



Clearing the Path Committee

Final Report

March 9, 2005

Table of Contents

Introduction	Page 3
Committee Members	Page 3
Objective of Committee	Page 4
Meetings with Stakeholders	Page 4
Development Subcommittee Recommendations	Page 5
Issue 1: Positive Attitudes	Page 5
Issue 2: Sector Specific Standards	Page 6
Issue 3: Funding for Economic Development	Page 7
Issue 4: Forethought on Economic Development	Page 7
Issue 5: Application of Tax Tools	Page 7
Issue 6: Discretionary Use Provision	Page 8
Issue 7: Revenue and Cost Sharing	Page 9
Transportation Subcommittee Recommendations	Page 10
Issue 1: Secondary Weight Limits	Page 10
Issue 2: Concentrated Volume Hauls	Page 12
Issue 3: Convenient Access for Acquiring Permits	Page 13
Issue 4: Compliance	Page 13
Conclusion	Page 14
Appendix A	Page 15

Introduction

Over the years, the structure, and related regulations, of the municipal system have been cited, by various people, as an impediment to economic development in rural Saskatchewan. The Clearing the Path Committee was formed to take a look at these accusations to see if they were in fact true, and if so, make recommendations for change.

At the 2004 SARM Annual Convention two members of council from each SARM division were selected by their respective divisions to sit on the committee. Along with those twelve people, the committee includes three SARM Board members, two members representing the Rural Municipal Administrators' Association (RMAA), two members representing the Saskatchewan Urban Municipalities Association (SUMA) and two members representing the Federation of Saskatchewan Indian Nations (FSIN).

Committee Members

The members of the committee are:

Elected Representatives

Division 1	Glenn Blakley Barry Harris	RM of Spy Hill No. 152 RM of Coalfields No. 4
Division 2	Jack Drew Ellis Leaman	RM of Sherwood No. 159 RM of Chaplin No. 164
Division 3	Les Potter John Wagner	RM of Gull Lake No. 139 RM of Piapot No. 110
Division 4	Bryan Baraniski Mervin Kryzanowski	RM of Moose Range No. 486 RM of Lakeview No. 337
Division 5	Ed Bobiash Richard Porter	RM of Morris No. 312 RM of Canwood No. 494
Division 6	Don Young Ray Wilfing	RM of Eldon No. 471 RM of Meadow Lake No. 588

SARM Board Members	Neal Hardy(Committee Chair) Jim Hallick David Marit	RM of Hudson Bay No. 394 RM of Keys No. 303 RM of Willow Bunch No. 42
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RMAA	Kevin Ritchie Don McCallum	RM of Bratt's Lake No. 129 RM of Cut Knife No. 439
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SUMA	Phil DeVos Barry Gunther	
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FSIN	Greg Carter Richard Missens	
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Objective of Committee

The objective of the committee, as developed by the committee is:

To identify impediments to economic development within the existing municipal structure, legislation or policy and to make recommendations for change.

Two subcommittees were formed to look at more specific issues, being the Development Subcommittee and the Transportation Subcommittee. Each subcommittee is made up of one representative from each of the SARM divisions as well as a member from SUMA, RMAA, FSIN and the SARM Board.

The committee met as a whole six different times, for a total of seven days. The first meeting was held on April 14, 2004 and the last on January 5-6, 2005. The Transportation Subcommittee met for three days and the Development Subcommittee met for a total of five days.

Meetings with Stakeholders

Time and economic restraints prevented the committee from meeting with all interest groups and individuals however members of the committee felt it was imperative that they meet with as many groups doing business in rural Saskatchewan as possible.

The Committee met with the following stakeholders:

Canadian Association of Petroleum Producers (CAPP)
Deopker Industries
Honeybee Manufacturing
Mayors of Towns of Craik and Shaunavon
Northwest Municipal Association (heavy oil)
Pelly Trail Economic Development
Provincial Departments of Agriculture, Food & Rural Revitalization
Provincial Department of Environment
Provincial Department of Government Relations
Provincial Department of Highways & Transportation
Provincial Department of Industry & Resources
Saskatchewan Agrivision Corp.
Saskatchewan Chamber of Commerce
Saskatchewan Explorers & Producers Association of Canada
Saskatchewan Trucking Association
Saskatchewan Watershed Authority
Sask Energy
Sask Pork
Sask Power

Sask Tel
Wayne Clifton, Clifton & Associates
Weyerhaeuser Saskatchewan

Meetings were attempted, and written comments received from the following stakeholders:

Canadian Association of Geophysical Contractors
Canadian Association of Oilwell Drilling Contractors
Saskatchewan Cattle Feeders Association

A meeting was attempted, but could not be arranged, and written comments were not received from the following:

Canadian Energy Pipeline Association
Prairie Implement Manufacturers' Association
Saskatchewan Economic Developers' Association
Saskatchewan Mining Association

Development Subcommittee Recommendations

The Development Subcommittee members are Les Potter (Chair), Bryan Baraniski, Ed Bobiash, Jack Drew, Barry Harris, Don Young, David Marit, Don McCallum, Barry Gunther, Richard Missens.

ISSUE #1: Positive Attitudes Are Essential To Enhance Economic Development

Recommendation:

The way to develop attitude is through education and experience. The economic development modules that are offered under the Municipal Leadership Development Program (MLDP) could be enhanced to further educate municipal councillors, ratepayers and administrators with regards to development. All members of council and administrators should be expected to attend.

Some municipalities in Saskatchewan are pursuing economic development with vigor, but we need all municipalities to do the same. Municipalities need to realize that many will benefit from a development locating in a nearby municipality through added employment opportunities, more local business, new residents, etc.

To help encourage a more positive approach to economic development we suggest that municipalities need to devise a vision outlining where they want to see rural Saskatchewan in the future and set goals to reach it. Municipalities need to be more open to change in order to clear the path. It was suggested that sharing positive economic development experiences with other rural communities to demonstrate the positive results that development can bring would help to cultivate a positive attitude. The Municipal Leadership Development Program (MLDP) would be the ideal vehicle to share this development knowledge and experience.

ISSUE # 2: Sector Specific Standards Across the Province

Recommendation:

Municipalities must endeavor to have more consistent/transparent/predictable standards and fees.

- a. Sector Specific Planning Commissions (SSPC's) should be established, with adjustable, consistent, sector specific standards, amongst a number of municipalities. These pro-development commissions could be made up of elected or appointed representatives from each municipality/stakeholder group within the area. This commission will be a forum for discussions surrounding development issues. It will be responsible for providing area planning advice to municipalities and setting standards for developers to meet. SSPC's should be designed to assist participating municipal councils in preparing bylaws, determining their priorities and standards and managing any other complex development issues.***
- b. Sector specific development templates should be developed so that most of the debate and discussion that commonly surrounds implementing a new development are completed prior to a municipality being approached by a developer.***

The fees and regulations that are placed on developments can vary from municipality to municipality. This can often create an unstable environment for developers where costs are unpredictable and inconsistent within an area of the province. Developers would like to see fees and standards be made more transparent and predictable and would like to know the requirements upfront and then work to meet them.

The need to establish a forum where all municipalities in an area of the province could meet to discuss development issues was evident. There would be no boundaries on this forum as each set of standards would be sector specific. Each sector might have a different number of municipalities involved in the discussions.

The sector specific planning commissions could outline the standards for each sector within an area of the province. From these standards a template for that sector could be created where standards would be transparent, predictable and consistent for a developer seeking to establish in an area.

ISSUE # 3: Municipal Funding For Economic Development is Needed

Recommendation:

Municipal governments need to set-aside adequate funds to facilitate economic development on an area basis. The funds raised, by voluntary contributing municipalities, could be taken forward to senior levels of governments to obtain matching contributions providing an adequate budget to support economic development activities within the area.

Municipalities are faced with limited financial resources and many demands for those resources. Therefore, many municipalities do not assign funds specifically for economic development. Economic development needs to become a priority consideration for all municipal councils. In order to initiate economic development in rural Saskatchewan, municipalities will have to dedicate funding. It may be possible to use funding from municipalities to leverage additional funding for economic development from senior levels of government.

ISSUE # 4: More Forethought on Economic Development Is Needed

Recommendation:

All municipal councils should be encouraged to establish priorities and standards for development within their municipalities. SSPC's should be designed to assist their participating municipal councils in determining these.

Often municipalities may not think about new economic development until a developer comes to council with a proposal. The developer is then forced to wait until preliminary discussions and public meetings are held, which can be a time consuming process. If municipalities had some forethought on economic development and determined which kinds of developments they would welcome and which they would oppose, perhaps these preliminary discussions could be minimized.

Sector Specific Planning Commissions could provide the forum for groups of municipalities in an area that are interested in the same types of developments to get together and develop a template.

ISSUE #5: Application of Tax Tools

Recommendation:

- a. The committee agrees that using tax tools, such as mill rate factors to determine property tax is justified to ensure that commercial developments are paying their taxes based on fair value for services used within a municipality.*

- b. The committee recommends that the provincial government allow all municipalities to subclass property as is currently allowed in cities. This would allow a municipality the flexibility to ensure that the property tax rate a commercial development is paying reflects its infrastructure usage.***
- c. The committee recommends that prior to agreeing to extend mill rate factors to education tax, municipal councils need to seriously consider the impact their decision will have on commercial development.***

Mill rate factors are an important tool for municipalities, which are used to ensure classes of property are paying taxes based on the services used. Councils should consider the impact their decisions regarding mill rate factors will have on commercial developments.

Municipalities can only apply mill rate factors to existing property classes. It would be beneficial if municipalities were able to create assessment subclasses. Currently all commercial properties are lumped together so a business requiring limited infrastructure and service pays the same tax as one that requires extensive infrastructure and service. Subclasses would allow municipalities to apply taxes equitably based on services required. Cities currently have the authority to create subclasses.

ISSUE #6: Discretionary Use Provision

Recommendation:

- a. To remove the problems stemming from the discretionary use provision, we suggest the use of SSPC's and sector specific development standards to guide and encourage development decisions in a municipality. Councils should refer to these commissions for informed, experienced input into development decisions.***
- b. Municipalities should be encouraged to hold public meetings in an open house format where interested parties come and go to make inquiries instead of meeting in the larger group where outside pressures may exist.***

Most municipal zoning bylaws contain a discretionary provision that gives councils the final say as to whether a development is allowed in the municipality. This provision is not applied to all sectors. When municipal councils are faced with deciding whether or not to allow a specific development into their area they are sometimes pressured to decline the development, by special interest groups from outside the municipality.

Public meetings are a common tool exploited by special interest groups to put pressure on councils. Moving away from the traditional public meeting format and adopting an "open-house" format could avoid this external pressure. This format would allow interested ratepayers the opportunity to ask their questions directly to the developer and the council without outside interference.

ISSUE #7: Revenue and Cost Sharing Amongst Municipalities

Recommendation:

Municipalities should be encouraged to undertake revenue and cost sharing agreements with their surrounding municipalities (rural and/or urban) on new or expanding economic development. The committee examined successful models that are currently working in Manitoba and recommends:

- a. Developments that had been established within a municipality prior to entering into the revenue sharing agreement could be exempt. Revenue and cost sharing may only be on new or expanded developments within the partnership.**
- b. Revenue would only be shared once municipal infrastructure costs incurred in the establishment of the new development were recovered (new roads built, new well, etc.). The remaining revenue that the new development would generate over the time of its activity would be shared with all municipalities that have entered into the revenue sharing agreement.**
- c. Information sessions need to be held to stress to municipalities the importance of working together.**

When a new development enters a municipality, the host municipality and those surrounding it are all impacted. There are costs associated with getting the infrastructure in place for the new development and there are economic spin-offs such as employment opportunities, new business opportunities, new residents, increased tax revenues etc. If revenue and cost sharing agreements amongst groups of adjacent municipalities could be developed to ensure that all municipalities affected by a new development are sharing in both the costs and benefits then development would be seen as a positive investment for all municipalities in the area; not just the host municipality.

The committee examined one successful revenue/cost sharing agreement that is currently operating in the Russell area of Manitoba. The Pelly Trail Economic Development area consists of five municipalities that have an agreement established to ensure that all costs arising from a new development in the area are recovered and then the remaining tax revenues are shared. Pelly Trail noted that one of the added benefits of this agreement was that it also became a tool for promoting economic development in their area. The land area and amenities they now had available to attract new development were larger and more diverse than a single municipality. It encouraged the municipalities to cooperate when trying to recruit new developments instead of competing against each other to be the host municipality.

Transportation Subcommittee Recommendations

The Transportation Subcommittee members are Richard Porter (Chair), Glenn Blakley, Ellis Leaman, John Wagner, Mervin Kryzanowski, Ray Wilfing, Jim Hallick, Kevin Ritchie, Phil DeVos and Greg Carter.

A survey was conducted of rural municipalities regarding primary weights, road maintenance agreements, overweight permits, partnerships and enforcement. All rural municipalities responded to the survey. The results of the survey are outlined in Appendix A. The committee also met with officials from the Department of Highways.

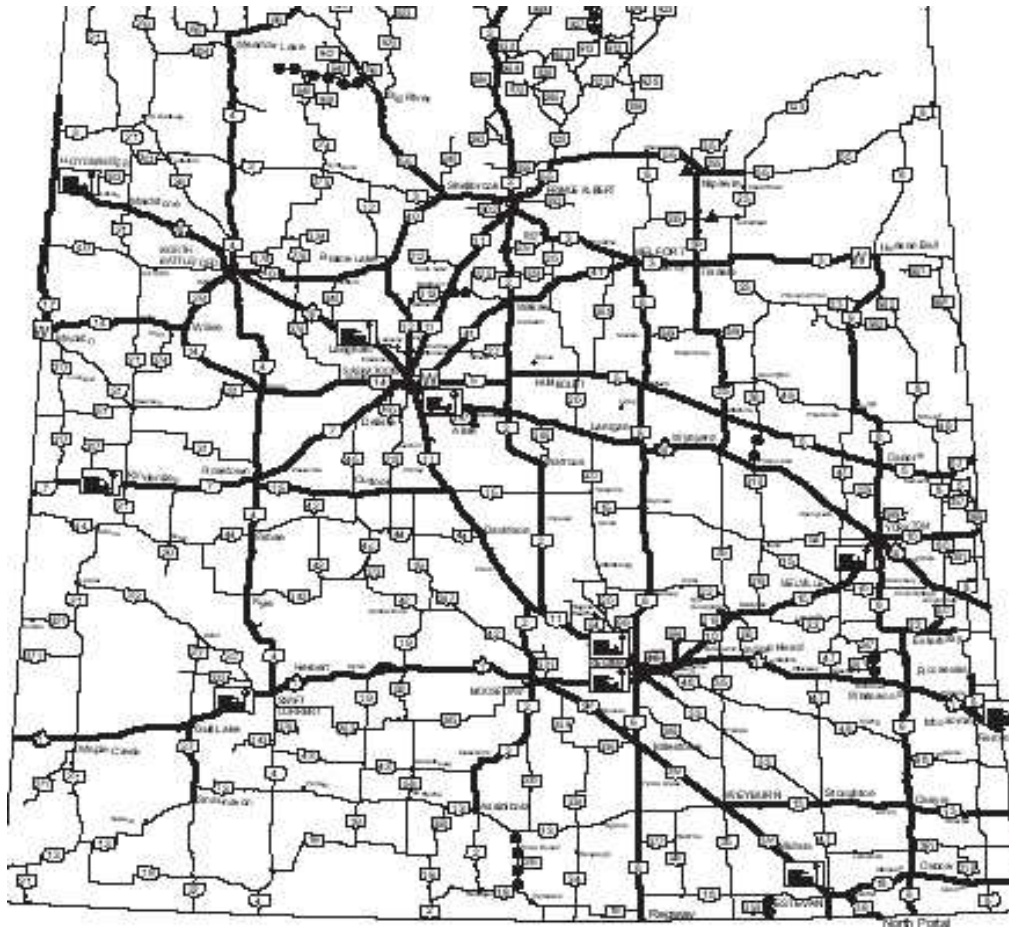
ISSUE #1: Secondary Weight Limits are an Impediment

Recommendations:

- a) *A province wide primary weight freight haul corridor system should be developed. While it is not economically practical for every road in the province to be constructed and maintained to carry primary weights, a network should be developed that would provide access to as many rural and urban municipalities as is practically possible. To pay for the increased costs of constructing and maintaining these roads to standards that can carry primary weight limits a permit system could be used.*
- b) *The Province should review and adjust the maximum rates allowed under regulation for maintenance and loss of road life to adequately reflect the costs incurred by municipalities. There could be a province wide base amount with increased amounts for special circumstances, or the province could provide grants for costs above the base amount.*
- c) *There should be no further increases in the primary weights until the primary weight transportation system in the province is capable of handling increased weights.*

A large area of rural Saskatchewan does not have access to primary weight limit highways or roads. (Figure 1 shows the current primary weight highway system in the south half of the province.) While this is not the fault of the municipalities, or their structure, it puts business located in these areas at a competitive disadvantage compared to provincial businesses with access to primary weight limit highways or roads. Because of our small provincial population most of the goods produced in Saskatchewan are exported to other provinces and around the world. The province is distant from most of the markets served so transportation costs are critical to competing provincially, nationally and internationally.

Figure 1 Current primary weight highway system (bold) in the south half of the province.



Department of Highways and Transportation officials have stated that they do not have the funds required to upgrade the existing secondary weight highways in the province to handle primary weights. The alternative is to develop a corridor of gravel surface roads linked to the current primary highway system that would be able to handle the increased weights and traffic.

To pay for the increased construction and maintenance of these roads a permit system could be developed. Haulers wishing to haul at primary weights, rather than secondary weights, would obtain a permit and pay fees. The fees would be based on the estimated increased costs to the municipality.

While there have been many studies conducted to determine the cost/benefit of increasing weight limits on paved roads no such study has been conducted for gravel roads. SARM, along with the Department of Highways and Transportation has secured funding from the Prairie Grain Roads Program (PGRP) for a study to determine the cost benefit of hauling at primary weights vs. the offsetting increased road maintenance and construction costs. The study is to be conducted in 2005. The results of this study could be used to calculate

the fees required. Fees established to cover increased road maintenance and loss of road life would have to be high enough to cover the municipality's increased costs but low enough so the hauler still realizes an economic gain by hauling at primary weight levels.

The fees authorized in *The Road Maintenance and Restoration Agreement Regulations* are intended to compensate for incremental maintenance and loss of road life costs. They were last reviewed in the fall of 1998 and amended in the spring of 1999. The maximum rates allowed under regulation, in most cases, do not cover the increased cost associated with high volume truck traffic. The rates should be reviewed and adjusted to adequately reflect the costs incurred. Municipalities and ratepayers would be more accommodating to high volume truck traffic if their costs were being covered.

In the past, the Province has increased primary weight limits when the road system was not constructed to handle the higher weights. Weight limits must be linked to the capability of the road to carry the weight.

ISSUE # 2: Concentrated Hauls

Recommendations:

- a. Concentrated Haul users of roads should be mandated to enter into road maintenance agreements with municipalities.**
- b. Area specific standard road maintenance agreements should be developed.**

In some municipalities there is a problem with concentrated hauls. These hauls follow secondary weight limits, but are high in volume. Concentrated hauls increase costs for the municipality in both maintenance and reconstruction. Fair compensation for these extra costs is necessary so municipalities are able to maintain the road system for the benefit of all users. It is sometimes difficult for municipalities to obtain road maintenance agreements with haulers. There should be more responsibility on the hauler to enter into road maintenance agreements with municipalities rather than the municipality having to try and track down the hauler.

Moving goods through the province sometimes requires traveling through more than one municipality. Municipalities sometimes have different rates and policies relating to the regulation of truck traffic within their jurisdiction. While this may not be a major impediment to economic development, it is an annoyance to haulers and increases their administrative workload and costs. If the rates and policies for an area were standardized it would help facilitate the movement of goods by business.

ISSUE # 3: Convenient Access for Acquiring Permits

Recommendations:

- a. *A province wide “one stop” office for obtaining overweight permits and road maintenance agreements should be developed so haulers would not have to deal with multiple jurisdictions.*
- b. *The “one stop” office should be accessible by telephone and online twenty- four hours per day and seven days per week.*
- c. *Permit fees and rates should be determined by SARM and stakeholders.*

When hauling through a number of municipalities, haulers have to deal with more than one jurisdiction to obtain overweight permits, road maintenance agreements etc. While this may not be a major impediment to economic development, it is an annoyance to haulers and increases their administration workload.

If a hauler could access permits and road maintenance agreements from one office for the entire province it would be very convenient and would reduce administrative costs for business. A “one stop” office could also include permits for the Department of Highways. The Department’s permits are currently issued by SGI. The office could be administered by the Department of Highways, SARM or a new committee with representation from both. Communication between the office and individual municipalities would have to be such that current local road conditions are known. Any change to the road conditions, such as culvert washouts would have to be communicated as soon as possible.

To provide the greatest convenience for haulers the permit office should be accessible online and by telephone twenty-four hours per day and seven days per week. The Department of Highways permit system, until recently, was accessible twenty-four hours per day.

The fees charged for permits and under road maintenance agreements for roads within the jurisdiction of rural municipalities should be determined by SARM and stakeholders. They are in the best position to best determine what is fair to both the municipalities and haulers.

ISSUE # 4: Compliance

Recommendation:

The Province should provide adequate enforcement of weight limits and monitoring of haulers to assist municipalities in ensuring compliance.

In order for a primary weight corridor system and a “one stop” office for permits and road maintenance agreements to work, adequate enforcement is necessary to ensure

compliance. Currently most municipalities rely on the RCMP and/or Provincial Highway Traffic Board Officers for compliance. Highway Traffic Officers are currently concentrating their efforts on the protection of the surfaced provincial highway system. If a primary weight corridor system is developed it will lower the truck traffic on the provincial highway system thus saving the province maintenance and construction costs. Therefore, the Province should assist municipalities in ensuring compliance on the municipal road system.

Conclusion

The majority of the stakeholder representatives the committee met with also identified areas that senior levels of government must address if economic development is to occur in rural Saskatchewan. Three that came up repeatedly were: the need for the retention of essential services including schools and medical facilities in order to attract, not only businesses, but also the employees required to work for those businesses; current provincial labour laws; and taxation levels, in particular the provincial capital tax.

There is no doubt that economic development is much needed in rural Saskatchewan. Population continues to decline, due to a number of factors, most of which are largely out of the control of those who live in rural Saskatchewan. These include economic problems in the agricultural sector, dramatic increases in the size of farms and centralization of services. However, this population decline can be reversed.

While the structure and related regulations of the municipal system were not found to be an impediment to economic development in rural Saskatchewan there are things that can be done and must be done to facilitate economic development.

Rural Saskatchewan faces many challenges but at the same time has great potential. We must take advantage of our strengths, the opportunities that currently exist and seek out new opportunities.

Appendix A

Results of Transportation Subcommittee Survey of Rural Municipalities

1. Does your RM allow Primary Weights on:

- | | |
|----------------------|-----|
| a) All of your roads | 34% |
| b) Designated roads | 23% |
| c) No roads | 43% |

2. How many road maintenance agreements has your rural municipality entered into in 2001, 2002 and 2003?

The average annual total of road maintenance agreements from 2001 to 2003 was:
Summer - 121 RMs for an average annual total of 390 agreements.
Winter - 106 RMs for an average annual total of 908 agreements.
Of those rural municipalities that entered into road agreements 73% of the agreements were at maximum allowed rates under legislation.

3. How many overweight permits were issued in 2001, 2002 and 2003?

The total annual overweight permits issued by rural municipalities across the province, on average from 2001 to 2003, was 4379. At least 1 permit was issued on average by 139 rural municipalities.

4. Are you currently in a partnership agreement regarding roads with Saskatchewan Highways & Transportation, private business or industry?

- | | |
|----------------------------------------|----|
| Saskatchewan Highways & Transportation | 75 |
| Other | 20 |

5. Who enforces truck weight limits, speed limits, etc. in your RM.

- | | |
|--------------------------------------|-----|
| Contracted | 2% |
| RCMP & Highway Traffic Officers only | 98% |