TV exposure for STC.

In conjunction with SaskTel, STC participated in the *We See You* campaign which shipped medical supplies and other essential items to needy areas of Saskatchewan and Africa. STC gathered supplies from around the province and brought them to Saskatoon for redistribution. In both campaigns, STC provided necessary transportation needs and demonstrated the company's community conscience.

Looking forward to the immediate future, we plan to continue with equipment and operational improvements to better meet the needs of our customers. This will include specialized seat sales designed with input from our 2009 experiences, enhancements of private sector partnerships, cross-promotional opportunities, go green/environmental awareness, as well as greatly enhancing the image and reputation of STC bus travel in Saskatchewan.

Aside from the extremely valuable service which STC currently provides in keeping rural and urban Saskatchewan people and businesses connected, the growth potential remains promising. Many of our buses have additional capacity on many routes, which presents considerable revenue growth potential through increased ridership at minimal expense to the company.

STC's outstanding customer service record would not be possible without the diligence of our employees. They are the key to our business and the reason so many customers return to become repeat STC riders. On behalf of the STC Board of Directors, I express my gratitude and appreciation for their special efforts and dedication to customer service.

2009 was a year of innovation, revision and rebuilding. I thank our Board of Directors, our employees, and a very special thanks to our customers for their support and utilization of STC's passenger and parcel delivery services. We are determined to earn your continued and growing support in 2010 and beyond.

A handwritten signature in black ink, appearing to read 'Wayne Lorch', written over a light blue horizontal line.

Wayne Lorch
Chair of the 2009 Board of Directors



Message from the President

2009 was a year of rebuilding and transition for STC.

Since the Greyhound bus tragedy in July 2008, a formerly growing ridership has declined due to residual effects stemming from the incident. 2009 ridership revenues were below budget and 4.2 per cent below 2008 results. Under the direction of our Board of Directors and executive staff, a number of measures were taken to alter this. We are confident in the direction we are heading.

2009 saw the initiation of deeply discounted seat sales with the intent of boosting ridership. The first two sales, a targeted route sale limited to three routes, and a 40 per cent discount on any service Monday through Thursday, achieved mixed results. It was the third and final sale that transcended any of our expectations. With the *\$7 Seniors Anywhere Fare* sale held in September, ridership figures spiked. A 40 per cent overall increase and a 227 per cent rise in senior ridership marked the calendar month. What is normally a slow month for our business became the busiest time of year.

2010 brings the promise of more successful promotions like the seniors sale. We will build on the momentum, taking what we learned from that marketing strategy and incorporating it into our new sales initiatives in the coming year.

A common misconception among the general population is that bus travel is a negative experience. STC has set out to debunk this perception. This year, we took great steps to improve our coaches. STC added amenities such as more leg room, fold down trays, AC power outlets, and window blinds to its vehicles. Possibly the most intriguing augmentation for our customers is Wi-Fi access added to the Saskatoon–Regina route. Now, customers travelling between the province's two largest cities can enjoy free internet access for work or leisure. As SaskTel increases its wireless capacity in the province, STC plans to upgrade its internet capabilities on more routes. The advantages of all these improvements are twofold – to boost the riding experience for our regular patrons, and to extend the appeal of STC to untraditional customers.

At STC, we believe we have achieved our goal of improving our services. 91 per cent of our customers rated STC's service as "good" or "excellent" in 2009, two per cent better than in 2008.

Furthermore, STC still stresses its customer safety and environmental stewardship. A majority of drivers completed self defense courses in 2009 and we implemented numerous security measures. STC continues to focus on “green”, using environmentally efficient fuel sources where possible and asserting the planetary benefits of public transportation through various promotions and partnerships, such as with the Saskatchewan Environmental Society.

One continuing challenge the company faces is the thin population base relative to the province’s large area. Saskatchewan has the most geographically extensive bus service in Canada; it is this breadth of service that gives rise to the need for subsidization. The Government remains committed to providing Saskatchewan people with access to a safe and affordable transportation alternative. It is unlikely another carrier would ever step in to fill STC’s role, as the passenger numbers and freight volumes on the majority of STC routes are not sufficient to cover costs.

The company uses revenues generated from profitable routes to support the lower density routes. Subsidization of bus routes is not unique to Saskatchewan. In all parts of Canada, profits from high density routes are used to offset the losses on low density routes (cross-subsidization).

STC continues to ensure a strong presence in communities across the province. After granting service between Prince Albert and La Loche in 2008, the route extended to include

the communities of Green Lake, Canwood, Debden, Shellbrook, and Big River in March 2009. Although ridership has been low thus far, it is a valued service for those passengers who need to connect with northern communities.

Despite all these challenges, STC stays committed to containing costs. As fuel prices and other expenses inflate operative spending, we continue to explore ways of maintaining our duty to the shareholder, Crown Investments Corporation. Reconfiguring routes, adjusting expenses, and seeking every opportunity for securing more revenue are utmost priorities. At the same time, we pledge to maintain and improve the standards we have set for customer service.

The challenges we face are common to bus companies across the country. While the work ahead is daunting, I know it will not be overwhelming for our staff. I am encouraged by their daily efforts and can assure the province that their bus company is in good hands with the intelligence, dutifulness, and aptitude of our employees. 2009 laid the groundwork for success in the coming years. We will continue to provide dependable, affordable, safe, and exceptional service in transporting people and products across Saskatchewan.



Shawn Grice
Acting President and CEO



2009 Corporate Profile

- › Established in 1946
- › Operates 29 bus routes, traveling 3.1 million miles per year
- › Serves 290 communities in Saskatchewan
- › Has 198 agents operating in Saskatchewan
- › Owns and operates passenger and parcel express terminals in Regina, Saskatoon, and Prince Albert
- › Operates two service garages in Regina and Saskatoon
- › Maintains its Head Office in Regina
- › Has a fleet of 44 coaches, 22 per cent of which are wheelchair accessible, varying in size from 20 seats to 55 seats, as well as a freight truck and freight trailers
- › Employs 239 people; approximately 85 per cent of STC's workforce is unionized (203 out of 239 as of December 31, 2009)
- › The Amalgamated Transit Union Local 1374 represents the in-scope employees
- › \$12.2 million in annual payroll, excluding benefits (2008: \$11.7 million)
- › \$44.0 million in assets (2008: \$45.6 million)
- › \$15.7 million in revenues (2008: \$16.3 million)
- › \$26.3 million in operating expenses (2008: \$24.7 million)
- › \$2.3 million of capital expenditures (2008: \$9.1 million)

Mission Statement

To provide Saskatchewan residents with **CONVENIENT, AFFORDABLE, SAFE, COURTEOUS** and **RELIABLE** passenger and freight transportation services.

Vision Statement

STC is the best passenger and freight transportation company in Canada.

Corporate Values

All business activities are conducted in a manner that is:

- › Honest
- › Dependable
- › Innovative
- › Respectful
- › Socially and Environmentally Responsible



Divisions of STC

Customer Services and Operations

The Customer Services and Operations division is responsible for passenger services, parcel express services and maintenance services. The division includes the following components:

Passenger Services

Passenger Services is responsible for ensuring passengers enjoy safe and reliable transportation. This area operates motor coaches, issues tickets, and is responsible for scheduling, maintenance of tariffs, dispatching of buses and drivers, and managing the network of 198 agencies and maintenance and management of buildings. In addition to regular passenger services, charter services are also operated and managed in this area.

Parcel Express Services

Parcel Express Services is responsible for the freight and baggage handling for all STC coaches and our connecting carriers. Door-to-door pick-up and delivery services are also available in Regina, Saskatoon, Prince Albert and in some designated rural agencies.

Maintenance Services

Maintenance Services' primary responsibility is to maintain, clean and provide storage for all STC vehicles. It is also responsible for the procurement of all corporate vehicles. These duties are performed in the two service garages in Saskatoon and Regina. This area also provides maintenance, cleaning services and storage to coaches of other carriers on a contractual basis. When required, it is also responsible for on-the-road servicing of STC coaches.

Finance

The Finance division provides the information required to monitor STC's performance and make effective decisions. The division delivers accurate financial reporting, budgeting and forecasting; assesses risk and insurance requirements; and monitors internal control functions. In addition, specific groups within the division are responsible for billing and collection of revenue, issuing payments to suppliers, monitoring reports from agencies, and processing reclaims with partner carriers.

Corporate Systems and Technology

STC's Corporate Systems and Technology division is responsible for implementing and maintaining efficient business processes through the introduction of new technologies. It ensures that ticketing and freight systems across Saskatchewan are capable of serving STC's customers 24/7 in a quick and convenient manner. It ensures the reliability and integrity of data, electronic communications, software applications and web services. The division also provides technical support across the province to employees operating a variety of systems that support our business, as well as to major customers that have STC shipping systems in their distribution centers. The Corporate Systems and Technology division is responsible for procurement and management of all corporate hardware and software.

Human Resources and Payroll

The Human Resources and Payroll division provides leadership and strategic human resource advice and support to ensure STC has a strong and committed workforce. To ensure a standard of excellence, the division delivers human resource services, including recruitment and selection, labour relations, human resource policy and planning, learning and development, organizational development and design, payroll and benefits administration, occupational health and safety, diversity, and rehabilitation/return to work programs. It also plays a key role in representing the employer during collective bargaining with the Amalgamated Transit Union Local 1374 and contributing to a positive employee-employer relationship.

Communications and Planning

The Communications and Planning division is responsible for corporate communications and forward planning. It establishes STC's strategic business plans and reports on performance and governance compliance. It is responsible for promotional advertising, corporate branding, public relations, and for ensuring effective communications between the company and its shareholder (CIC), the media and the Government of Saskatchewan. The division also has responsibility for privacy of information and requests under freedom of information legislation.

2009 - A Year of Rebuilding

In order to fully understand STC's 2009 performance, it is necessary to identify industry events that impacted how we do business. Up until the July 2008 Greyhound bus tragedy in Manitoba, STC ridership was strengthening by four per cent over the previous year. After that incident, STC ridership fell sharply, by as much as 10 per cent in the succeeding months, resulting in an overall decline of one per cent from 2007.

The spillover impact of the Greyhound tragedy was substantial in 2009. Ridership fell by 4.25 per cent overall from 2008. Rebuilding from a significant incident like this can take time; change doesn't occur overnight. It is a difficult situation for everyone involved.

To that end, 2009 focused on rebuilding the company's image and growing ridership. Mindful of our responsibility to the shareholder, STC focused on efficiency to minimize reliance on government subsidy. In order to achieve this, building a stronger passenger base was 2009's greatest emphasis. While the various initiatives didn't pay immediate dividends, there are promising signs to suggest progress is being made. We continued, in spite of our challenges, to focus on our core values of providing convenient, affordable, safe, courteous, and reliable passenger and parcel express service to Saskatchewan in 2009. Ridership exceeded 250,000 passengers in 2009 – the equivalent of one quarter of Saskatchewan's population.



STC's 2009 Summer Youth Pass provided unlimited ridership during July and August for a flat fare of \$75.

Building Ridership

Save Some Green Seat Sale Campaign

STC initiated a series of deeply discounted seat sales in 2009 in an effort to grow ridership.

The promotional sales were targeted at various routes, demographic areas and with different discount levels:

- › *Route Special:* A targeted discount promotion (50 per cent), limited to three selected routes in March (Regina – Gainsborough, Saskatoon – Swift Current, and Prince Albert – Hudson Bay), and one route in April (Prince Albert – La Loche).
- › The *4-40 Sale:* A network-wide discount (40 per cent) for the months of May and June. The sale applied to all one-way and return midweek tickets (Monday to Thursday).
- › The *\$7 Seniors Anywhere Fare:* A flat-rate promotion which allowed seniors (age 60+) to travel anywhere on STC's network for just \$7 per one-way ticket in September. With a 40 per cent overall ridership increase in the month of September (and a 227 per cent increase in senior ridership), the senior sale was the highlight of STC's 2009 fare slashing campaign.

This is Your News

In September, STC partnered with CTV Saskatchewan for its *This Is Your News* promotional campaign.

STC provided transportation for CTV anchors to broadcast live in selected communities along STC-operated routes. In return, CTV highlighted STC's provincial-wide accessibility and the \$7 Seniors Anywhere Fare seat sale.

Building on the huge success of the senior seat sale in 2009, STC and CTV are looking forward to other unique opportunities to continue the partnership in 2010.



STC's bus carried CTV news crews to communities throughout Saskatchewan in September for the *This is Your News* tour, which also promoted the September seniors' seat sale.

STC,

Thank you so very much for your seniors' bus ride promotion — anywhere for \$7. My cousin and I visited my PA sister by bus. It was wonderful. It was clean, safe, quick and both drivers were great. They were very kind to each passenger. I do hope you have this promotion again, as it gets seniors out and seeing new things.

Sincerely,
H. Lerach

Dear Sir or Madam,

I myself as well as other who have travelled with me wish to thank you for the special travel price of \$7 for September. Four of us senior ladies have made two trips to Saskatoon and will make one more. We also plan a trip to Regina to just enjoy the trip and scenery. One of the ladies is 89. I'm 84 and the others are in their late 70s. We cannot drive in the cities and some cannot drive any more at all.

Your bus drivers were so courteous. It was a joy to travel.

Again thank you for this joyous privilege.

Very sincerely,
J. Galloway

Accolades for STC's \$7 Seniors Anywhere Fare

Dear friends,

I was one of the seniors who took advantage of the \$7 seat sale by taking a trip to Prince Albert. It has been years since I was in that area of Saskatchewan, and was amazed how the province has grown. I had the opportunity to visit a retired relative's new home and she took us to Elk Ridge — another beautiful sight. Also (we) partook in a farmer's market and visited an antique shop.

Our bus was almost full and all the seniors were so pleased. What an incentive to get the elderly out of their homes!

The bus drivers were gracious. As we approached PA, one couple asked about the possibility of being

dropped on 28th (Avenue/Street). As we did not have to deviate, of course the driver did graciously accommodate them.

On the return trip the driver did (I think) go out of his way to drive one lady right to the senior nursing home in Southey.

So thank you. Thank you for such a wonderful gesture and consideration of seniors — some of whom might not have been able to afford to travel at the regular price. GREAT INITIATIVE.

Sincerely and gratefully,
J. Majkut



STC trialed a series of seat sales in 2009. The \$7 Seniors Anywhere Fare in September generated a 40 per cent overall ridership increase (and a 227 per cent increase in senior ridership), which was the most successful sale of 2009.

STC gained considerable market intelligence through the trialed sales:

- › targeted seat sales are more effective than network-wide sales;
- › a flat rate is easier to communicate than percentage discount; and
- › effective advertising is crucial to a successful campaign.

Through these experiments in 2009, STC has acquired a better grasp of consumer behaviour, which will help determine future marketing initiatives.

Environmental Responsibility

In keeping with strong consensus that environmental stewardship should be at the forefront of any business's conscience, STC continued to showcase its "green" impact.

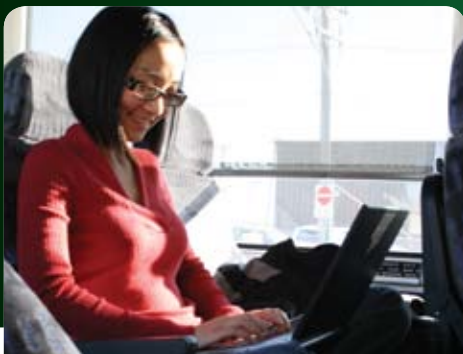
In its 2009 business practices, STC implemented many measures to become eco-friendly. STC joined the *Retire Your Ride* program sponsored by the Saskatchewan Environmental Society, offering a \$1,000 bus transportation credit as one possible incentive for a Saskatchewan owner responsibly recycling their vehicle. STC issued 16 vouchers in 2009. Further, every bus fuelling in Regina and Saskatoon was filled with a two per cent biodiesel blend, benefitting both the environment and our economy. Biodiesel is a renewable fuel source and also contributes to the local agriculture sector.

STC will continue to support Saskatchewan's agriculture sector through this initiative. More than 98 per cent of the distressed (non-food grade) canola seed purchased for STC's biodiesel production came from Saskatchewan producers in 2009.

In conjunction with the Saskatchewan Wildlife Federation and SGI, the *Slow Down & Save a Buck* initiative supported reducing highway collisions with wildlife. STC provided mobile advertising on its coaches to encourage drivers to be wildlife aware and promote safe driving. Another advertising component, *Give your car, your wallet, and Mother Nature a break*, incorporated environmental awareness to coincide with the company's seat sales. Our messaging emphasized bus travel as an environmentally-friendly mode of transportation. One STC bus can displace the emissions of up to 55 private vehicles.

Transport Canada reports bus travel as having the lowest social cost (air pollution, greenhouse gas emissions, noise, road congestion, and accidents) per kilometer than any other form of transportation.

STC is pleased to see this third-party endorsement of the positive impact of bus travel on the environment.



STC coaches travelling between Regina and Saskatoon were equipped with free Wi-Fi Internet service in 2009, so passengers can stay connected.



STC's environmental messaging reminded travelers of the environmental benefits of bus travel

One STC motor coach can displace the emissions of up to 55 private vehicles.



An STC bus and trailer served as "billboards on wheels," taking the Saskatchewan Wildlife Federation's *Slow Down & Save a Buck* message across the province.

Absolutely love the Wi-Fi on the Saskatoon to Regina run... Keep up the good work!!!

Sent from my iPod
B. Bonin



STC has provided free Wi-Fi and increased legroom on some of its coaches to provide a better travel experience for passengers.



Enhanced Amenities

While seat sale promotions informed people of the affordability of bus travel, STC also took steps to enhance the experience of travelling by bus.

Based on direct interaction with passengers and feedback via an on-bus customer survey, STC upgraded on-bus amenities to enhance passengers' travel experience. These improvements included:

- › free Wi-Fi Internet service between Regina and Saskatoon;
- › extended leg room between seats;
- › fold-down trays for selected seats;
- › AC power outlets; and
- › window blinds.

2009 Passenger Discounts and Programs	
Program/Discount Name	Program Details
Senior's Discount	Adults over the age of 60 receive 10% off regular adult fares.
Child Fare	Free Fare Children under 4 years old ride for free with purchase of 1 adult ticket.
	Half Fare Children between the ages of 5 and 11 years ride for half price with purchase of 1 adult ticket.
Student's Discount	Present a valid student ID and receive 10% off regular fares. Applies to all Primary, Secondary, University, or College students.
Medical Pass	For \$53.95, this pass provides unlimited travel on a specified corridor for a period of 30 days for physician-prescribed treatments. Must present documentation signed by a physician.
"Way to Go"	Adult Purchase a pass for \$50 and receive a 20% discount off the regular ticket price each time you ride. Valid for one year.
	Student Purchase a pass for \$25 and receive a 20% discount off our regular student fare (for a total discount of 30%). Valid for one year.
	Senior Adults over the age of 60 can purchase a pass for \$25 and receive a 20% discount off our regular senior fare (for a total discount of 30%). Valid for one year.
	Seniors Gold Plan Adults over the age of 65 years receive an additional 20% discount off the regular senior fare (for a total discount of 30%). Pass is free!
Blind/Disabled Person's Escort Program	Blind/Disabled travellers who require an escort or companion animal can travel together on one ticket purchased at our regular (adult) price.
Group/Bulk Discounts	Any person or group purchasing 10 or more regular fare tickets receives a 10% discount.
Midweek Return Discount	Purchase a round trip on Tuesdays, Wednesdays or Thursdays and you are eligible for a 20% discount off your regular return fare.
Compassionate Fares	Persons travelling for the funeral of an immediate family member can apply for a 20% rebate off their ticket price.
Summer Youth Pass (July, August)	Youth, ages 15 - 25, are eligible to purchase the pass for \$75. The pass allows youth unlimited travel on all STC routes for the summer months.

Service Improvements

In 2009, STC completed a comprehensive route review. Based on results, the company implemented passenger service improvements to better optimize our fleet services and improve scheduling.

2009 improvements included:

1. Starting in May 2009, all trips between Saskatoon and Prince Albert began making scheduled stops in the community of Warman.
2. Changes implemented in September 2009:
 - › Evening bus service on long weekends between Regina-Moose Jaw-Saskatoon changed from Friday and Sunday to Friday and Monday, allowing customers a longer stay in the rural communities between those points.
 - › A 25-minute delayed departure time (11:45 a.m.) from Saskatoon-Kindersley-Calgary allows passengers along the Carrot River-Saskatoon route to make connections to Calgary and beyond in an easier manner.
 - › A 30-minute delayed departure time (6:30 p.m.) from Saskatoon-Prince Albert enables passengers arriving from Calgary and Kindersley to make connections for Prince Albert the same evening. In addition, passengers and freight arriving into Prince Albert from the rural areas have more time to connect with the Prince Albert-Saskatoon bus.
 - › With the reduction of Greyhound service on the TransCanada Highway, passengers no longer had access to an early afternoon departure from Regina to Moose Jaw. Therefore, STC's 4:30 p.m. (Monday, Wednesday, Friday) departure from Regina to Moose Jaw was changed to 2:00 p.m.
3. Effective November 29, 2009, the frequency of passenger services between Prince Albert and Saskatoon via Melfort included two additional trips per week (Monday morning and Saturday evening).

The additional trips were afforded by an adjustment to trip origination points, while yielding savings of \$66,000 annually.

Ensuring Customer Safety and Security

We are Equipped to Protect You

Whether it is providing safe passage during difficult road conditions, restricting items into the passenger compartment, or handling unusual situations, safety is a high priority for STC drivers and the company overall.

In 2009, STC took further steps to enhance the safety of its passengers and employees. The company implemented explicit conditions for carriage, equipped its staff with extensive safety-related training, and installed new security features on the fleet and in the terminals.

Passengers riding with STC are encouraged to keep carry-on baggage to a minimum and to stow most luggage in the lower baggage compartment. Drivers have explicit authority to restrict carry-on baggage and to inspect passengers and their carry-on baggage at their discretion.

Security features announced in 2008 and completed in 2009 included:

- › installation of interior and exterior cameras;
- › improved corridor lighting and larger rear-view mirrors to enhance drivers' visibility of passenger compartments;
- › installation of large Plexiglas shields to physically protect drivers and allow them time to address emergencies; and
- › installation of global positioning devices with emergency alert capability.

In 2009, STC provided frequent safety training opportunities for its staff. A total of 221 employees attended safety educational sessions including self defense training, First Aid and CPR courses, Transportation of Dangerous Goods, Workplace Hazardous Materials Information System (WHMIS), and forklift training.

Pandemic Plan

In 2009, STC enacted its Pandemic Plan to effectively deal with the H1N1 flu outbreak. An employee committee implemented the strategies and actions to ensure the health of both employees and customers was in good hands.



STC's maintenance team is dedicated to ensuring our passengers have a safe, reliable and pleasant ride.

Andy Molnar, Mechanic, Saskatoon

High Maintenance Standards to Ensure a Safe Ride

STC's mandate is to provide safe and reliable passenger and parcel express services to the residents of Saskatchewan. Our Maintenance Services division assists the company in this goal by ensuring our vehicles have a high safety standard.

Service checks are conducted every 12,500 kilometers, including standard checks on engines, cables, batteries, belts, and other components.

After every 25,000 kilometers, a more comprehensive inspection is undertaken, including taking oil samples, adding fluids, lubricating baggage doors, plus all the same standard checks as done at the 12,500 kilometer level.

Every 100,000 kilometers, an all-inclusive inspection is conducted. During this check, all aspects of the coach are surveyed and serviced.

Charter buses travelling outside of Saskatchewan receive safety inspections every six months. Buses staying within the province have SGI inspections conducted each year.

Operating Efficiently

When striving to grow ridership and make service improvements that our customers want and expect, STC must always be mindful of cost. A portion of STC's budget comes in the form of government subsidy. Thus, undertaking cost efficiency strategies is our duty to both taxpayers and the government. In 2009, many measures were undertaken:

- › route review items were enacted, such as adjusting driver origination points to save on accommodations;

- › maintenance efficiencies allowed the reduction of fleet size by one coach;
- › a higher focus on sales and marketing to increase ridership without adding employees; and
- › a reduction of expenses consisting of consulting and employee training.

STC deemed it imperative that traditional customer service standards were not sacrificed at the expense of cost savings. In 2009, 91 per cent of passengers rated STC's service as "good" or "excellent," an improvement over the 89 per cent who said the same in 2008.

Serving Saskatchewan

Our Employees

The biggest priority for any company is customer service. STC recognizes each customer's immense value and strives to deliver friendly, helpful, and courteous service. The checklist to ensure customer service standards are met is lengthy. Selling tickets, handling baggage, cleaning coaches, and maintaining depots all promise the possibility of interaction with our patrons. While customers may overlook such brief exchanges with our employees, STC recognizes that each one is vital to overall customer satisfaction.

In 2009, 91 per cent of passengers rated STC's service as "good" or "excellent".

The onus then falls on the employees who don't interact with STC customers on a daily basis to keep those on the front lines informed and aware of company policies and procedures in customer service. In 2009, STC developed a new internal website for all employees that is easy to navigate and readily accessible through both information kiosks and computers. A bi-monthly internal newsletter also circulates among employees. These communications initiatives, complemented by training and regular face-to-face communication, allow us to better equip our employees to provide exceptional service.



Drivers like Brian Theaker ensure a safe ride for passengers as STC coaches travel 3.1 million miles annually.

Gradworks

Gradworks is an internship program funded by Crown Investments Corporation of Saskatchewan to provide recent post-secondary graduates with paid work experience in Saskatchewan Crowns.

STC is a proud supporter of the Gradworks program, providing placement for several interns annually.

A representative workforce reflective of Saskatchewan's general population is important to STC. Our Aboriginal and visible minority staff, as well as the younger employees we've attracted, bring a valued diversity to the organization. With the large number of baby boomers comprising the workforce, recruitment of young and talented individuals is vital to the longevity of the company. In 2009, STC worked diligently in this area, focusing on the hiring of workers under 25. Recruitment programs such as Gradworks and other networking opportunities are key to ensuring the company's employee resource base.

Our Passenger Services

STC operates 29 routes in Saskatchewan, with our buses travelling 3.1 million miles annually. To engage the relatively isolated northern communities in our province, STC established a new bus route between Prince Albert and La Loche in November 2008.

With additional operating authority granted on March 3, 2009, the La Loche-Prince Albert route now provides passenger and parcel express services to the communities of Green Lake, Big River, Debden, Canwood and Shellbrook.

In accordance with CIC's commitment to a strengthened bond with the province's private sector, STC entered into a contract with a local private operator to run the route. The route is served four days a week with a 47-passenger coach. STC continues to support local carriers by establishing partnerships with local businesses to act as STC agents.

In 2009, 2,400 passengers travelled on this route. STC is encouraged by these numbers and is hopeful that ridership will grow in 2010 as residents become more aware of the service. This route expansion demonstrates STC's commitment to building a stronger Saskatchewan and a better life for Saskatchewan's First Nations, Métis and other northern citizens.

While one of STC's priorities is to minimize its subsidy and keep operation costs low, the company is also constantly exploring opportunities and options to better serve Saskatchewan.

Our Parcel Services

An often overlooked, yet invaluable, facet of the company is our Parcel Express Services. For many rural Saskatchewan communities, STC's express service is the primary carrier of parcels and freight. Farm equipment, small business materials, gifts or care packages meant for families and friends – even lab samples and life-saving blood – are carried on a daily basis.

2009 saw the continuation of STC's use of trailers attached to its buses in order to transport more cargo.



STC ticket office staff provide friendly, accurate, courteous assistance to STC passengers.

Regina Passenger Service Attendants:
William Morrison, left, and Andrew White



STC Parcel Express Services staff are dedicated to ensuring packages and baggage arrive at their destination on time.

Shawn Isbister, Express Service Attendant, Prince Albert

Bus and trailer wraps provide additional revenue to the company (\$4,000 in 2009). With STC buses travelling to 290 communities and covering over 3.1 million miles, these travelling billboards lend incomparable exposure to any business or program.

In addition to providing overnight depot-to-depot service through contractual arrangements with private companies, STC and its agencies provide our customers with door-to-door pick-up and delivery service in major centers. STC is also one of the very few delivery businesses located in the province that provides weekend service to many points.

Our Community Support

STC is a good corporate citizen and believes in exercising its corporate responsibility by supporting a variety of community events and programs. In 2009, STC partnered with the *Retire Your Ride* vehicle recycling program, *Slow Down & Save a Buck* educational campaign, and the CTV *This is Your News* promotion.

Retire Your Ride is a joint initiative of the Government of Canada, Clean Air Foundation and other environmental groups whose aim is to efficiently recycle 1995 model year and older vehicles. The program offers incentives for owners to trade in their vehicles.

STC established a partnership this year with the Saskatchewan Environmental Society (SES) which delivers the Saskatchewan component of the *Retire Your Ride* program. STC offers a \$1,000 credit for bus passenger travel as one of the many incentive rewards for Saskatchewan participants to choose from. By joining this national initiative, STC is helping to increase public awareness of the environmental benefits of bus travel.

In May 2009, STC became the newest partner in the *Slow Down & Save a Buck* educational awareness campaign. This program reinforces the message that motorists should slow down in areas that have high wildlife populations to avoid collisions. The campaign was first launched by the Saskatchewan Wildlife Federation (SWF) in partnership with Saskatchewan Government Insurance (SGI) in 1998. STC's involvement included in-kind advertising support on a motor coach and trailer with the *Slow Down & Save a Buck* message and graphics. These billboards on wheels took the safety message across our province.

To advertise cost effectively for the unprecedented \$7 *Seniors Anywhere Fare*, STC joined CTV Saskatchewan in its *This is Your News* promotion. STC transported CTV anchors to broadcast live in communities along STC operated routes. In return, CTV highlighted STC's provincial-wide accessibility in its newscast and provided TV advertising spots for the senior seat sale, which enjoyed unprecedented success.

With the assistance of STC, CTV was able to broadcast live nightly from several Saskatchewan rural communities where extremely warm welcomes were given by local residents. Meanwhile, STC's September seat sale received a rich reward: a senior ridership increase of 227 per cent.

STC also partnered with SaskTel in the *We See You* campaign. STC assisted in gathering and transporting medical supplies and other essential items, which were then redistributed to Mwanza, Tanzania and the non-profit group Acid Survivors Trust International, which prepares medical and financial assistance to victims of acid burn in Asia and Africa. Additionally, other supplies were shipped to needy communities around the province.



In support of the 15th Annual STC Charity Golf Tournament, employees, friends and vendors of the company gathered at the Harbor Golf Club and Resort in Elbow, Saskatchewan. Together, we raised \$1,352 for the Children's Wish Foundation.

In addition to these partnership efforts, STC staff organized different fundraising events for local charities, such as the 15th Annual STC Charity Golf Tournament for the Children's Wish Foundation and a staff barbeque with proceeds going to Ovarian Cancer Canada. STC also provided transportation for the Parkland Canadian Cancer Society's Daffodil Campaign. In total, our corporate donation program provided prizes or in-kind services to 60 charities, non-profits, and other organizations, including Child Find Saskatchewan, the Canadian Cancer Society Saskatchewan Division, MS Society of Saskatchewan, the Saskatchewan Aboriginal Literacy Network, and the Terry Fox Foundation.

Our Economic Support

STC recognizes the importance of supporting local companies within the province. With the majority of STC's revenues coming from our Saskatchewan residents, STC appreciates the opportunity to invest back into the province's economy. In 2009, 96 per cent of STC's \$23.7 million expenditures (including wages and benefits) were made in Saskatchewan.

The *Buy Saskatchewan* program was devised to measure the impact organizations like STC have on Saskatchewan's economy. Excluding wages, and as noted in our Balanced Scorecard later in this report, 82 per cent of the total operating and capital purchases were made in Saskatchewan. A factor for 2009's lower score (compared to 89 per cent in 2008) is the 2008 completion of the Regina terminal construction.

Management Discussion and Analysis

The following Management Discussion and Analysis (MD&A) highlights the factors that impacted STC operations and financial results of the company over the past 12 months.

Industry Overview

STC has the bulk of the intercity bus passenger business in Saskatchewan. Greyhound runs two routes through the province (along the TransCanada and Yellowhead Highways). There are also a number of private sector carriers who have interline and other contractual arrangements with STC to serve specific areas.

Proteus Transportation Enterprises Inc., a Canadian consulting firm on public transportation, notes there is no comparison when it comes to the type of service STC provides. Proteus notes STC is the fourth-largest scheduled intercity bus carrier and the second-largest bus parcel express operator in Canada. The size of STC's network, relative to its service base population, is unparalleled within the Canadian intercity bus industry. Even the rural bus service networks operated in Manitoba, Quebec and northern Ontario do not offer similar depths of coverage relative to their respective population densities.

In its report on *Estimates of the Full Cost of Transportation in Canada*, Transport Canada reported bus travel to have the lowest social cost (air pollution, greenhouse gas emissions, noise, road congestion and accidents) and financial cost per passenger kilometer compared to all other modes of transportation.

While the benefits of bus travel are substantial, the bus industry overall faced low ridership in 2009 largely due to the residual impacts of the July 2008 tragedy on a Greyhound bus in Manitoba.

Other challenges for STC include:

- › geographically dispersed populations;
- › transportation security concerns;

- › ridership profile and continued preferences for private vehicles;
- › competition with air transportation;
- › growing customer expectations;
- › increased operating costs;
- › difficulty in the recruitment and retention of employees;
- › potential federal deregulation; and
- › obtaining a deserving respect as an effective transportation mode (improving the image of bus travel).

These challenges are further described in the Risk Assessment section that follows.

Risk Assessment

Challenges that directly impacted STC in 2009 are expected to be continuing factors in 2010.

Geographically Dispersed Population

In its 2008 *State of the West* report, the Canada West Foundation noted that Saskatchewan has experienced the most significant rural depopulation in Canada. Urban areas were the sole source of population growth from 1996 – 2006.

Saskatchewan has 26,000 km of provincial highways. Including municipal roads, Saskatchewan's total road surface is 190,000 km – enough roads and highways to circle the equator four times.

In 2009, STC operated more than 3.1 million miles of scheduled bus service and provided connections to 290 communities. Frequency of service is limited on some routes with low passenger numbers. This allows STC to contain costs, but also negatively impacts passenger convenience. STC faces no shortage of requests from communities currently without service – those requests have to be seriously weighed against cost.

In March 2009, STC expanded its northern Prince Albert-La Loche route to include the communities of Green Lake, Canwood, Debden,

Shellbrook and Big River. The route does not cover over-the-road costs. While ridership is low, those who use it would argue it is a vital service linking northern communities. This is a prime example of the constant challenge STC faces in fulfilling its public policy role to provide affordable service to Saskatchewan communities.

In all parts of Canada, profits from high-density routes are used to offset the losses on low-density routes (cross-subsidization). In Saskatchewan, nearly all of the routes are low density, with insufficient revenues from the best routes to offset the associated losses (STC operates 29 routes; of these, only the routes linking Prince Albert-Saskatoon-Regina cover over-the-road costs). Thus, STC relies on subsidization from its shareholder, Crown Investments Corporation (CIC).

Public Confidence in Bus Transportation Security

The overall impact on the Canadian bus transportation industry was immediate following the July 2008 Greyhound tragedy.

According to a February 23, 2009, Canadian Press article, "bus companies across Canada saw a dip in ridership after last year's gruesome beheading aboard a Greyhound bus in Manitoba." Greyhound confirmed business dropped (but did not cite statistics for competitive reasons), while Ontario Northland noted 11,000 fewer passengers between July and December 2008. STC reported 8,200 fewer people on its buses in the five months following the incident.

The tragedy seriously tarnished the reputation of bus travel Canada-wide. The tragedy did not happen on an STC bus; it did not even happen in Saskatchewan. Yet, the numbers show it affected ridership for STC carrying forward through 2009. STC passenger numbers totaled 258,500 in 2009, a 4.2 per cent drop from 2008 ridership.

According to reputation strategist Dr. Leslie Gaines-Ross with Weber Shandwick, a leading global public relations agency with offices in 77 countries around the world, on average, organizations can expect that recovery will take about four years to successfully rebuild a damaged reputation.¹

Despite numerous STC security enhancements announced in December 2008 and implemented in 2009, anxiety over security is expected to continue impacting STC's reputation and operations. It may take time for ridership numbers to rebound.

Ridership Profile

STC's general customer profile consists of students, seniors, and lower-income people. The majority of STC passengers continue to use our services out of necessity as many do not have access to other modes of transportation. Bus transportation is not typically a discretionary expenditure for these riders. Further, for multiple riders (families), it is more cost efficient and practical to travel by private vehicle than bus, especially if further transportation is required at their destination.

Private Vehicle Preferences

While 2008 saw very strong vehicle sales in Saskatchewan, 2009 saw those sales drop. In 2009, 44,989 vehicles were sold in the province, down 9.1 per cent from 2008, according to Statistics Canada. However, Scotiabank points out that Saskatchewan's 2009 auto sales are still 12 per cent above the average of the past decade due to commodity-driven economic growth in the province, and notes Saskatchewan will be an important driver of Canadian auto sales going forward.²

In Saskatchewan's strong economy (expected to grow 3.6 per cent in 2010, according to RBC's March 2010 Provincial Outlook), it is anticipated most people will continue to prefer the convenience and flexibility that private vehicles offer.

Competition with Air Transportation

In addition to the private automobile, air service provides alternative transportation between Saskatchewan's major cities, offering frequent, fast service between Regina and Saskatoon – one of STC's profitable routes.

¹ <http://www.reputationrx.com/Default.aspx/REPUTATIONRECOVERY/REPUTATIONRECOVERY>

² <http://www.google.com/hostednews/canadianpress/article/ALeQM5hoVW-Ys5745Y3EY37vkTH03wjsXg> - Jan29-10

Growing Customer Expectations

Customers increasingly express a preference for immediate and more personalized services. While STC was pleased to offer more amenities in 2009 – such as Wi-Fi on select routes – these installations were not without cost. As SaskTel expands its wireless service, STC anticipates it will upgrade its fleet to offer this feature on more routes. STC will strive to provide as many amenities as is affordable to ensure a more pleasant travel experience for passengers.

Increased Operating Costs

Fluctuating fuel prices will continue to impact the company going forward. Labour costs continue to comprise a large portion of STC operating costs.

Recruitment and Retention of Employees

An aging workforce, coupled with increased employment opportunities, provides challenges to STC in both its recruitment and retention initiatives. In 2009, similar to 2008, recruiting and retaining motor coach operators and express service attendants continued to be a challenge as these are typically physically demanding shift-work occupations. Recruitment for positions requiring professional accounting experience has also been difficult, which compounded the problem of increased workloads to deliver requirements under CEO/CFO certification and transitioning from Canadian Generally Accepted Accounting Principles (GAAP) to International Financial Reporting Standards (IFRS).

Potential Federal Deregulation

Regulation or deregulation of the industry is a federal responsibility. While the Federal Government has not made this a high priority issue – viewing this as a matter for the provinces and territories to work out – there remains some potential for federally-initiated deregulation of passenger services. This would result in the option for other carriers to compete against STC's most profitable routes.

Greyhound Service Cuts

STC's key business is closely tied to Greyhound services through interline arrangements – STC agents and ticket office staff sell Greyhound tickets, making us the “face of Greyhound”

in Saskatchewan. This has huge customer service impacts for STC as Greyhound continues to make service cuts and streamline its operations. In 2008, Greyhound removed its customer service agent in Regina, resulting in nearly all Greyhound service complaints being directed at and managed by STC staff. This has not only impacted STC staff workload continuing into 2009, but exacerbates identity confusion between the two companies.

In 2009, Greyhound reduced frequency of bus service along Highway 1 through Saskatchewan from three scheduled routes to two daily in each direction. This reduction in services impacted both STC's passenger and express connections in Regina, Moose Jaw and Swift Current. Fewer connections reduced STC's revenues from Greyhound commissions and caused longer wait times for passengers and express shipments. STC experienced a 28.6 per cent decline in Greyhound passenger commissions and 10.7 per cent decline in Greyhound express commissions for the year, with an overall financial loss of \$251,800.

Greyhound made extensive service and route cuts in other Canadian provinces in 2009 that carried forward into 2010. These occurred primarily in Ontario and British Columbia. A threat to pull out of Manitoba (which may have impacted Saskatchewan connections) didn't materialize in 2009; Greyhound and the Government of Manitoba reached a deal in March 2010 with the Province agreeing to provide a subsidy of \$3.12 million for a one-year term.

Negative Public Perception of Bus Travel

Despite rave reviews from STC customers (“good” or “excellent” combined satisfaction rating of 91 per cent in 2009), there remains a negative perception of bus travel in the industry overall. Our customers know we provide good, clean, and dependable service. It's in convincing people who have never travelled by bus before – or not recently – where STC is challenged.

The Canadian Bus Association best summarizes the largest challenge to bus transportation as “despite its benefits, bus is the least understood travel mode and often the least respected” (November 2008). As noted earlier in this document, in general, bus transportation is perceived as a travel option of necessity or last resort.

Opportunity exists for STC to better promote its products and services but advertising budgets must be factored in to overall company operating costs. Increased and strategically-invested advertising and promotional dollars would help improve the image of bus travel and boost ridership. Discount programs are planned for 2010, building on lessons learned from 2009 (different seat sale promotions were trialed in 2009, detailed elsewhere in this report). As noted earlier, rebuilding a damaged reputation or brand can take time (and money). Investment in promotion must be weighed against criticism over STC's need for subsidization.

Financial Performance

Introduction

In 2009, STC operated over 3.1 million miles of scheduled bus service in the province, and provided connections to 290 communities. The financial performance of the company is significantly impacted by its mandate to provide service on the widest practical basis. Because of low population densities, there are insufficient passenger and freight volumes to fully recover all operating costs, meaning subsidization is required to serve our extensive network.

Given its social mandate, STC incurs net cash losses to provide services. Therefore no dividend was paid to CIC in 2009 and STC will not be in a position to pay one in 2010. In STC's case, its financial performance is gauged by whether its costs and subsidy are as low as possible, and by the quality and magnitude of the services provided relative to expenditures incurred. Total cash loss, as a percentage of total expenses (excluding amortization) in 2009 was 33.8 per cent.

Operating and Capital Grants

STC operations are subsidized through grants received from CIC, the central body which oversees Saskatchewan's Crowns. Each year, STC submits its performance measures and grant requirements to CIC for review and approval. In 2009, STC received approval for an operating grant of \$7.8 million to cover its estimated operating losses.

STC received a capital grant of \$1.8 million in 2009 in addition to proceeds on hand from the sale of its former head office facility in 2008.

Using these funds, STC invested in fleet assets (\$0.9 million), facilities (\$0.7 million), and information technology and other equipment (\$0.7 million).

Other Revenue Sources

In addition to its main lines of business, the company had a number of alternative revenue sources assisting in the financing of its passenger services in 2009. The company:

- › leases available excess space on its properties. These proceeds totaled \$217,000;
- › provides some maintenance and cleaning services in its garages to a number of other bus companies, providing revenue streams of \$653,000; and
- › earned \$4,000 from sales of bus wrap advertising revenues and an additional \$52,000 from automatic banking machines and rental locker proceeds. STC is actively pursuing additional bus wraps moving forward.

STC also operates a limited number of charters, which in 2009 represented about seven per cent of its overall passenger services revenues. The operation of charters provides opportunities to better utilize the bus fleet, as most take place on the weekends when less maintenance activity occurs. Charters also increase the company's visibility within the community.

In particular, the charter service provided to the University of Regina and University of Saskatchewan sports teams helped showcase STC to young adults in 2009. To minimize competing with private charter companies, STC keeps its rates somewhat higher than other companies. Requests for service that cannot be accommodated by STC are referred to private sector operators.

In 2009, charters generated revenues of \$494,000, compared to \$511,000 in 2008.

Financial Reporting

In February 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly-accountable enterprises would be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB) in September 2009 approved an amendment to the introduction to the Public Sector Accounting Handbook mandating Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC believes that IFRS is the most appropriate basis of accounting for all its subsidiaries. Therefore, STC as an OGO, is proceeding with adoption of IFRS.

STC's IFRS conversion project included a high-level IFRS implementation plan to identify stakeholders, plot milestones, deadlines, scope, approach, risks and mitigations, governance and accountability responsibilities, and resource requirements. An external advisor was engaged to assist and undertake a detailed review of major differences between current Canadian GAAP and IFRS.

The project team completed an assessment of those international financial reporting standards with the highest potential for impact. Results showed the most significant areas of difference were related to accounting for property, plant and equipment, and financial statement disclosures. Crown sector working groups continue to review standards in detail, discuss specific issues as a basis for ensuring common understanding and, where possible, consistency in approaches to issue resolution among the Crown Corporations. The selection of specific accounting policies is being finalized.

STC assessed its processes, systems and internal controls and determined all to be adequate for IFRS implementation. Mock IFRS financial statements were created and will be finalized with CIC in early

2010. STC's external auditors have been involved throughout the conversion process.

In 2009, STC also implemented a rigorous new set of standards for financial controls and reporting at all levels of its organization. As directed by CIC, effective December 31, 2009, STC's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are required to certify that these new standards have been implemented. The process of complying with the new standards is often referred to as "CEO/CFO Certification".

The activities and functions in each area of the company were examined and documented; policies written, confirmed or rewritten, and processes and procedures continue to be changed as necessary to meet the new control and reporting standards. These new standards apply for the 2009 reporting period.

Passenger Services

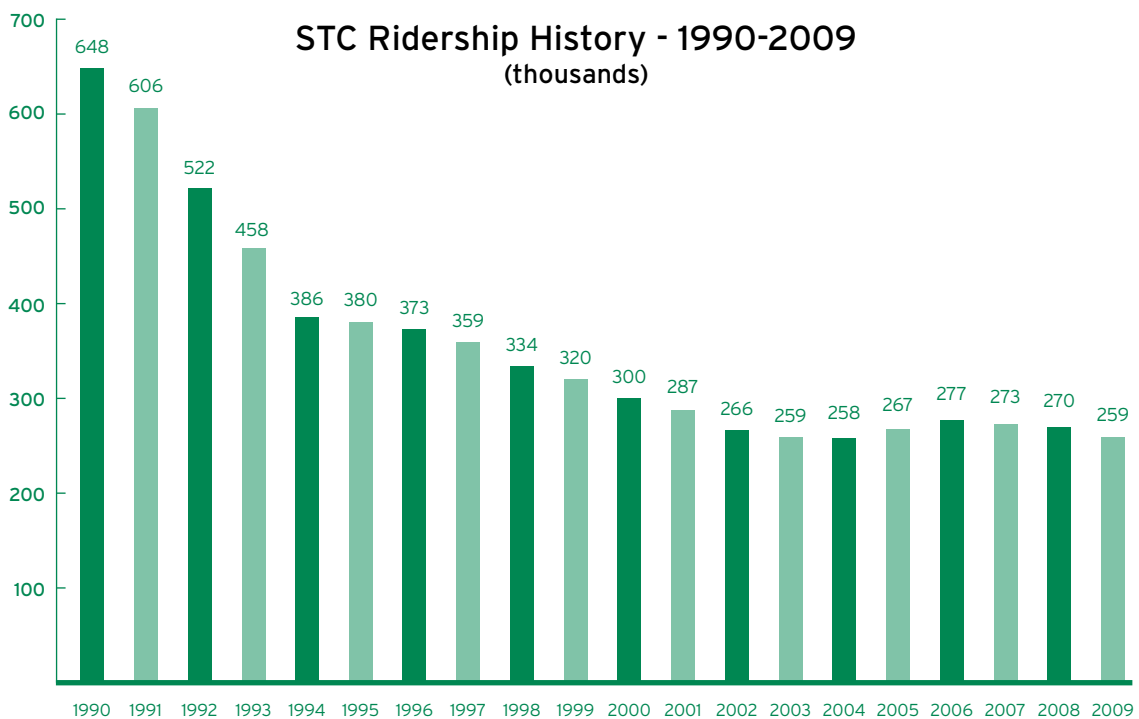
The most significant change in STC's passenger service occurred with expansion of service to our newest route (established November 2008) between La Loche and Prince Albert. In March 2009, the communities of Green Lake, Canwood, Debden, Shellbrook and Big River were added (also provided by a contract carrier). While ridership numbers are low (averaging 200 riders/month), the route provides a valuable and appreciated service to northern residents.

As part of a comprehensive route review completed in 2009, STC implemented changes optimizing the company's fleet utilization and schedule efficiency, resulting in enhanced services to STC's passengers. Some of these changes resulted in the following passenger service improvements:

- › Effective May 14, 2009 all trips between Saskatoon and Prince Albert began making scheduled stops in the community of Warman.
- › Effective November 29, 2009, the frequency of passenger services between Prince Albert and Saskatoon via Melfort includes two additional scheduled trips per week (Monday morning from Prince Albert and Saturday evening from Saskatoon).

- › Changes implemented in September 2009 are as follows:
 - › Evening bus service on long weekends only between Regina-Moose Jaw-Saskatoon changed from Friday and Sunday to Friday and Monday, allowing customers a longer stay in the rural communities between these points.
 - › A 25-minute delayed departure time (11:45 a.m.) from Saskatoon to Kindersley-Calgary enables passengers along the Carrot River-Saskatoon route and nearby communities to make connections to Calgary and beyond in a more timely manner.
 - › A 30-minute delayed departure time (6:30 p.m.) between Saskatoon and Prince Albert allows passengers arriving from Calgary and Kindersley areas to make connections for Prince Albert the same evening. In addition, passengers and freight arriving into Prince Albert from the rural areas have more time to connect with the Prince Albert-Saskatoon bus.
- › With Greyhound reducing service on the TransCanada Highway, passengers no longer had access to an early afternoon departure from Regina to Moose Jaw. Therefore, STC's 4:30 p.m. (Monday, Wednesday, Friday) departure from Regina to Moose Jaw was changed to 2:00 p.m. for Monday, Wednesday, Friday and Sunday schedules for an earlier departure to Moose Jaw.

As demonstrated by the chart below, after 15 straight years of decline in STC passenger numbers, ridership since 2004 has essentially been flat. The company was encouraged when passenger numbers were strong and growing (four per cent) in the first half of 2008. However, following the Greyhound tragedy, overall numbers decreased. With impacts still being felt in 2009, STC carried 258,534 passengers, a 4.2 per cent annual drop.



NOTE: In the early 1990s, STC implemented significant route reductions. From 1992-1994, routes were cut more than 25 per cent, with a resulting drop in ridership of close to 30 per cent.

The table below offers a snapshot comparison of STC financials and ridership:

	2009	2008
Passenger Service Loss Per Mile (Revenue – Cost = Loss/mile)	\$2.22 /mile (\$2.21 - \$4.43)	\$1.75/mile (\$2.38 - \$4.13)
Passenger Service Revenue	\$7,033,000	\$7,618,000
Passenger Service Operating Expense	\$14,104,000	\$13,218,000

The CIC Board directed the company to undertake deeply discounted seat sales in 2009. With approval of the STC Board of Directors, three campaigns were trialed. Environmental messaging was incorporated into the campaigns, to *Save Some Green... Give your car, your wallet and Mother Nature a break.*

Campaign results were mixed. The most notable success came with September's \$7 Seniors Anywhere Fare seat sale demonstrating a 227 per cent increase in senior ridership. Key learnings from the campaigns showed targeted sales are more effective than network-wide sales, and that flat-rate discounts are more easily communicated and understood. As noted earlier, 2010 seat sales will improve on lessons learned from 2009.

For 2009 campaign results please see chart below.

Parcel Express Services

STC route scheduling and frequency are designed primarily to optimize services for the passenger side

of the business. The existence of numerous courier companies in the business, and their ability to focus exclusively on the needs of express customers, provide them with a competitive advantage. Parcel Express Services tend to be somewhat seasonal for STC, with increased freight activity generally occurring during farm seeding, harvest, and the winter holiday (Christmas) season.

In 2009, STC continued to equip buses with trailers to carry additional freight. This allows the company to increase its freight hauling capacity and revenue-generating capabilities. STC implemented a six per cent increase to its parcel express tariff on February 1, 2009 with a 1.9 per cent increase to its pick-up and delivery rates. In 2009, revenues from express operations were \$7,600,000, compared to \$7,341,000 in 2008. Expenses associated with operating express services were \$5,560,000 compared to \$5,489,000 in 2008. Profits realized from operating this line of business were \$2,040,000 compared to \$1,852,000 in 2008.

	March Route-Specific Sale: (Regina-Estevan-Carnduff; PA-Hudson Bay; Saskatoon-Swift Current) 50% discount	April Route-Specific Sale: (LaLoche-PA) 50% discount	May-June 4-40 Sale: 40% discount for 4 days province-wide, Mon.-Thurs.	September \$7 Seniors Anywhere Fare
Ridership % increase/decrease	+ 4.0%	+ 96.0%	- 9.1%	+ 226.7%
Revenue % increase/decrease	- 3.3%	+ 1.3%	- 21.3%	- 10.2%

Note: Base derived from 2008 ridership and revenues from the same period, with the exception of the April sale (new route) where values were derived from January-March 2009 period. September sale includes electronic ticket sales only. These sales account for approximately 90 per cent of STC sales.

Bus Maintenance Services

STC has a high standard for fleet and equipment maintenance, both in terms of mechanical reliability and in the cleanliness of its coaches. All bus maintenance servicing occurs in the Regina garage (routine maintenance and servicing) and Saskatoon garage (major installations and repairs). STC has strict fleet maintenance and inventory management systems in place. STC coaches undergo regularly-scheduled maintenance at 12,500 km, 25,000 km, 100,000 km and six-month inspections.

2009 saw increased deep-cleaning to the interior of the company's coaches, providing an improved passenger experience. STC also provides some maintenance and cleaning services for a number of other bus companies, providing revenue streams of \$653,000 in 2009, compared to \$709,000 in 2008. Expenses associated with such work were \$399,000 in 2009 compared to \$446,000 in 2008. The drop in numbers was related to less Greyhound business, as a result of that company reducing its service in Saskatchewan.

To address security concerns in the wake of the Greyhound tragedy, STC undertook several initiatives beginning in 2008 and carrying through to 2009:

- › installed interior and exterior cameras on the remainder of coaches;
- › upgraded interior bus lighting and installed new larger rear view mirrors to enhance driver viewing of passenger compartment;
- › installed global positioning systems (GPS) with emergency alert buttons;
- › undertook random screening of baggage and passengers;
- › enhanced driver safety training (to date, 53 drivers have received self defense training); and
- › began implementation of larger Plexiglas shields to protect drivers (full completion impacted by manufacturer's delivery capabilities).

These enhancements totaled \$260,000 for capital purchases and an ongoing operating cost of \$60,000 annually for training and GPS monitoring.

The strength of STC's maintenance operations resides in its employees. Their commitment to safety and quality work is exemplary. The relatively homogenous nature of STC's fleet also allows for specialized training and streamlining of the parts inventory.

Maintenance service expenditures for STC coaches and fleet were \$3,064,000 in 2009, compared to \$3,030,000 in 2008.

Property, Plant & Equipment

Capital spending was \$2.3 million in 2009 compared to \$9.1 million in 2008. The decrease is primarily due to construction completion of the new depot and head office facility in 2008.

Property

STC owns and operates passenger and freight terminals in Regina, Saskatoon and Prince Albert. It owns and operates service garages in Regina and Saskatoon. The company owns, but does not operate, a passenger and freight terminal in Moose Jaw. Regular insurance inspections ensure our facilities are maintained in sound structural order.

Moose Jaw

No major structural or maintenance work was completed in 2009; some minor upgrades included washroom and flooring improvements.

Prince Albert

Security upgrades included installation of card access mechanisms throughout the depot. As well, accessibility improvements were made to the Express area entrance.

Regina

November 2009 marked the first full year of operation for the new Regina terminal. When compared to its former property, some of the most significant improvements include:

- › enhanced accessibility for customers and employees with disabilities;
- › a secure travelling environment for passengers with an enclosed and restricted passenger loading area;
- › a comfortable passenger waiting and loading area;

- › a secure and enclosed freight loading area;
- › increased restaurant seating capacity;
- › energy efficiency; and
- › a secure and functional work environment for employees.

Security card access improvements were carried out in 2009.

A structural review was completed for the Regina Maintenance Facility in 2009 confirming the performance of the existing structure, with the minor exception of some additional supports being added to the existing structure.

Saskatoon

Lighting improvements were made to the bus lanes, and some seating was removed and replaced in the passenger waiting area. Accessibility renovations were also undertaken. Security improvements included installation of card access mechanisms throughout the depot; the depot’s alarm system was also replaced.

STC FACILITIES	AGE (yrs)
Moose Jaw* - Passenger and Parcel Express Terminal	14
Prince Albert - Passenger and Parcel Express Terminal	15
Regina - Passenger and Parcel Express Terminal	1
- Service Garage	61
Saskatoon -Passenger Terminal	35
- Parcel Express Building	32
- Service Garage	27

*STC owns the property but does not operate it

Corporate Systems and Technology

STC made improvements to its environmental footprint by implementing a network server virtualization strategy to decrease power consumption and realize cost savings in server software licensing costs.

Our provincial security network, including security camera and access control, was integrated throughout STC’s depots in Regina, Saskatoon and Prince Albert. This initiative allows STC to provide increased security through centralized management of security software.

Other improvements were made to customer service through technology. A new website was developed to make frequently-used features more accessible. Passenger amenities were enhanced through the installation of Wi-Fi internet access on buses that travel along the Saskatoon-Regina corridor.

Fleet and Equipment

The company strives to match its bus fleet to passenger volumes on various routes. Accordingly, our units range in size from 20-55-seat coaches. In 2009, STC operated a total of 44 coaches and 25 freight trailers. Twenty-two per cent of STC’s coaches are wheelchair-accessible, an increase of two per cent.

As noted in the previous “Bus Maintenance Services” section, various security feature installations were carried forward into 2009.

In 2009, STC ordered four new 22-passenger coaches, resulting in 11 medium-sized coaches. One was purchased in 2009 while three were delayed to 2010. This increases the ratio of small coaches in the fleet to better match passenger traffic. STC also purchased one large and three medium express trailers, and a new MCI Accessible coach featuring 110-volt AC power outlets and fold down trays on selected seats. Based on customer survey information, four seats were removed from eight 47-seat coaches, resulting in a total of 13 coaches with increased leg room for added passenger comfort.



Balanced Scorecard

Management's Responsibility for Reporting on Performance

Management has presented its performance information in the Balanced Scorecard.

The information is, to the best of our ability, reliable (reasonably free of errors or omissions and represents what it claims), consistent (prepared using consistent policies and methods, explains significant variances, and reports results against previously approved targets), and understandable. To further understand the information, management has defined the terms and calculations and has disclosed limitations.

Management has the primary responsibility for the integrity and objectivity of the performance information reported in the Balanced Scorecard. To fulfill this responsibility, the company maintains appropriate systems of internal controls and procedures. These systems provide reasonable assurance that information presented is reliable and consistent.

On behalf of the company, on March 31, 2010,



Shawn Grice, Acting President & CEO

The STC Balanced Scorecard holds the company accountable to the public. It contains objectives, measures and targets which were created based on the strategic direction provided by STC's Board of Directors, as well as the overall strategic direction set forth by the CIC.

Following the Provincial Auditor Saskatchewan audit of this Balanced Scorecard in 2006, as well as feedback received from CIC, our measures and reporting have changed over the past few years and will continuously evolve to improve alignment with the company's strategic plan, demonstrate STC's contribution to the priorities of the Crown sector and improve clarity in the reporting of the results.

Discussion of 2009 Results

Customer

- › 91 per cent of passengers who voluntarily responded to our passenger survey rated our services as "good" or "excellent," a two per cent increase from 2008.
- › At December 31, 2009, STC's average passenger fare was \$29.10, 2.5 per cent below the western Canadian average fare of \$30.00. No passenger fare increases were implemented in 2009.
- › STC owned and operated 44 coaches, 10 of which were equipped for wheelchair accessibility.

Public Policy

- › STC is proud to support Saskatchewan's economy, procuring 81.8 per cent of its goods and services from Saskatchewan businesses. In total, \$10.5 million was spent in Saskatchewan.
- › Passenger awareness that bus transportation is environmentally friendly increased by 1.2 per cent to 92.2 per cent, compared to 91 per cent as reported in the previous year.
- › All coaches refueling in Saskatoon and Regina operated on a two per cent canola biodiesel blend. More than 98 per cent of the distressed (non-food grade) canola seed purchased for STC's biodiesel production came from Saskatchewan producers in 2009.

Financial

- › While STC requires grants from CIC to fulfill its public policy role, it measures its financial success by setting efficiency targets ("passenger services loss per mile" and "operating cash loss as a percentage of expenditures") and by implementing expenditure controls to meet those targets. Despite expenditure controls and efficiency exercises employed in 2009, STC did not achieve its targets, primarily due to decreased ridership (residual impacts of the Greyhound tragedy) and lower commission revenues (resulting from Greyhound reductions in scheduled service).
- › STC was in substantial compliance with best practices of corporate governance as defined by the CSA. Details are reflected in the Corporate Governance section of the Annual Report.

Employee

- › STC's objective is to be an employer of choice and conducts annual employee surveys to better achieve that goal. The 2009 survey results came in nominally below target; however, results reflect an improvement over last year's 62 per cent employee satisfaction rate and the overall number of survey participants increased significantly.
- › In total in 2009, 221 employees received training, including first aid, self defence and Transportation of Dangerous Goods (TDG). This increase over the targeted 100 employees reflects the company's increased emphasis on training for staff over the last several years as a result of security concerns in the industry.
- › STC continues to make progress toward achieving a representative workforce. In total, 45.3 per cent of new hires in 2009 were members from the designated equity groups.

Innovation

- › STC secured a number of new agencies and a contract carrier to deliver passenger and express services on the communities added to the La Loche-Prince Albert route. At year end, STC reported a total of 228 partnerships and agreements, including agents, food service providers, locker rental and taxi companies, express interline carriers, and others.
- › The 11,468 or 4.2 per cent decline in ridership from 2008 reflects the residual impacts of the tragic incident on a Greyhound bus in Manitoba in July 2008. As detailed elsewhere in this report, new seat sales (which included environmental messaging) were trialed throughout the year with mixed results.

We Meet the Needs of Our Customers						
CUSTOMER	Objective	Measures	2009 Target	2009 Actual	2010 Target	
	Customers are satisfied with the service they receive	M1	Passenger survey satisfaction rating	87%	91%	87%
	Fares and discounts are competitive and satisfactory to our customers	M2	Fares are at or near the western Canadian average	- 1% to +4%	-2.5%	- 1% to +4%
	Routes serve a significant portion of Saskatchewan	M3	Number of communities served	282	290	290
	A portion of our passenger bus fleet is equipped for wheelchair accessibility	M4	Percentage of fleet that is wheelchair accessible	20%	22%	23%

We Are Good Corporate Citizens						
PUBLIC POLICY	Objective	Measures	2009 Target	2009 Actual	2010 Target	
	Support development of the Saskatchewan economy	M5	Percentage of total expenditures made in Saskatchewan	83%	81.8%	84%
	Support building our future by protecting our environment	M6	Percentage of STC buses fueling in Regina and Saskatoon with a 2% biodiesel blend	100%	100%	100%
		M7	Percentage of passengers aware that bus transportation is environmentally friendly	91%	92.2%	93%

We Are A Fiscally Responsible and Accountable Corporation						
FINANCIAL	Objective	Measures		2009 Target	2009 Actual	2010 Target
	Cash loss is as low as possible	M8	Operating cash loss as a percentage of overall expenditures	31.5%	33.8%	35.8%
	Operating costs are as low as possible	M9	Passenger services loss per mile	\$2.05	\$2.22	\$2.39
	Meet or exceed all Board of Director governance requirements	M10	"Best Practices" for Board governance	Full Compliance	Full Compliance	Full Compliance

We Are A High-Quality Employer						
PEOPLE	Objective	Measures		2009 Target	2009 Actual	2010 Target
	Employer of choice in Saskatchewan	M11	Employee satisfaction survey rating	67%	65.2%	68%
	We promote safety and career-enhancement training for our employees	M12	Number of safety, technical and professional-development training opportunities attended	100	221	100
	Support development of a representative workforce in Saskatchewan	M13	Percentage of employees from target groups in overall workforce			
			Women in Under-represented Occupations	TBD	15.9%	13%
			Aboriginal	14%	13.4%	15%
			Visible Minority	4%	3.3%	4.5%
Persons with Disabilities	11%	4.6%	11%			

We Are Improving & Innovating						
INNOVATION	Objective	Measures		2009 Target	2009 Actual	2010 Target
	Grow our business operations with other private entities	M14	Total agreements and partnerships	220	228	228
	Build our customer base and promote the Corporation	M15	Percentage growth in passenger numbers	4%	-4.3%	1.0%
	Assist Saskatchewan to "go green"	M16	New environmental initiatives undertaken	2	3	2

Explanation of Measurement Terms

2009 Balanced Scorecard

We Meet the Needs of Our Customers

- M1 Passenger Survey Satisfaction Rating** is the overall satisfaction level of our bus-riding customers (passengers). This information is obtained through a semi-annual, voluntary, passenger sample survey. It represents the total percentage of respondents who rate their overall satisfaction with the services provided by STC as “good” or “excellent”.
- M2 Fares are at or Near the Western Canadian Average** and are set within a range of 1% below the Western Canadian average (WCA) to 4% above the average. The WCA is determined by the rates charged at the end of each quarter by Greyhound Canada in Saskatchewan, Manitoba, Alberta and British Columbia.
- M3 Number of Communities Served** is all communities with at least one of the following: a flag-stop, scheduled passenger service and/or freight-only service.
- M4 Percentage of Fleet that is Wheelchair Accessible** includes the percentage of total motor coaches owned by STC that have built-in chair lifts.

We Are a Good Corporate Citizen

- M5 Percentage of Total Expenditures Made in Saskatchewan** includes all monies paid to Saskatchewan vendors through STC’s accounts payable system as at the last day of the quarter. It includes agency commissions and corporate pension remittances to the Saskatchewan Pension Fund.
- M6 Percentage of STC Buses Fueling in Regina and Saskatoon With a 2% Biodiesel Blend** is 100%. Calculation applies only to diesel powered vehicles.
- M7 Percentage of Passengers Aware that Bus Transportation is Environmentally Friendly.** This information is obtained through semi-annual, voluntary, passenger sample survey and represents the total percentage of respondents who rate riding the bus as environmentally friendly.

We Are a Fiscally Responsible and Accountable Corporation

- M8 Operating Cash Loss as a Percentage of Overall Expenditures** is kept as low as possible. The percentage is calculated as the operating cash loss divided by the total expenses (excluding amortization) for the year.
- M9 Passenger Services Loss Per Mile** is the difference between the passenger expense and revenue per mile. Revenue per mile is calculated as the total passenger revenues, divided by the total scheduled miles and service miles. Passenger expense per mile is calculated as the total passenger expenses divided by the total scheduled miles and service miles.
- M10 “Best Practices” for Board Governance** is measured by either meeting or exceeding all corporate governance requirements as set forth by the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices. These CSA guidelines outline national governance requirements for publicly-traded companies and address areas of responsibility for effective corporate governance. While STC is not a publicly-traded company, its practices are benchmarked against these current industry best practices each year.

We Are a High-Quality Employer

- M11 Employee Satisfaction Survey Rating** is obtained from the responses to a specific satisfaction question included in a comprehensive employee survey. The question measures the overall satisfaction of STC employees. The survey is conducted annually and responses are voluntary.
- M12 Number of Safety, Technical and Professional-Development Training Opportunities Attended** in the workplace. This represents the total number of employees who attended either an in-house or externally delivered seminar, training session or workshop during the year.
- M13 Percentage of Employees from Target Groups in the Overall Workforce** includes employees of aboriginal ancestry, visible minorities, disabled employees and women in under-represented occupations. These numbers represent the percentage of employees from each target group in the overall STC workforce (excluding casual employees) as of each quarter's last day.

We Are Improving and Innovating

- M14 Total Agreements and Partnerships** with private sector entities is summed and reported at the last day of the quarter. The total includes the total number of operating STC agents, interline carriers, contract carriers and pick-up and delivery service operators. It also includes other partnerships and agreements that meet specified criteria to be included in the reported results.
- M15 Percentage Growth in Passenger Numbers** is the percentage growth in ridership on scheduled routes year over year.
- M16 New Environmental Initiatives Undertaken** represents STC's strengthened strategic focus on the environment. It may include new promotions, partnerships, community support initiatives and workplace/asset enhancements.



Financial Results

Saskatchewan Transportation Company

December 31, 2009

Management's Responsibility for Financial Reporting

Management has prepared the financial statements of the company in accordance with Canadian Generally Accepted Accounting Principles. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the company prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the company maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the company.

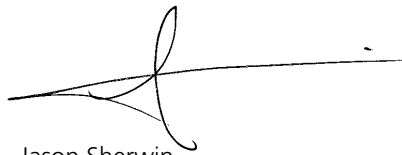
Meyers Norris Penny LLP, the company's external audit firm, has examined the December 31, 2009 financial statements, and their report follows.

The Board of Directors of Saskatchewan Transportation Company has examined and approved the statements.

On behalf of the company,



Shawn Grice
Acting President and CEO



Jason Sherwin
Acting Chief Financial Officer

January 29, 2010

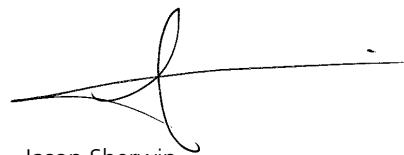
Annual Statement of Management Responsibility

I, Shawn Grice, the Acting President and Chief Executive Officer of the Saskatchewan Transportation Company, and I, Jason Sherwin, the Acting Chief Financial Officer of the Saskatchewan Transportation Company, certify the following:

- a. That we have reviewed the financial statements included in the Annual Report of the Saskatchewan Transportation Company. Based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report, fairly represent, in all material respects, the financial condition, results of operations, and cash flows, as of December 31, 2009.
- b. That based on our knowledge, having exercised reasonable diligence, the financial statements included in the Annual Report of the Saskatchewan Transportation Company do not contain any untrue statements of material fact, or omit to state a material fact that is either required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made.
- c. That the Saskatchewan Transportation Company is responsible for establishing and maintaining effective internal controls over financial reporting, which includes safeguarding of assets and compliance with applicable legislative authorities; and the Saskatchewan Transportation Company has designed internal controls over financial reporting that are appropriate to the circumstances of the Saskatchewan Transportation Company.
- d. That the Saskatchewan Transportation Company conducted its assessment of the effectiveness of the corporation's internal controls over financial reporting and, based on the results of this assessment, the Saskatchewan Transportation Company can provide reasonable assurance that internal controls over financial reporting as of December 31, 2009 were operating effectively and no material weaknesses were found in the design or operation of the internal controls over financial reporting.



Shawn Grice
Acting President and CEO



Jason Sherwin
Acting Chief Financial Officer

January 29, 2010



MEYERS NORRIS PENNY LLP

Auditors' Report

To the Members of the Legislative Assembly Province of Saskatchewan

We have audited the statement of financial position of **Saskatchewan Transportation Company** as at December 31, 2009 and the statements of operations and comprehensive loss, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Saskatchewan Transportation Company as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
January 29, 2010

Meyers Norris Penny LLP

Chartered Accountants

Saskatchewan Transportation Company

Statement of Financial Position

As at December 31

	2009	2008
	(Thousands of dollars)	
ASSETS		
Current		
Cash	\$ 1,474	\$ 2,676
Accounts receivable	1,402	1,560
Inventories	393	383
Prepaid expenses	508	437
	3,777	5,056
Property, plant and equipment <i>[note 7]</i>	40,193	40,523
	\$ 43,970	\$ 45,579
LIABILITIES AND PROVINCE'S EQUITY		
Current		
Accounts payable and accrued liabilities	\$ 2,575	\$ 3,324
Demand operating loan <i>[note 8]</i>	150	-
	2,725	3,324
Deferred capital grant <i>[note 9]</i>	32,142	32,365
Province of Saskatchewan's equity		
Contributed surplus <i>[note 13]</i>	465	465
Retained earnings	8,638	9,425
	9,103	9,890
	\$ 43,970	\$ 45,579

See accompanying notes

On behalf of the Board:



Wayner Lorch
Director



Jonathon Abrametz
Director

Saskatchewan Transportation Company

Statement of Operation and Comprehensive Loss

Year Ended December 31

	2009	2008
	(Thousands of dollars)	
REVENUE		
Express services	\$ 7,600	\$ 7,341
Passenger services	7,033	7,618
Other revenues	1,042	1,147
Gain on disposal of property, plant and equipment	28	145
	15,703	16,251
EXPENSES		
Operating	20,064	19,153
Administration	3,621	3,559
Amortization	2,628	2,016
	26,313	24,728
Loss before the following	(10,610)	(8,477)
Operating grant <i>[note 10]</i>	7,800	6,200
Capital grant <i>[note 9]</i>	2,023	1,441
Loss before extraordinary item	(787)	(836)
Extraordinary item	-	(7)
Net loss	(787)	(843)
Other comprehensive loss	-	-
Comprehensive loss	\$ (787)	\$ (843)

Statement of Retained Earnings

Year Ended December 31

	2009	2008
	(Thousands of dollars)	
Retained earnings, beginning of year	\$ 9,425	\$ 10,250
Net loss	(787)	(843)
Grant funding recognized related to purchase of land and related costs	-	18
Retained earnings, end of year	\$ 8,638	\$ 9,425

See accompanying notes

Saskatchewan Transportation Company

Statement of Cash Flows

Year Ended December 31

	2009	2008
	(Thousands of dollars)	
OPERATING ACTIVITIES		
Net loss	\$ (787)	\$ (843)
Items not involving cash:		
Amortization	2,628	2,016
Gain on disposal of property, plant and equipment	(28)	(145)
Extraordinary item	-	7
Recognition of capital grant	(2,023)	(1,441)
Net change in non-cash working capital <i>[note 12]</i>	(103)	(842)
Cash used in operating activities	(313)	(1,248)
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(2,322)	(9,055)
Net change in accounts payable and accrued liabilities related to investing activities	(569)	745
Net change in non-cash working capital related to extraordinary item	-	(7)
Proceeds on disposal of property, plant and equipment	52	1,674
Cash used in investing activities	(2,839)	(6,643)
FINANCING ACTIVITIES		
Capital grant received	1,800	2,300
Operating demand loan	150	-
Grant funding received for land improvements and for construction costs related to the new Regina head office and depot	-	6,650
Cash provided by financing activities	1,950	8,950
Increase (Decrease) in cash	(1,202)	1,059
Cash, beginning of year	2,676	1,617
Cash, end of year	\$ 1,474	\$ 2,676

See accompanying notes

Saskatchewan Transportation Company

Notes to Financial Statements

December 31, 2009

1. STATUS OF THE COMPANY

The Saskatchewan Transportation Company [STC, the Company] was originally established in 1946 by Order in Council #168 to act as a common carrier providing passenger service transportation, parcel express and freight services. STC's powers, duties and conditions were affirmed in 1993 by Order in Council #5. STC is continued under *The Crown Corporations Act, 1993*.

The financial results of STC are included in the consolidated financial statements of Crown Investments Corporation of Saskatchewan [CIC].

STC is a Provincial Crown Corporation and therefore not subject to Federal or Provincial income taxes in Canada.

STC's passenger rates are subject to rate regulation by the Motor Carrier Committee of the Saskatchewan Highway Traffic Board, which is a related party. The committee reviews applications for operating authority certificates under the *Traffic Safety Act*, and fixes rates and conditions of carriage for holders of these certificates or licenses of authority. STC holds operating authority on the routes it operates but must seek approval for passenger rate changes from the Motor Carrier Committee.

2. OPERATIONS AND FINANCING

As a matter of public policy, STC will continue to provide bus passenger and express service to the communities of Saskatchewan. The Company will ensure that its commitment to servicing the province is kept uppermost in all of its planning. As a result of the public policy rationale for the operation of certain non-commercial routes, STC continues to be dependent upon CIC for its funding.

By way of Order in Council #86/2009 STC was authorized to obtain grant funding up to \$9.6 million [2008 - \$9.8 million, Orders in Council #9/2008 and #208/2008] in total for both capital and operating. During the year, STC requested and received \$9.6 million of the \$9.6 million authorized [2008 - \$8.5 million of the \$9.8 million authorized].

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant policies are as follows:

Inventories

Inventories of vehicle parts and supplies are stated at the lower of cost and net realizable value and are costed using the first-in, first-out (FIFO) method.

Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated amortization. Assets held for sale are segregated and no longer amortized and are recorded at carrying amounts that approximates fair value. Expenditures for betterments, such as major refurbishment and structural repairs, are capitalized. Normal maintenance such as engine and drive train repairs, mechanical repairs and preventative maintenance are expensed as incurred.

Operating Grant Revenue

Operating grants from CIC are recognized as revenue when received.

Capital Grant Revenue

Capital grants related to depreciable property are deferred as received and are recognized as revenue over the life of the asset. The Company recognizes a portion of the capital grant as revenue each year equivalent to the amount of amortization recognized on the assets acquired with the grant funds.

Capital grants related to the acquisition of land and related costs are recognized as a direct increase in retained earnings.

Revenue Recognition

Passenger and freight transportation revenue is generally recognized upon the completion of service. Interline passenger and freight transportation service is treated as being complete when the passenger or parcel is turned over to the connecting carrier.

Other revenues, including charter, space leasing, bus advertising, vending and maintenance are recognized when earned.

Amortization

Amortization is charged to income from the date assets are put into service and is recorded on the straight-line basis at rates designed to amortize the cost of property, plant and equipment over their estimated useful lives after considering salvage values.

Estimated useful lives are as follows:

Buildings	10 to 40 years
Vehicles	5 to 15 years
Other equipment	3 to 10 years

Management Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Accounts receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Provisions are made for slow moving and obsolete inventory. Amortization is based on the estimated useful lives of property, plant and equipment. These estimates and assumptions are reviewed periodically and, as adjustments become necessary they are reported in earnings in the periods in which they become known.

Long-lived Assets

The Company performs impairment testing on long-lived assets held for use whenever events or changes in circumstances indicate that the carrying value of an asset, or group of assets, may not be recoverable. Impairment losses are recognized when undiscounted future cash flows from its use and disposal are less than the asset's carrying amount. Impairment is measured as the amount by which the asset's carrying value exceeds its fair value. Any impairment is included in net loss for the year. The amount of loss recorded is determined by deducting the asset's fair value (based on discounted cash flows from its use and disposition) from its carrying value.

Financial Instruments

STC classifies its financial instruments into one of the following categories: held-for-trading; loans and receivables; and other financial liabilities.

All financial instruments are measured at fair value upon initial recognition. Transaction costs are included in the initial carrying amount of financial instruments except for held-for-trading instruments, in which case the transaction costs are expensed as incurred. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial assets and liabilities classified held-for-trading are subsequently measured at fair value with changes in fair value recognized in net income. Financial instruments classified as loans and receivables or other financial liabilities are measured at amortized cost using the effective interest rate method.

Recent Accounting Pronouncements

In February, 2008, the Canadian Institute of Chartered Accountants (CICA) Accounting Standards Board confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards (IFRS) in place of Canadian Generally Accepted Accounting Principles (GAAP) for interim and annual reporting in fiscal years beginning on or after January 1, 2011, including comparative figures for the prior year. The Public Sector Accounting Board (PSAB), in September 2009, approved an amendment to the introduction to the Public Sector Accounting Handbook confirming the direction which requires Government Business Enterprises (GBEs) to adopt IFRS and Other Government Organizations (OGOs) to adopt either IFRS or the public sector handbook, whichever is considered the most appropriate basis of accounting. CIC believes that IFRS is the most appropriate basis of accounting for all its subsidiaries and therefore the STC as an OGO is proceeding with adoption of IFRS.

STC's IFRS conversion project included a high-level IFRS implementation plan to identify stakeholders, plot milestones, deadlines, scope, approach, risks and mitigations, governance and accountability responsibilities, and resource requirements. An external advisor was engaged to assist and undertake a detailed review of major differences between current Canadian GAAP and IFRS. Board members have been briefed on the status of the conversion project plan.

The project team completed an assessment of those international financial reporting standards with the highest potential for impact. Results showed the most significant areas of difference were related to accounting for property, plant and equipment and financial statement disclosures. STC assessed its processes, systems and internal controls and determined all to be adequate for IFRS implementation. Mock IFRS financial statements were created and will be finalized in early 2010.

4. CHANGE IN ACCOUNTING POLICY

Effective January 1, 2009, the Company adopted the CICA's new recommendations for disclosures relating to fair value measurements. CICA section 3862 Financial Instruments – Disclosures has been amended to require enhanced disclosures for fair value measurements recognized in the balance sheet. The Company is required to classify and disclose fair value measurements using a three-tier fair value hierarchy based on the lowest level input that is significant to that fair value measurement. The Company's financial instruments do not meet the three-tier fair value hierarchy. The adoption of this amendment did not have a material impact on the Company's financial statements.

5. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The Company as part of its operations carries a number of financial instruments which includes cash, accounts receivable, accounts payable and accrued liabilities, and demand operating loan. The carrying amount of STC's financial instruments approximates their fair value due to the short term maturities of these items.

The following summarizes the classification, carrying amounts and fair values of the Company's financial instruments:

Classification	2009		2008		
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	
(Thousands of dollars)					
Cash	HFT	\$ 1,474	\$ 1,474	\$ 2,676	\$ 2,676
Accounts receivable	L&R	1,402	1,402	1,560	1,560
Accounts payable and accrued liabilities	OL	2,575	2,575	3,324	3,324
Demand operating loan	HFT	150	150	-	-

Classification details are:

HFT – held-for-trading

L&R – loans and receivables

OL – other financial liabilities

Credit Risk

Credit risk refers to the possibility that a customer will fail to meet its contractual obligations. The Company extends credit to its customers in the normal course of business and is exposed to credit risk in the event of non-performance by customers, but does not anticipate such non-performance. The carrying amounts for accounts receivable are net of applicable allowances for doubtful accounts, which are estimated based on past experience, specific risks identified with the customer and other relevant information. STC monitors the credit risk and credit rating of customers on a regular basis. The maximum credit risk is \$1.40 million (2008 - \$1.56 million), the fair value of the accounts.

The following table sets out details of the age of receivables and allowance for doubtful accounts:

	2009	2008
(Thousands of dollars)		
Gross Accounts receivable:		
Current	\$ 805	\$ 1,124
Up to three months past due date	555	538
Greater than three months past due date	212	73
Allowance for doubtful accounts	(170)	(175)
	\$ 1,402	\$ 1,560

6. CAPITAL MANAGEMENT

STC's objective when managing its capital structure is to ensure adequate funding exists to support the operations and growth strategies for the Company.

STC obtains its funding from CIC by way of operating and capital grants authorized by Orders In Council. Throughout the year, operating and capital grant draws are made as necessary based on cash flow forecasts. STC also has an available line of credit of \$500 thousand at the CIBC Bank that it can draw upon.

STC's capital structure consists of equity, primarily in the form of retained earnings. STC does not have any long-term debt.

STC's capital structure is as follows:

	2009	2008
	(Thousands of dollars)	
Contributed surplus	\$ 465	\$ 465
Retained earnings	8,638	9,425
	\$ 9,103	\$ 9,890

The Company monitors and assesses its financial performance against its plans in order to ensure that it is continuing its commitment to serve the province by providing bus passenger and express service to the communities of Saskatchewan. STC achieves this by adhering to its Balanced Scorecard objectives, measures, and targets that have been approved by the STC Board of Directors and CIC.

7. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated Amortization	2009 Net Book Value	2008 Net Book Value
	(Thousands of dollars)			
Land	\$ 4,654	\$ -	\$ 4,654	\$ 4,654
Buildings	33,028	7,146	25,882	26,109
Vehicles	15,613	8,065	7,548	7,624
Other Equipment	7,037	4,928	2,109	2,136
	\$ 60,332	\$ 20,139	\$ 40,193	\$ 40,523

Capital expenditures incurred during the year totaling \$0.316 million [2008 - \$5.81 million] for costs related to the new Regina head office and depot are included in buildings. In total \$22.2 million has been spent on the construction of the new Regina head office and depot. The amortization of these costs commenced in November 2008 when the new facility was in use and substantially complete. The facility was completed in 2009.

8. DEMAND OPERATING LOAN

The demand operating loan is unsecured, repayable on demand, and bears interest at Prime.

9. CAPITAL GRANT

Order in Council #86/2009 authorized STC to obtain grant funding up to \$1.8 million for capital requirements. During the year, STC obtained \$1.8 million [2008 - \$2.3 million, Order in Council #208/2008] from CIC.

Orders in Council #568/2005, #906/2005 and #4/2007 authorized STC to obtain grant funding up to \$25.5 million for the acquisition of land and for construction costs related to the new Regina head office and depot. The final installment of \$6.65 million was received from CIC in 2008 [2007 - \$13.65 million, 2006 - \$2.75 million, 2005 - \$2.45 million].

Deferred capital grant consists of the following:

	2009	2008
	(Thousands of dollars)	
Deferred capital grant, beginning of year	\$ 32,365	\$ 24,874
Capital grant received	1,800	2,300
Grant funding received for land improvements and for construction costs related to the new Regina head office and depot	-	6,560
Grant funding for land recognized	-	(18)
Capital grant revenue recognized	(2,023)	(1,441)
	\$ 32,142	\$ 32,365

10. OPERATING GRANT

Order in Council #86/2009 authorized STC to obtain grant funding up to \$7.8 million for operating requirements in 2009. During the year, STC obtained \$7.8 million [2008 - \$6.2 million, Order in Council #9/2008] from CIC.

11. PENSION PLANS

The Company participates in two pension plans. One is a defined benefit plan established pursuant to the *Public Service Superannuation Act* and administered by the Public Employees Benefits Agency. STC's contributions to this plan which were expensed during 2009 were \$12 thousand [2008 - \$22 thousand]. The other is the Capital Pension Plan which is a defined contribution plan sponsored by CIC. STC's contributions to this plan which were expensed in 2009 were \$750 thousand [2008 - \$689 thousand]. All eligible employees hired after September 1, 1980 are participants in the defined contribution plan.

The Company's financial obligation to each plan is limited to making regular payments to match the amounts contributed by the employees for current service.

12. NET CHANGE IN NON-CASH WORKING CAPITAL

	2009	2008
	(Thousands of dollars)	
Decrease (increase) in:		
Accounts receivable	\$ 158	\$ 487
Inventories	(10)	(13)
Prepaid expenses	(71)	1
	\$ 77	\$ 475
Decrease in:		
Accounts payable and accrued liabilities related to operating activities	\$ (180)	\$ (1,317)
	\$ (103)	\$ (842)

13. RELATED PARTY TRANSACTIONS

Included in these financial statements are transactions with various Saskatchewan Crown Corporations, ministries, agencies and boards, and commissions related to STC by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as “related parties”).

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. These transactions, and amounts outstanding at year end, are as follows:

	2009	2008
	(Thousands of dollars)	
Accounts receivable	\$ 159	\$ 177
Accounts payable	85	222
Express services revenues	700	632
Other revenues	402	371
Passenger services revenues	225	188
Operating and administration expenses	1,738	1,589
Equipment purchases capitalized	10	164

On October 15, 2008, STC sold its former Regina head office building and land to SaskPower, a Saskatchewan Crown Corporation. The sale was recorded as a related party transaction and as such, the excess of consideration received over the net book value of the property was credited to contributed surplus [\$465 thousand].

STC also pays Saskatchewan Provincial Sales Tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other transactions and amounts due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

14. PURCHASE COMMITMENTS

As of December 31, 2009, the Company has an outstanding commitment for \$420 thousand related to the acquisition of three new coaches and an outstanding commitment for \$387 thousand related to renovations at the Saskatoon depot.

Corporate Governance

Authority

Established in 1946, the Saskatchewan Transportation Company (STC; the Corporation) is a Crown Corporation of the province of Saskatchewan. STC is subject to *The Crown Corporations Act, 1993*, which provides the Crown Investments Corporation (CIC) of Saskatchewan, the holding company for Saskatchewan's Crown corporations, the authority to establish the direction of the Corporation.

Board of Directors

Role of the Board

The primary function of the STC Board of Directors (Board) is to represent the shareholder as stewards of the Corporation. The Board has a statutory authority and obligation to oversee the affairs and business of the Corporation. The Board supervises Executive Officers, who are responsible for day-to-day operations, and through the Chief Executive Officer (CEO), sets the standards of organizational conduct and performance.

The Chair is an independent director. The CEO leads the development and implementation of strategic initiatives, policies, operating and capital budgets, makes recommendations and implements Board-approved initiatives, liaises with the Minister acting on behalf of the Province and shareholder, and manages the day-to-day business. The Minister Responsible for STC and Cabinet are tasked to communicate broad objectives for the Corporation and empower the Board to oversee the business of the Corporation.

The Board has its own Terms of Reference, along with responsibilities laid out in accordance with industries' best practices for corporate governance, as developed by the Canadian Securities Administrators.

Board Composition

The STC Board consists of seven independent directors who are appointed for a set term by the Lieutenant Governor in Council. The Lieutenant Governor in Council also designates the Chair and Vice Chair of the Board. STC's Board was appointed on February 12, 2009 by order of the Lieutenant Governor in Council.

<p>Wayne Lorch Regina-based owner/President of Performance Marine (recipient of numerous customer service awards) and P.W. Lorch & Associates Ltd., an investment company and developer of Saskatchewan resort and commercial properties. 50 years of business experience in retail, manufacturing, Crown sector, international trade and investment, former Deputy Minister of Saskatchewan Economic Development and Trade, as well as a two-year posting as Director of Economic Development and Trade at the Office of Saskatchewan's Agent General in London, England. Past President/multiple Paul Harris Fellow Regina Rotary Club, Past Director Regina and Saskatchewan Chambers of Commerce, founding committee member of the Western Canada Farm Progress Show and founding Director of the Saskatchewan Trade and Export Partnership (STEP). Supporter and sponsor of numerous community causes and events, including the annual Regina Dragon Boat Festival, hospital Mother-Baby Care Project, the Canadian Progress Club Regina Centre's annual Charity Auction and Plywood Cup. Featured in 2009 Saskatchewan publication <i>Birth of a Boom: Lives & Legacies of Saskatchewan Entrepreneurs</i>.</p>	<ul style="list-style-type: none">› Board Chair› Audit and Finance Committee Member
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<p>Deb Schmidt Yorkton-based realtor (Royal LePage). Previous board experience includes Painted Hand Community Development Corporation, Parkland Victim Services, and SaskPower. Past and present involvement with numerous business and educational organizations. Founded “Coats for Kids” program (chair), providing disadvantaged children and families in the Parkland region with warm clothing. Has received numerous awards and accolades for business achievement and community involvement. Acknowledged in Saskatchewan Business Magazine as one of Saskatchewan’s 10 most influential business women 2005.</p>	<p>› Governance and Corporate Responsibility Chair</p>
<p>Jonathan Abrametz Saskatoon-based trial lawyer (KMP Law) specializing in no-fault and tort auto injury claims, real estate investment and transactions, and impaired driving and drug offences. Involved in many charitable and community organizations, and presents educational seminars to other lawyers. Editor of the Saskatchewan Bar Admission course materials on criminal law.</p>	<p>› Audit and Finance Committee Chair</p>
<p>John Breakey Estevan-based oil and farm entrepreneur. Sixteen years as owner manager of Watson Land Services, a full-service land brokerage serving the oil and gas industries in Saskatchewan and Manitoba. Shareholder and operator in a large grain and custom farm operation. Owner and manager of three other family corporations involved in oil and land operations. Past experience as a financial fieldman with Farm Debt Review Board. Regular participant in fundraising events for local organizations such as the Estevan Art Gallery and minor sports.</p>	<p>› Audit and Finance Committee Member</p>
<p>Walter Dutchak North Battleford-based business owner (founder and owner of WPD Ambulance).</p>	<p>› Governance and Corporate Responsibility Committee Member</p>
<p>Mervin Massier Saskatoon-based consultant. Banking/financial background includes senior positions with Concentra Financial Corporate Banking, Barclays Bank of Canada, and Northland Bank. Current/past membership with the Saskatoon Chamber of Commerce, Saskatchewan Chamber of Commerce, Prairie Implement Manufacturer’s Association, the North Saskatoon Business Association and Treasury Management Association of Canada.</p>	<p>› Audit and Finance Committee Member</p>
<p>Bill Missal Lang-area farmer, retired. Past experience as a driver educator (Prairie View School District) as well as traffic safety representative (SGI) and traffic safety co-ordinator and director (Saskatchewan Safety Council). Assists with management and operation of a Regina retirement home. Current member of the Highway Traffic Board.</p>	<p>› Governance and Corporate Responsibility Committee Member</p>
<p>COMPENSATION</p>	
<p>Directors are paid an annual retainer and per diems:</p> <ul style="list-style-type: none"> › The Board Chair receives an annual retainer of \$10,000 and a \$600 meeting fee. › Board members receive an annual retainer of \$7,000 and a \$500 meeting fee. › Committee Chairs receive a \$550 Committee Chair meeting fee. 	



Board Members: John Breakey, Mervin Massier, Deb Schmidt, Jonathan Abrametz, Wayne Lorch, Bill Missal.
Missing: Walter Dutchak

Board Committees

To assist the Board in fulfilling its obligations and meeting its responsibilities, the Board has statutory authority to establish any committees it considers necessary for the efficient conduct of the Corporation's business affairs and to prescribe duties to any committee it appoints. Each committee has its own Terms of Reference, outlining its authority and its areas of responsibility. Delegation of responsibility by the Board to a committee does not absolve the full Board from responsibility for a committee's work or decisions. The Board Chair is ex-officio on all Board Committees and may attend any meeting as appropriate.

The following committees acted in an advisory capacity to the Board of Directors in 2009.

Audit and Finance Chair: Jonathan Abrametz

Committee Members: John Breakey, Wayne Lorch

Appointed annually by resolution of the Board, the Audit and Finance Committee assists the Board in fulfilling its obligations and responsibilities for:

- › overseeing the overall financial management of STC to ensure the integrity of internal financial controls and reporting processes;
- › overseeing the provision of relevant and timely financial information to the Board;
- › the appointment of the external auditor; and
- › ensuring appropriate follow-up of audit results.

Governance and Corporate Responsibility Chair: Deb Schmidt

Committee Members: Bill Missal, Walter Dutchak

Appointed annually by resolution of the Board, the Governance and Corporate Responsibility Committee assists the Board in fulfilling its obligations and responsibilities for:

- › developing and recommending best corporate governance practices and the annual strategic planning processes;
- › overseeing human resource strategies, programs and practices;
- › keeping current with developments and emerging best practices in corporate governance;
- › ensuring the Corporation is proactive in addressing safety, health and environment issues and is in compliance with all statutory requirements;
- › identifying and recommending competent, skilled candidates for appointment to the Board;

- › reviewing the Board's Committee Terms of Reference and the skills matrix required for Board complement;
- › managing evaluations of the Board, Committees, Chair and Director performance; and
- › providing oversight to the Corporation's code of conduct and ethics.

Corporate Governance Practices

STC's approach to corporate governance practices is consistent with the guidelines set forth in the Canadian Securities Administrators (CSA) National Policy 58-201 Corporate Governance Guidelines and National Instrument 58-101 Disclosure of Corporate Governance Practices.

These CSA guidelines outline national governance requirements for publicly traded companies and address areas of responsibility for effective corporate governance.

While STC is not a publicly traded company, its practices are benchmarked against these current industry best practices.

The following Governance Scorecard includes a detailed discussion of STC governance practices.

Corporate Governance Scorecard

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Composition of the Board		
<p>NP 58-201, section 3.1</p> <p>The Board should have a majority of independent directors.</p>	<p>All directors of the STC Board are independent members.</p>	<p>✓</p>
<p>NI 58-101F1, sections 1(a) to (d)</p> <p>1(a) Disclose the identity of directors who are independent.</p> <p>1(b) Disclose the identity of directors who are not independent and the basis for that determination.</p> <p>1(c) Disclose whether the majority of directors are independent.</p> <p>1(d) Disclose whether a director is a director or any other issuer that is a reporting issuer.</p>	<p>Wayne Lorch (Chair): INDEPENDENT President, Performance Marine and P.W. Lorch & Associates Ltd.</p> <p>Jonathan Abrametz: INDEPENDENT Lawyer, Bridges Duty Counsel</p> <p>John Breakey: INDEPENDENT President, Watson Land Services (1994) Ltd., Lakewood Holdings Corporation and A.L. Breakey Oil Holdings Ltd.</p> <p>Walter Dutchak: INDEPENDENT</p> <p>Mervin C. Massier: INDEPENDENT</p> <p>Bill Missal: INDEPENDENT</p> <p>Deb Schmidt: INDEPENDENT Realtor, Royal LePage Premier Realty</p> <p>Sandra Archibald (Vice-Chair): INDEPENDENT Operations Manager, Regina Cabs Premiere Taxi Service (First Quarter 2009 only)</p> <p>Sarah Gauthier: INDEPENDENT Water Resources Engineer, Golder Associates Ltd. (First Quarter 2009 only)</p> <p>Section 1(d) does not apply to STC. STC does not have share capital and is not an issuer.</p>	<p>✓</p>
<p>NP 58-201, section 3.2</p> <p>The chair of the Board should be an independent director who is the effective leader of the Board and who ensures that the Board's agenda will enable it to successfully carry out its duties.</p>	<p>The Chair of the Board is an independent Director who provides effective leadership in all Board activities. Through meeting agendas, the Chair ensures that all required information and decision items are brought forward in a timely and effective manner, enabling the Board to successfully carry out its mandate and responsibilities. The Chair also serves as liaison between the Board and the shareholder.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Composition of the Board (cont'd)		
<p>NI 58-101F1, sections 1(f)</p> <p>1(f) Disclose whether the chair of the Board is an independent director; disclose the identity of the chair and describe the role of the chair.</p>	<p>Wayne Lorch is the Chair of the Board and is an independent director. The Chair reports to the CIC Board of Directors and is responsible to ensure that the shareholder receives accurate, relevant and timely information respecting Board actions and critical corporate issues and initiatives. As the chief spokesperson for the Board, the Chair represents the Board's views to, and reports back to, the Board, respecting communications with the shareholder.</p> <p>The Chair functions in a leadership capacity, and has the statutory authority and obligation to preside over meetings of the Board, and to perform duties and exercise powers assigned by the Board. The Chair's primary responsibilities are to:</p> <ul style="list-style-type: none"> • chair meetings of the Board, ensuring that meetings are properly convened, business is conducted legally and accurate minutes of proceedings are recorded; • work with the CEO and Corporate Secretary to set Board meeting schedules and establish agendas; • monitor meeting attendance and encourage full participation of directors at meetings; • maintain open channels of communications with directors between meetings; • champion the Corporate approach to governance; • provide leadership in Board organization, optimizing Board and committee structures and operations; • take a lead role in assessing and addressing any concerns related to the performance of the Board, its committees or individual members; • assist directors to achieve full utilization of individual abilities, recommending orientation and training opportunities; • work with Committee chairs to establish effective communications, information sharing mechanisms and establish clear delineation of responsibilities; • act as an ex-officio member of all Board committees; • coach, support and assist the CEO and senior management; • monitor and influence the strategic agenda of the Corporation, providing leadership and advice respecting strategic planning processes, supporting material and outcomes; and • work with the CEO to develop and maintain productive relationships and represent the Corporation. 	<p style="text-align: center;">✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines																		
Meetings of Independent Directors																				
<p>NP 58-201, section 3.3</p> <p>The independent directors should hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance.</p>	<p>As a standing agenda item, the Board holds an in-camera session without management presence at each regular meeting.</p>	<p>✓</p>																		
<p>NI 58-101F1, sections 1(e)</p> <p>1(e) Disclose where the independent directors hold regularly scheduled meetings at which members of management are not present; disclose the number of such meetings held in previous 12 months; if such meetings are not held, disclose what the Board does to facilitate open and candid discussion among independent directors.</p>	<p>The Board held regularly-scheduled meetings at which members of management were not present. There were nine (9) regular Board meetings held in 2009. The Board facilitates open and candid discussions by holding in-camera sessions during these regular meetings without management presence.</p>	<p>✓</p>																		
<p>NI 58-101F1, sections 1(g)</p> <p>1(g) Disclose the attendance record of each director for Board meetings held in the most recently completed financial year.</p>	<p>There were nine (9) Board meetings in the calendar year 2009. The following are the Director's attendance statistics:</p> <table border="0"> <thead> <tr> <th data-bbox="540 1125 649 1150">Director</th> <th data-bbox="865 1125 1094 1150">Meetings Attended*</th> </tr> </thead> <tbody> <tr> <td data-bbox="540 1165 748 1190">Wayne Lorch (Chair)</td> <td data-bbox="1019 1165 1084 1190">9 of 9</td> </tr> <tr> <td data-bbox="540 1190 854 1215">Sandy Archibald (Vice Chair)**</td> <td data-bbox="1019 1190 1084 1215">2 of 2</td> </tr> <tr> <td data-bbox="540 1215 743 1241">Jonathan Abrametz</td> <td data-bbox="1019 1215 1084 1241">9 of 9</td> </tr> <tr> <td data-bbox="540 1241 675 1266">John Breakey</td> <td data-bbox="1019 1241 1084 1266">8 of 9</td> </tr> <tr> <td data-bbox="540 1266 699 1291">Walter Dutchak</td> <td data-bbox="1019 1266 1084 1291">4 of 9</td> </tr> <tr> <td data-bbox="540 1291 724 1316">Mervin C. Massier</td> <td data-bbox="1019 1291 1084 1316">9 of 9</td> </tr> <tr> <td data-bbox="540 1316 639 1341">Bill Missal</td> <td data-bbox="1019 1316 1084 1341">9 of 9</td> </tr> <tr> <td data-bbox="540 1341 672 1367">Deb Schmidt</td> <td data-bbox="1019 1341 1084 1367">8 of 9</td> </tr> </tbody> </table> <p>* For the purpose of this report, members who attended meetings in part were considered to be present. ** Resigned March 4, 2009.</p>	Director	Meetings Attended*	Wayne Lorch (Chair)	9 of 9	Sandy Archibald (Vice Chair)**	2 of 2	Jonathan Abrametz	9 of 9	John Breakey	8 of 9	Walter Dutchak	4 of 9	Mervin C. Massier	9 of 9	Bill Missal	9 of 9	Deb Schmidt	8 of 9	<p>✓</p>
Director	Meetings Attended*																			
Wayne Lorch (Chair)	9 of 9																			
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CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Mandate		
<p>NP 58-201, section 3.4</p> <p>The Board should adopt a written mandate in which it explicitly acknowledges responsibility for the stewardship of the issuer, including responsibility for:</p> <p>(a) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer (the CEO) and other executive officers and that the CEO and other executive officers create a culture of integrity throughout the organization;</p> <p>(b) adopting a strategic planning process and approving, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the business;</p> <p>(c) the identification of the principal risks of the issuer's business, and ensuring the implementation of appropriate systems to manage these risks;</p> <p>(d) succession planning (including appointing, training and monitoring senior management);</p> <p>(e) adopting a communication policy for the issuer;</p> <p>(f) the issuer's internal control and management information systems; and</p> <p>(g) developing the issuer's approach to corporate governance, including developing a set of corporate governance principles and guidelines that are specifically applicable to the issuer.</p>	<p>The function of the Board is to act as stewards of the Corporation. The Board has a statutory authority and obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance.</p> <p>The Board of Directors has a written Terms of Reference, which is reviewed annually. These terms outline its responsibilities and principal duties.</p> <p>a. One of the Board's principal duties is to appoint, monitor and evaluate the performance of the President & CEO, taking appropriate action as warranted. The Governance and Corporate Responsibility Committee has established reporting standards to promote a culture of ethical business conduct among other executive officers.</p> <p>b. The Board participates in an annual strategic planning process with officers and senior management. The outcome of this process establishes the core objectives and strategic direction of the Corporation for the upcoming year. A complete strategic plan is approved annually and includes the identification of business opportunities, threats, new initiatives, operating goals and performance measures.</p> <p>c. A principal duty of the Board is to identify principal risks of the business in which the Corporation is engaged, to achieve a proper balance between risks incurred and potential returns, and to oversee the implementation of appropriate systems to manage the risks. The Board delegates this responsibility to the Audit and Finance Committee.</p> <p>d. The Board has delegated the responsibility of succession planning to the Governance and Corporate Responsibility Committee to oversee. The Committee reviews the plan on an annual basis and reports its findings to the Board.</p> <p>e. The Board adopts policies and processes to enable effective communication with the shareholder, stakeholders and the public.</p> <p>f. The Board monitors the integrity of the Corporation's internal control and management information systems.</p> <p>g. The Board has delegated the Corporation's approach to corporate governance to the Governance and Corporate Responsibility Committee to oversee.</p>	<p style="text-align: center;">✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Mandate (cont'd)		
<p>NP 58-201, section 3.4 (cont'd)</p> <p>The written mandate of the Board should also set out measures for receiving feedback from stakeholders (e.g., the Board may wish to establish a process to permit stakeholders to directly contact the independent directors), and expectations and responsibilities of directors, including basic duties and responsibilities with respect to attendance at Board meetings and advance review of meeting materials.</p>	<p>STC surveys internal and external stakeholders to obtain feedback about Corporate activities. The Chair of the Board participates in a forum established by CIC, which is comprised of the chairs of all subsidiary Crown Boards and senior CIC officials, where issues of mutual interest and concern are shared.</p> <p>The Board's Terms of Reference outlines expectations and responsibilities of directors and it also provides the Chair the right to recommend to CIC the removal or replacement of a member that has missed two consecutive regularly scheduled Board meetings or has attended fewer than 60 per cent of all meetings held in any year.</p> <p>STC is not an issuer.</p>	✓
<p>NI 58-101F1, sections 2</p> <p>Disclose the text of the Board's written mandate.</p>	<p>The Board's principal responsibilities are described in the NP 58-201, section 3.4. The text of the Board's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>	✓
Position Descriptions		
<p>NP 58-201, section 3.5</p> <p>The Board should develop clear position descriptions for the chair of the Board and the chair of each Board committee. In addition, the Board, together with the CEO, should develop a clear position description for the CEO, which includes delineating management's responsibilities.</p> <p>The Board should also develop or approve the corporate goals and objectives that the CEO is responsible for meeting.</p>	<p><i>The Crown Corporations Act, 1993 subsection 23 (5)</i> and CIC "Chair of the Board Terms of Reference" outline the primary duties of the Chair of the Board. There is a Terms of Reference for the Board and each Committee of the Board; however, the Board does not have a written position description for the Chair, the Chair of each Committee or the CEO.</p> <p>The Board's Terms of Reference sets out matters that require Board approval and delegate other matters to management.</p> <p>The Board annually approves a strategic business and performance management plan, which includes the Corporate objectives and goals (balanced scorecard targets) for the upcoming year. The CEO is ultimately responsible to the Board for meeting these goals and objectives.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Position Descriptions (cont'd)		
<p>NI 58-101F1, sections 3(a) and (b)</p> <p>3(a) Disclose whether the Board has developed written position descriptions for the Chair of the Board and the Chair of each Board Committee and, if not, describe how the Board delineates the role and responsibilities of each such position.</p> <p>3(b) Disclose whether the Board and CEO have developed a written position description for the CEO.</p>	<p>In addition to the Term of Reference, which has been developed for the Board and Board Committees, a checklist of annual deliverables guide the Board's and Committees' planning and decision making, ensuring that all governance requirements are met.</p> <p>Through regular evaluations of performance, the company is satisfied that all governance requirements for the Chair of the Board, Chair of the Board Committees and CEO are met. Specific written position descriptions are being developed to further improve governance in this area.</p>	✓
Orientation and Continuing Education		
<p>NP 58-201, section 3.6</p> <p>The Board should ensure that all new directors receive a comprehensive orientation. All new directors should fully understand the role of the Board and its committees, as well as the contribution individual directors are expected to make (including, in particular, the commitment of time and resources that the issuer expects from its directors). All new directors should also understand the nature and operation of the issuer's business.</p>	<p>Orientation sessions are held between management and directors, providing insights into the business and its operations. Written reference materials are provided to supplement these orientation sessions. The Board also receives regular operations and management updates at each of its regular meetings. In the circumstance that there are new Board members appointed, a Board orientation will be scheduled.</p>	✓
<p>NP 58-201, section 3.7</p> <p>The Board should provide continuing education opportunities for all directors, so that individuals may maintain or enhance their skills and abilities as directors, as well as to ensure their knowledge and understanding of the issuer's business remains current.</p>	<p>CIC's Board Training Program covers all the Crown Corporations' education programs. All STC Board members have the opportunity to take part in various sessions of this training throughout the year.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Code of Business Conduct and Ethics		
<p>NP 58-201, section 3.8</p> <p>The Board should adopt a written code of business conduct and ethics (a code). The code should be applicable to directors, officers and employees of the issuer. The code should constitute written standards that are reasonably designed to promote integrity and to deter wrongdoing. In particular, it should address the following issues:</p> <p>(a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;</p> <p>(b) protection and proper use of corporate assets and opportunities;</p> <p>(c) confidentiality of corporate information;</p> <p>(d) fair dealing with the issuer's security holders, customers, suppliers, competitors and employees;</p> <p>(e) compliance with laws, rules and regulations; and</p> <p>(f) reporting of any illegal or unethical behaviour.</p>	<p>Directors and officers must comply with <i>The Crown Corporations Act, 1993 Part VI</i>, which explicitly outlines duty of care, conflict of interest and indemnification.</p> <p>The Board must also comply with the <i>CIC's Directors' Code of Conduct</i>, which is applicable to all directors of its subsidiary Crown Boards. A copy of the Directors' Code of Conduct can be obtained by contacting the Corporate Secretary to the Board. In 2008, an affirmation of fiduciary duty and responsibility to respect confidentiality was established by the Board and must be endorsed by each director annually.</p> <p>Officers and employees of the Corporation must comply with STC's Code of Conduct. Management reports on the compliance with the Corporations Code of Ethical Conduct to the Governance and Corporate Responsibility Committee at each of its regular meetings.</p>	✓
<p>NP 58-201, section 3.9</p> <p>The Board should be responsible for monitoring compliance with the code. Any waivers from the code that are granted for the benefit of the issuer's directors or executive officers should be granted by the Board (or a Board Committee) only.</p>	<p>The Governance and Corporate Responsibility Committee has the duty and responsibility to administer the Director's Code of Conduct, reports on compliance with the code and provides advice to the Directors on conflict of interest.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Code of Business Conduct and Ethics (cont'd)		
<p>NI 58-101F1, sections 5(a)</p> <p>5(a) Disclose whether the Board has adopted a written code of ethical business conduct for the directors, officers and employees of the corporation; how to obtain a copy of the Code; how the Board monitors compliance with the Code and reference any material change report in the most recent financial year relating to any conduct of a director or officer that constitutes a departure from the code.</p>	<p>A copy of <i>CIC's Code of Conduct</i> can be obtained by contacting the Corporate Secretary to the Board.</p> <p>The Audit and Finance Committee assists the Board in fulfilling its financial accountability by maintaining oversight of the Corporation's budget and financial operations; reviewing internal controls; participating in the audit processes; monitoring capital assets; reviewing and recommending on capital activities; and ensuring systems are in place to identify and manage risk. The Chair of the Audit and Finance Committee reports to the Board any such issues addressed by the Committee, and all directors receive summaries of risk management reports.</p> <p>The Governance and Corporate Responsibility Committee reviews, develops and maintains corporate governance practices and oversees the Board's nominating and governance activities. Duties and responsibilities include: overseeing processes for evaluating the performance of the Board, Committees, Chair, directors and CEO, and ensuring Board orientation and opportunity for professional development. The Chair of the Governance and Corporate Responsibility Committee reports to the Board any such issues addressed by the Committee.</p> <p>No waivers from the Code were granted to any directors in 2009. In 2009, the Governance and Corporate Responsibility Committee changed the frequency of officer and employee compliance with the Code reporting from once a year to a regular report at each of its meetings.</p>	<p>✓</p>
<p>NI 58-101F1, sections 5(b)</p> <p>5(b) Describe steps that Board takes to ensure directors exercise independent judgment in considering transactions and agreements where a director or officer has a material interest.</p>	<p>Where a director has, or is perceived to have personal interest in a transaction being considered by the Corporation, the director has a fiduciary responsibility to declare such interest at the meeting in which the matter is being considered.</p> <p>The CEO monitors agenda items to identify any issues where a director or officer may have a material interest and such items would not be distributed to the director.</p>	<p>✓</p>
<p>NI 58-101F1, sections 5(c)</p> <p>5(c) Describe other steps the Board takes to encourage and promote a culture of ethical business conduct.</p>	<p>The Governance and Corporate Responsibility Committee has been tasked with the undertaking to ensure that the Board is in full compliance with industry best practices in corporate governance.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors		
<p>NP 58-201, section 3.10</p> <p>The Board should appoint a nominating committee composed entirely of independent directors.</p>	<p>The Governance and Corporate Responsibility Committee serves as the nominating committee and is comprised of all independent Board members.</p>	<p>✓</p>
<p>NI 58-101F1, sections 6(a) and (b)</p> <p>6(a) Describe the process by which the Board identifies new candidates for Board nomination.</p> <p>6(b) Disclose whether the Board has a nominating committee composed entirely of independent directors and, if not, describe the steps the Board takes to encourage an objective nomination process.</p>	<p>The Governance and Corporate Responsibility Committee (the nominating committee) is comprised of all independent board members. They review skills and composition of current directors annually and perform a needs and skills assessment when seeking appointment of a new member.</p> <p>The Committee identifies skill sets required on the Board and seeks input from directors for nominees. It then recommends to the Board those nominees that have the required competencies to fill any identified skill gap(s).</p> <p>Potential candidates are interviewed to determine a fit with the Board's needs. The Committee makes recommendations to the Board and the Board then makes recommendations to the shareholder. The shareholder has the legislative authority to make Board appointments and all appointments are by Order In Council.</p>	<p>✓</p>
<p>NP 58-201, section 3.11</p> <p>The nominating committee should have a written charter that clearly establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, and structure and operations (including any authority to delegate to individual members and subcommittees).</p>	<p>The Governance and Corporate Responsibility Committee's Terms of Reference establishes the Committee's role and responsibility to act as advisors to the Board regarding purpose and responsibilities that include the objectives to advise the Board regarding nominees for positions on the Board of Directors.</p>	<p>✓</p>
<p>NI 58-101F1, sections 6(c)</p> <p>6(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the committee.</p>	<p>The Governance and Corporate Responsibility Committee performs the function of the nominating committee. Its Terms of Reference describes the responsibilities, powers and operation of the Committee. The Committee is appointed by the Board and serves in an advisory capacity. A copy of the Committee's Terms of Reference can be obtained by contacting the Corporate Secretary to the Board.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors (cont'd)		
<p>NP 58-201, section 3.12</p> <p>Prior to nominating or appointing individuals as directors, the Board should adopt a process involving the following steps:</p> <p>(a) Consider what competencies and skills the Board, as a whole, should possess. In doing so, the Board should recognize that the particular competencies and skills required for one issuer may not be the same as those required for another.</p> <p>(b) Assess what competencies and skills each existing director possesses. It is unlikely that any one director will have all the competencies and skills required by the Board. Instead, the Board should be considered as a group, with each individual making his or her own contribution. Attention should also be paid to the personality and other qualities of each director, as these may ultimately determine the boardroom dynamic.</p> <p>The Board should also consider the appropriate size of the Board, with a view to facilitating effective decision-making.</p>	<p>The Board's nomination process meets these guidelines.</p> <p>As stated in its Terms of Reference, the Board shall be comprised of not more than ten (10) members. Board members are appointed by Order in Council.</p>	<p>✓</p>
<p>NP 58-201, section 3.13</p> <p>The nominating committee should be responsible for identifying individuals qualified to become new Board members and recommending to the Board the new director nominees for the next annual meeting of shareholders.</p>	<p>As outlined in its Terms of Reference, the Governance and Corporate Responsibility Committee has the responsibility to advise the Board regarding the composition of the Board and puts forward qualified nominations to fill vacant positions for consideration.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Nominations of Directors (cont'd)		
<p>NP 58-201, section 3.14</p> <p>In making its recommendations, the nominating committee should consider:</p> <p>(a) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess;</p> <p>(b) the competencies and skills that the Board considers each existing director to possess; and</p> <p>(c) the competencies and skills each new nominee will bring to the boardroom.</p> <p>The nominating committee should also consider whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.</p>	<p>The process followed by the Governance and Corporate Responsibility Committee complies with that set out in these guidelines.</p>	<p>✓</p>
Compensation		
<p>NP 58-201, section 3.15</p> <p>The Board should appoint a compensation committee composed entirely of independent directors.</p>	<p>The Board appoints a Compensation Sub-Committee. The composition of this committee is the Board Chair and Chair of Governance.</p>	<p>✓</p>
<p>NI 58-101F1, sections 7(a) and (b)</p> <p>7(a) Describe the process by which the Board determines compensation for the directors and officers of the Corporation.</p> <p>7(b) Disclose whether the Board has a Compensation Committee composed entirely of independent directors and, if not, describes the steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>Board Compensation is paid in accordance with <i>The Crown Corporations Act, 1993</i>, subsection nine and CIC's remuneration schedule. These documents outline the annual remuneration and rates of reimbursement for the expenses incurred by directors of subsidiary Crown Corporations. A copy of CIC's remuneration and expense guidelines for directors can be obtained by contacting CIC or the Corporate Secretary to the Board.</p> <p>A framework for officer's compensation has been established by CIC. The Board has the authority to approve compensation and benefit packages within that framework.</p> <p>In 2009, the Compensation Sub-Committee brought forward recommendations that were in alignment with CIC's remuneration mandate for consideration and resolution by the Board.</p>	<p>✓</p>

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Compensation (cont'd)		
<p>NP 58-201, section 3.16</p> <p>The Compensation Committee should have a written charter that establishes the committee's purpose, responsibilities, member qualifications, member appointment and removal, structure and operations (including any authority to delegate to individual members or subcommittees), and the manner of reporting to the Board. In addition, the Compensation Committee should be given authority to engage and compensate any outside advisor it determines necessary to permit carrying out its duties.</p>	<p>The Board takes direct responsibility for compensation matters and by resolution appoints a Compensation Sub-Committee for the purpose of reviewing and recommending Executive short-term incentive measures and targets each year to the Board. All decisions are made within the policy framework set forth by CIC. The Committee's purpose, responsibilities and structure are recorded in the Corporate meeting minutes.</p> <p>If the Board deems it necessary, it has the authority to engage outside professional advisors to properly discharge its functions, duties and responsibilities.</p>	✓
<p>NI 58-101F1, sections 7(c)</p> <p>7(c) If the Board has a Compensation Committee, describe the responsibilities, powers and operation of the committee.</p>	<p>By resolution of the Board, a Compensation Sub-Committee is appointed annually for the purpose of reviewing and recommending to the Board the Executive short-term incentive measures and targets. The Board approves compensation and determines the performance rating of the CEO to determine compensation and for any progression within the salary ranges established by CIC.</p>	✓
<p>NP 58-201, section 3.17</p> <p>The Compensation Committee should be responsible for:</p> <p>(a) reviewing and approving corporate goals and objectives relevant to CEO compensation, evaluating the CEO's performance in light of those corporate goals and objectives, and determining (or making recommendations to the Board with respect to) the CEO's compensation level based on this evaluation;</p> <p>(b) making recommendations to the Board with respect to non-CEO officer and director compensation, incentive-compensation plans and equity-based plans; and</p>	<p>a. The Board Chair and Chair of Governance conduct annual CEO performance evaluations. The Board annually sets and reviews corporate target objectives and the degree of success that the CEO has achieved in aligning with pre-determined targets. The results of the CEO evaluation are used to determine compensation. This CEO evaluation process was completed in 2009.</p> <p>b. The Board annually sets and reviews corporate target objectives and the degree of success that the corporate officers have achieved in aligning with the pre-determined targets. Under the established Short-Term Incentive Program, all officers are eligible for compensation based on the degree of success in attaining these corporate performance objectives. Compensation approvals and decision making process are subject to guidelines, as provided by CIC. As a provincially owned Crown Corporation, STC does not have equity-based plans.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Compensation (cont'd)		
<p>NP 58-201, section 3.17 (cont'd)</p> <p>(c) reviewing executive compensation disclosure before the issuer publicly discloses this information.</p>	<p>c. CEO, officer and employee compensation disclosure occurs in the form of an annual payee list, which is recommended to the Board by the Audit and Finance Committee. Upon Board approval, the payee list is submitted and publicly disclosed through tabling with the Crown and Central Agencies Committee of the legislature. Under <i>The Crown Employment Contracts Act</i>, the CEO, officers and senior managers, who report directly to the CEO, are also required to file their employment contract details to the Clerk of the Executive Council.</p>	✓
<p>NI 58-101F1, sections 7(d)</p> <p>7(d) If a compensation consultant has been retained, at any time during the Corporation's most recently completed fiscal year, to assist in determining compensation for any of the Corporation's directors and officers, disclose the identity of the consultant and briefly summarize their mandate. If retained to perform any other work, state the fact and briefly describe the nature of the work.</p>	<p>In 2009, the Corporation did not retain a compensation consultant.</p>	✓
Other Board Committees		
<p>NI 58-101F1, sections 8</p> <p>If the Board has standing committees of the Board, other than audit, compensation and nominating committees, identify the committees and describe their function.</p>	<p>Committees of the Board include the Governance and Corporate Responsibility Committee, the Audit and Finance Committee and an ad hoc committee specific to executive compensation. Their functions are described in previous sections. The Board does not have any other Committees.</p>	✓

CSA Corporate Governance Policy, NP 58-201, and Disclosure Instrument, NI 58-101F1 (Summary)	STC Governance Practices - 2009	Consistent with CSA guidelines
Board Assessments		
<p>NP 58-201, section 3.18</p> <p>The Board, its committees and each individual director should be regularly assessed regarding his, her or its effectiveness and contribution. An assessment should consider</p> <p>(a) in the case of the Board or a Board committee, its mandate or charter, and</p> <p>(b) in the case of an individual director, the applicable position description(s), as well as the competencies and skills each individual director is expected to bring to the Board.</p>	<p>The Governance and Corporate Responsibility Committee, with the assistance of the Corporate Secretary to the Board, is responsible for conducting such evaluations and reporting results to the Board.</p> <p>All CIC subsidiary Crown Corporation Boards conduct performance evaluations on a two year cycle. Director peer, Committee Chair and Committee evaluations were conducted in 2009 and all CIC subsidiary Crown Boards completed performance evaluations of the Board and the Board Chair in 2009.</p> <p>The Board and its Committees review their Terms of Reference annually. Directors' skills are reviewed annually; individual Directors are plotted on a skills matrix and are assessed as part of a regular peer review.</p>	✓
<p>NI 58-101F1, sections 9(a)</p> <p>9(a) Disclose whether the Board, its committees and individual directors are regularly assessed with respect to their effectiveness and contributions and, if yes, describe the process used.</p>	<p>The evaluations are conducted using an instrument developed by CIC. Directors complete surveys, which allow them to provide feedback in writing on the effectiveness of the Board, Committees, Chairs and individual Directors.</p> <p>The Governance and Corporate Responsibility Committee outlines evaluation results, which are submitted to the Board for review and approval. The Committee tracks implementation of any action items.</p>	✓

Corporate Directory

Executive Officers

Shawn Grice – *Acting President and Chief Executive Officer*

Shawn Grice has been STC's Chief Financial Officer (CFO) since 1998 and was appointed Acting Chief Executive Officer in February 2010. Previous to his joining the company, Mr. Grice was a Business Analyst (responsible for STC) with Crown Investments Corporation, a Financial Analyst with the Saskatchewan Department of Finance, and a Senior Accountant with KPMG Peat Marwick Thorne. Mr. Grice graduated with a Bachelor of Commerce (Great Distinction) from the University of Saskatchewan and also holds a CA designation. He is a board member with the Regina Downtown Business Improvement District.

Phil Bohay – *Chief Operating Officer*

Phil Bohay joined STC in June 2008 to head STC Customer Services and Operations. Prior to that, Mr. Bohay was employed 36 years with SaskTel in various areas of the company, working his way up to the position of General Manager, Customer Services-Business Sales. Mr. Bohay holds a Master of Business Administration degree from the University of Regina, is a graduate of the Duke University Program for Manager Development and holds a certificate in Advanced Marketing from the Banff School of Management. He is a board member with Junior Achievement, Southern Saskatchewan.

Brad Dewald – *Director, Corporate Systems & Technology*

Brad Dewald was first employed at STC from May 2000-October 2004, and returned in October 2006 as Director. From November 2004-September 2006, Mr. Dewald led SaskEnergy's Information Technology team, and prior to joining STC in 2000, he was the technical lead for 12 years at the Saskatchewan Liquor and Gaming Authority. He also spent four years in the consulting industry where he was a key member of a team that first automated Saskatchewan's justice system. In 2009-2010, he held the Chair position of the Saskatchewan Government Crown Chief Information Officer (CIO) Committee. Mr. Dewald graduated with a Business Diploma majoring in Data Processing.

Lynn Jacobson – *Director, Human Resources and Payroll*

Lynn Jacobson joined STC in June 2008 to head the Human Resources division, bringing with her 25 years of government experience including training, compensation, payroll, corporate services and labour relations. Her work history includes positions with the Saskatchewan Public Service Commission, Saskatchewan Energy and Mines, Saskatchewan Environment and Resource Management and Saskatchewan Government Insurance. Ms. Jacobson holds a Master of Administration degree from the University of Regina.

Jason Sherwin – *Acting Chief Financial Officer*

Jason Sherwin rejoined the company in January 2009 as Director of Finance, having worked with STC previously from 1999-2004 as Assistant Controller. Prior to 2009, Mr. Sherwin was employed with Greystone Managed Investments Inc. as Manager, Real Estate Portfolio Administration and as Controller with PW Group. Mr. Sherwin also held accounting positions with Markusson New Holland and KPMG. He graduated with a Bachelor of Commerce (Distinction) from the University of Saskatchewan and also holds a CA designation.

Lorri Thacyk – *Director, Communications and Planning*

Lorri Thacyk joined STC in October 2009 as Director of Communications and Planning. From 2002-2009 Ms. Thacyk worked with the Saskatchewan Ministry of Finance as Manager of Public Relations, taking a lead role in Provincial Budget communications. Prior to that, she was employed with Saskatchewan Highways and Transportation as Manager of Public Relations, and at Saskatchewan Government Insurance as an Information Officer. Holding a Bachelor of Arts in Journalism and Communications from the University of Regina, she was also employed at daily newspapers in Saskatchewan and Alberta prior to joining Saskatchewan's public service in 1994.

Salary ranges for STC's Executive Team, as of December 31, 2009, are:

- President and Chief Executive Officer:
\$134,126 to \$167,658
- Other Executive members:
\$90,742 to \$142,508

Senior Management Team

Carl Clark

Saskatoon, Manager of Maintenance

Allan Douglas

Regina, Manager of Customer Service and Operations (South)

Patti Fry

Regina, Manager of Financial Services

Trina Lees

Regina, Manager of Financial Reporting

Dean Madsen

Regina, Director of Business Development

Cheryl Matsalla

Regina, Senior Administrative Assistant

Harold Matthies

Saskatoon, Manager of Customer Service and Operations (North)

Owen McNamara

Regina, Acting Manager of Risk and Compliance

Kim Reeve

Regina, Manager of Corporate Business Systems

Brian Roulston

Regina, Manager of Corporate Information Technology

Locations

Head Office & Regina Terminal
1717 Saskatchewan Drive
Regina, Saskatchewan S4P 2E2

Saskatoon Terminal
50 – 23rd Street East
Saskatoon, Saskatchewan S7K 0H8

Prince Albert Terminal
99 – 15th Street East
Prince Albert, Saskatchewan S6V 1E9

Regina Maintenance Garage
920 – 9th Avenue
Regina, Saskatchewan S4T 7X3

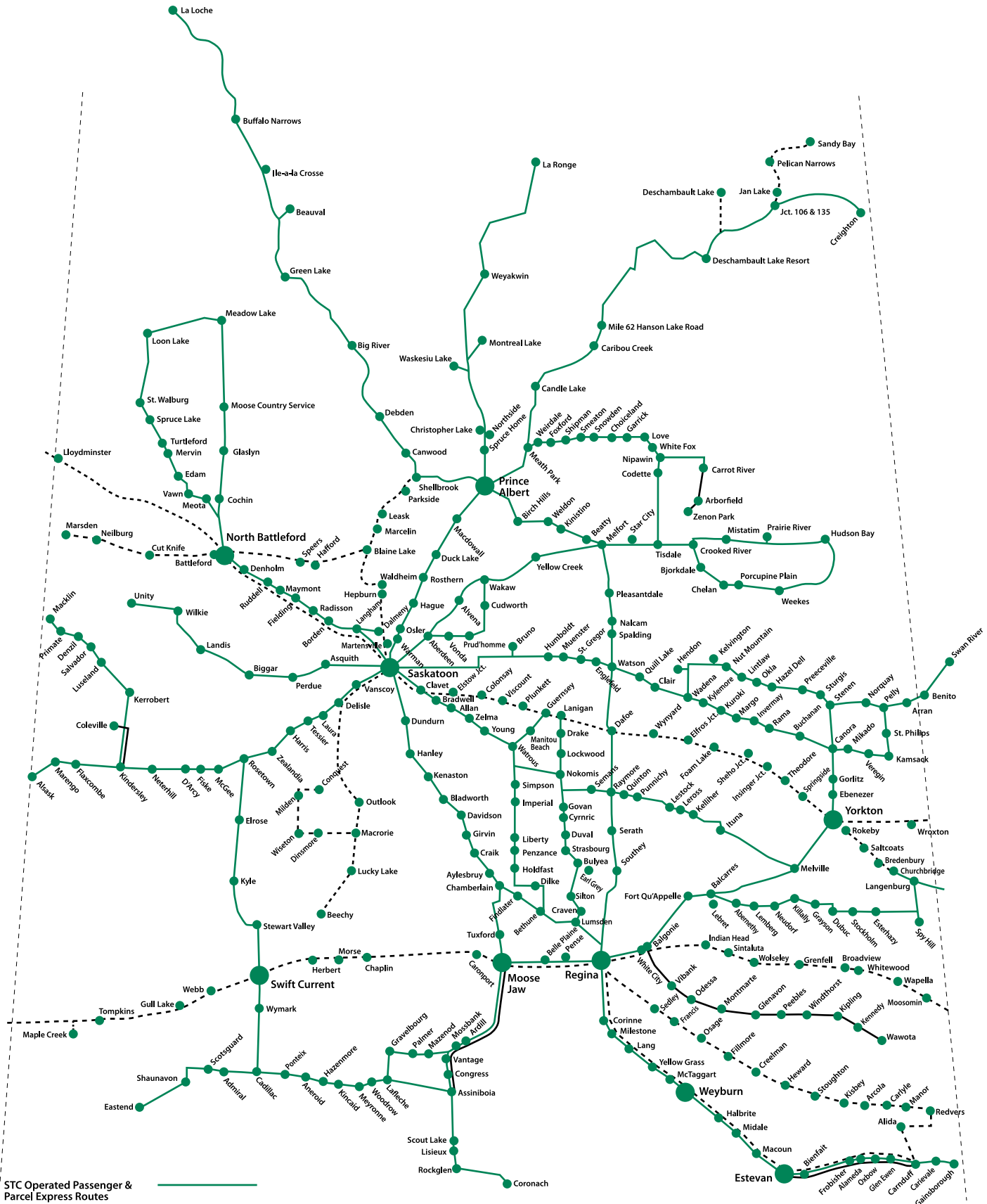
Saskatoon Maintenance Garage
88 King Street
Saskatoon, Saskatchewan S7K 6T5

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Saskatchewan Transportation Company: Route Map



STC Operated Passenger & Parcel Express Routes ———

Connecting/Contract Passenger & Freight Carriers - - - - -

Connecting/Contract Freight Carriers Only ———



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