

Title: Wednesday, May 16, 2007 Public Accounts Committee

Date: 06/05/16

Time: 8:30 a.m.

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this Standing Committee on Public Accounts to order, please. I would like to welcome everyone in attendance this morning. If we could perhaps start with the hon. Member for West Yellowhead, we'll quickly go around the table and introduce ourselves.

[The following committee members introduced themselves: Mr. Bonko, Dr. Brown, Mr. Cardinal, Mr. Dunford, Mr. Eggen, Mrs. Forsyth, Mr. MacDonald, Mr. R. Miller, Mr. Prins, and Mr. Strang]

[The following staff of the Auditor General's office introduced themselves: Ms Banasch, Ms Dawson, Mr. Dunn, and Mr. Saher]

[The following departmental support staff introduced themselves: Mr. Ambrock, Mr. Bass, Mr. Mayer, Mr. Pickering, and Mr. Quintilio]

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

The Chair: I see that Mr. Harry Chase has joined us as well.

I would like to advise you that the agenda packages for today's meeting were sent out yesterday. May I please have an approval of the agenda?

Mr. Strang: I'll move, Mr. Chairman.

The Chair: Thank you. Moved by Mr. Strang that the agenda for the May 16, 2007, meeting be approved as distributed. All in favour? Opposed? Seeing none, thank you.

May I also have approval of the minutes of the May 2 and the May 9, 2007, committee meetings? Thank you. Moved by Mr. Cardinal that the minutes of the May 2 and the May 9, 2007, committee meetings be approved as circulated. All those in favour? Opposed? Seeing none, thank you.

Now, this gets to item 4 on our agenda today, which is the meeting with Mr. Brad Pickering, the deputy minister, Sustainable Resource Development, and various officials from the department. Again, we would like to welcome you, sir. You have 10 minutes or less for a brief overview of the Sustainable Resource Development annual report from 2005-06. Also, if there are any questions from the Auditor General's report for 2005-06 or the government of Alberta's annual report for the same year, we are limited to questions from those reports. Please proceed, Mr. Pickering.

Mr. Pickering: Thank you, Mr. Chairman. I appreciate the opportunity to review the results of our '05-06 fiscal year, a critical one for Sustainable Resource Development. It marked the beginning of one of the ministry's most important initiatives, the land-use framework. Also, we were early on in our battle with the mountain pine beetle infestations: 14,000 trees in that particular year. We're in the millions now. We were also in the early stage of our work with the government's new policy on aboriginal consultation. These long-term initiatives formed the foundation for the department to build on last year in '05-06 and to expand this year in '07-08 and to make plans for future years.

If you turn to page 32 of our '05-06 annual report, it shows you that Sustainable Resource Development spent \$312.9 million in '05-06. Spending by core business was wildfire management, \$163.4; natural resource and public land management, \$137 million; land

access and compensation boards, \$9 million. Our actual '05-06 expenditure of \$312.9 million was significantly over our budget of \$230.1 million because we do not budget for actual firefighting costs and our mountain pine beetle response. Ministry cannot budget for wildfires that have not occurred yet, and these costs are always unknown and vary greatly from year to year depending on conditions.

On the revenue side, if you could please turn to page 21, you'll see that in '05-06 we received \$181.5 million, mainly from premiums, fees, and licences. This makes up more than half of what we spent in '05-06. SRD is one of the few departments that funds itself to this degree.

I'd like to walk you through the department's key results during 2005 and then ask for the committee's questions. If you turn to page 15 of our '05-06 annual report, you'll see the strides made by the ministries of SRD, Energy, and Environment to achieve more integrated planning and decision-making. We established the office of sustainable resource environmental management, or the SREM office. SREM is an approach to working together and taking joint responsibility to achieve agreed-to natural resource and environmental outcomes. All members of the executive teams of SRD, Energy, and Environment signed the sustainable resource and environmental management charter, which is a commitment to work more closely together and to better integrate our policies and streamline regulatory processes.

Initial work in fiscal '05-06 on the establishment of the land-use framework, which is a cross-ministry initiative which was led by Sustainable Resource Development, occurred with this office. It was a huge and important undertaking. The framework will set the overall direction for governing and managing future land use in the province. We made efforts to ensure that the framework will meet Albertans' long-term socioeconomic goals based on good environmental management. Other SREM accomplishments by the three ministries include supporting a multistakeholder group for consulting on policy principles for Alberta oil sands and developing an interim report recommending strategies and actions for an integrated policy framework in upstream oil and gas.

You'll also note on page 18 that SRD was part of the cross-ministry team that developed Alberta's First Nations consultation policy on land management and resource development during '05 and '06. It was released in May of '05. Work continued on the development of detailed consultation guidelines, that were released in September of '06. Both the policy and the guidelines involved significant input from First Nations and industry groups and involved hundreds of meetings. The consultation policy and guidelines will help to ensure that Alberta meets its legal duty to consult when there is a potential infringement of an aboriginal or treaty right. We also provide industry with a higher degree of certainty when undertaking resource development in the province.

As you know, the department has enormous responsibility for protecting Alberta's forests, forests that cover nearly 60 per cent of the province's total land base. Page 33 shows how much was spent on wildfires in 2005. The majority of wildfires in 2005 occurred in the northern half of the province. These wildfires can be more costly to suppress due to difficulties associated with firefighting in isolated areas. Capital expenditures for wildfires were directed to upgrading air tanker bases and warehouse service centres.

The ministry collaborated with municipalities and industry on FireSmart programs in 32 communities within the forest protection area. FireSmart is a program that helps protect Alberta communities and natural resources from wildfire. The FireSmart community grant program that was implemented in '05-06 provides funding for municipalities and community groups to reduce the risk of wildfire

in their community. In '05-06 it provided almost \$200,000 in funding to seven municipalities.

Moving on to managing Alberta's forest, you'll see on page 40 the early days of our aggressive fight against the mountain pine beetle. Ministry cut and burned approximately 14,000 infested trees in Willmore wilderness park and Kakwa wildland provincial park as part of our efforts to prevent mountain pine beetle infestations in the province. We also developed an updated forest management planning standard to replace the interim forest management planning manual. This ensures that the forests are managed sustainably and that the forest industry remains current and competitive with other jurisdictions world-wide.

We all know that fish and wildlife resources contribute greatly to our quality of life in Alberta. Careful management essential to conserving these valuable resources for future generations is required. I'm happy to tell you that SRD stepped up its stewardship in '05-06 and took innovative steps to protect critical wildlife infrastructure. For example, on page 45: we initiated a series of actions in 2005 to provide a greater level of protection for woodland caribou. Actions included forming a single Alberta caribou committee to co-ordinate activities, creating a caribou landscape planning team, and promoting industry best practices more widely to all companies operating on caribou ranges.

We hired 10 new fish and wildlife officers to enhance our service to the public and support fish and wildlife resource management, and 2005 was an active year for management of hunting and fishing. We sold 461,000 hunting licences and 205,000 fishing licences. Together the revenue from fees totalled more than \$12 million, of which net revenue to the government was \$5.5 million. Most of the remaining revenues are directed to the Alberta Conservation Association, enhancing a long-term and beneficial partnership between ACA and SRD. Every time hunting and fishing licences are purchased, ACA receives a portion of the fees allocated to important conservation projects.

8:40

We also committed new funding in 2005 to revitalize Alberta's fisheries, including a multiyear program to restore fish populations in Lac La Biche, as noted on page 46, and enhanced angling opportunities in Alberta by successfully stocking 3.35 million rainbow trout and 360,000 other trout species into 259 stocked waters accessible to the public. We established the Alberta Fisheries Management Round Table to engage stakeholders in discussion on current fisheries management issues.

Chronic wasting disease in wild deer was detected for the first time in Alberta near the Saskatchewan border. This triggered control actions, including a quota hunt and a cull of almost 1,700 deer, which required major reallocation of staff and budgetary resources from other tasks.

On page 49 you'll note that the ministry issued more than 1.7 million animal unit months of grazing for livestock on public rangelands. An animal unit month is the amount of forage required to feed one cow for 30 days with a calf at its side.

The ministry was active in 2005 in addressing increasingly complex and competing demands on public land, demands for agricultural use, industrial use, commercial use, recreation, and conservation. The ministry saw much greater activity by recreational and nonindustrial users on the land base. You'll note on page 29, in my message, that in '05-06 the department witnessed an 18 per cent increase in applications from industry to use public land. The results on page 52 go on to indicate that SRD approvals of these applications went up 16 per cent during the same period of time. This means that 17,607 applications were approved in '05-06,

compared to 15,236 approved the year before. The ministry saw greater activity by recreational and nonindustrial users as well on the land base.

On page 56: the ministry carried out independent, comprehensive governance reviews of the Natural Resources Conservation Board, the Surface Rights Board, and the Land Compensation Board, and directed the NRCB to adopt a new structure as a result of the reviews' recommendations. The board divided its quasi-judicial appeal role and administrative operations, such as approvals and compliance for confined feeding operations, into two clearly defined and separated functions. This separation enhanced the board's abilities to make credible, fair, and effective decisions. We also commissioned an independent review of the Surface Rights Board and the Land Compensation Board. The ministry worked with these boards to upgrade the operational procedures and improve board structure, membership, and organization as a result of review recommendations.

Finally, the department celebrated Alberta's centennial year and 100 years for wildlife management in Alberta and 75 years of resource management. Notably, this included establishing the trees of renown program to conserve noteworthy trees in Alberta's forests. Albertans were invited to nominate trees of great size, history, or special significance.

In closing, I'd like to thank the Auditor General and his staff for their work on SRD's audit, and thank you for the opportunity to speak to you. I'd be pleased to answer any questions you have.

The Chair: Thank you very much. We have quite a list this morning already of members interested in asking questions.

Mr. Dunn: I'll be very brief, Mr. Chairman.

The Chair: Yes, please, Mr. Dunn.

Mr. Dunn: The comments that we have on SRD are contained primarily in volume 1 of our last year's report. As mentioned by the deputy minister, we had a large audit around reforestation, and that starts on page 109 of our volume 1. Our conclusion was that the department cannot yet assess if the resources it is applying to its regulatory activities in reforestation are appropriate. We made four numbered recommendations, and those are numbers 13 through 16, which have been accepted by the government. The recommendations were to produce timely performance reports to confirm the results of reforestation, strengthen the quality control process that produces the performance information and re-examine if the target for the reforestation rate performance measure actually does measure the rate of reforestation, strengthen the monitoring of its reforestation, and enter into an MOU with the forestry association to clarify the accountability expectations. You may want to ask the deputy minister and his staff for information about the implications of and strategies for dealing with those recommendations.

The deputy minister also referenced what's called sustainable resource and environmental management. On page 195 of our volume 1 we report that the department is jointly responsible with Energy and Environment for this initiative. This was a follow-up audit we did. We found that the three departments are making satisfactory progress in publishing an implementation plan together with annual progress reporting. The challenge is in how to use the three business plans and the three annual reports to report the government's progress on this initiative. That's another area that you may want to follow up on with the deputy minister.

In the ministry's own annual report, on page 43 of the annual report that the deputy was just leading you through, the department

reports that results were not available for the reforestation rate in harvested areas, that performance measure. You may want to ask the ministry when data will be available to report on reforestation rates.

On page 53 the department reports that active oil and gas dispositions subject to long-term plans were 12 percentage points below the target. Again, you may ask the deputy minister and his staff about the implications of this and what the department plans to do to increase those actual results.

Mr. Chairman, those are my opening comments.

The Chair: Thank you.

We'll proceed quickly to questions. Mr. Miller, followed by Mr. Strang.

Mr. R. Miller: Thank you very much, Mr. Chairman. Thank you, Mr. Pickering for the good job you did in encapsulating the annual report. My question this morning has to do with land sales. Page 7 of the report indicates that the Public Lands Act is under the department's jurisdiction. I'm wondering if you could describe for me the difference between a priority land sale and a private land sale.

Mr. Pickering: On page 7 of the annual report?

Mr. R. Miller: It just indicates in the comments there that the Public Lands Act is under your department's jurisdiction. [interjection] I'm sorry. Page 10, I'm told now.

Mr. Pickering: I'll maybe ask Craig Quintilio, our lands ADM, to answer that.

Mr. Quintilio: We usually have two ways of approaching sales. One is that we put it up for competition, so anyone can bid on it. A good example of a priority sale might be to an MD or a town where there's, you know, a need for the land for their use. So that's how the term priority, or private, sale – they're kind of interchangeable.

Mr. R. Miller: Okay.

Mr. Pickering: Clarification on that, as well, is that those land sales would occur at a fair market value level unless the municipality is using it for a public institutional purpose, and then we have a provision to transfer it at a dollar with a caveat for a sell-back. So if the use ever changes, then it's either purchased by the municipality at fair market value or returned to the Crown.

Mr. R. Miller: Thank you. Now, I'm not sure about this because, Craig, I think you said that the two terms are used interchangeably. I'm wondering what criteria the department uses when determining to sell Crown land privately.

Mr. Quintilio: Well, again, if a party wants to buy Crown land and it's vacant Crown land, our normal process is to basically put it up through a competitive auction. We do an appraisal to set an upset price, and it's sold that way. If there's a piece of land where someone may have leased it for several years and it's got some significant development on it, then we would do a private, or priority, sale to that person, again, as Brad said, with a market appraisal to set the values.

Mr. R. Miller: Thank you.

The Chair: Mr. Strang, please, followed by Mr. Bonko.

Mr. Strang: Okay. Thanks, Mr. Chairman. On page 118 of the Auditor General's report it states that exceptions arose during the testing and application of specific audit procedures on SRD's performance measures. The minister did not provide any data for measuring reforestation rates in harvest areas. Can you explain why we have no results on this?

8:50

Mr. Pickering: Yeah. In respect to the specific question '05-06 was the first year of that performance measure. As we went through the discussion with the Auditor General to determine the suitability and integrity of that measure, it was determined that we needed to do some more work. We chose for '05-06 not to report. We are continuing to work through, as we are the Auditor General's recommendations, to deal with that.

As the Auditor mentioned, SRD did accept the Auditor General's recommendation. We have developed aggressive action and plan to strengthen the process for monitoring reforestation and clarifying what's expected of the Forest Resource Improvement Association of Alberta, who does reforestation for a number of our forest companies as well as improving our seed supply controls. We have this year continued to work with the Auditor General in reviewing those recommendations.

Mr. Strang: Okay. Thank you.

Mr. Chairman, to Mr. Pickering. The Auditor General's report, page 127, the Forest Resource Improvement Association of Alberta, recommendation 16: can you maybe elaborate on that? They're saying that a lot of our forest that they did reforestation on has burned and that we haven't come to the table to give them some extra money to do the reforestation again. I'm talking about the earlier fires, prior to this date. Where are we on that?

Mr. Pickering: There were significant dollars provided to the FRIAA group in '99, 2000, and 2001, which dealt in particular, I think, with the 1998 Virginia Hills fire, to do some reforestation. There were a number of years where there weren't reforestation dollars applied. In 2005 we did provide, I think, a million and a half dollar grant to assist with some of that, and we've asked FRIAA to do an inventory – a number of those fires are a number of years old – trying to determine whether we have some natural reforestation. They do report back to us on an annual basis as to how those dollars are spent.

I can tell you that as we move forward from 2006 with our forest firefighting, as part of the emergency funding where we have cutblocks, or blocks that have been replanted by a forestry company, we're treating it like a damage and are making restitution for that. But there were a number of years there where we weren't providing that for reforestation of cutblocks that had been planted.

Mr. Strang: Okay. Thank you.

The Chair: Thank you.

Mr. Bonko, please, followed by Mr. Dunford.

Mr. Bonko: Thank you, Mr. Chairman. My comments are a follow-up from my colleague as well. In a letter dated February 3, 2006, the minister wrote that the land held under lease may be sold by priority sale to a leaseholder provided there were no substantial improvements made to the site and the use was compatible with the area's social, economic, and environmental values. Given that a number

of residents around Elinor Lake expressed concerns about the development, why did the ministry maintain that the sale of the land was compatible with the area's social, economic, and environmental values?

Mr. Pickering: I'll have to get Craig to give me a hand on this. Elinor Lake was a resort-type development, so they did have an existing long-term lease on that property. There was a determination which included a set-back distance from the lake as part of the sale terms, as part of that transfer.

Maybe Craig can fill in some of the more specific details.

Mr. Quintilio: Yeah, I guess this is an example where there was an extensive amount of development on public land, and the folks that had the lease wanted to develop it further for recreation properties. So the decision was made to sell it. Again, it was done through a priority sale to the people that had the lease. We appraised it and got the appraised value for that land. Like Brad said, around the lake there were some encroachments into a setback area, and we're actually currently working on getting those things cleared up. There's basically an environmental reserve around the lake with two or three access points so that folks from the developed area can get down to the lake and get access to their boats and that kind of thing.

Mr. Bonko: Okay. Our office gave your department a heads-up with regard to being able to talk about the sale of 030013, which was the reference I just made there with Elinor Lake. What was the price per acre with regard to the sale of Elinor Lake on that piece of property?

Mr. Pickering: Unfortunately, I don't have those details. Unfortunately, I didn't get the heads-up. We can table that information with the committee if you'd like.

The Chair: We would really appreciate that if you could provide a written response through the clerk to all the members and guests.

Thank you, Mr. Bonko.

Mr. Dunford: I have more than two questions, so if you'd put me on the bottom of the list again.

I'm always interested in FTEs. On page 86 of your annual report, looking at salaries, wages, employee benefits: quite an increase, but I didn't notice the FTE count. Could you provide us with the start of '05 and what it was like in March of '06?

Mr. Pickering: Sorry. You mentioned page 86?

Mr. Dunford: Well, I'm looking at the dollars. Maybe there's a schedule somewhere of the actual FTEs. I'm curious about what the actual numbers of paid personnel were.

Mr. Pickering: Our FTE complement in Sustainable Resource Development is 1,900. That includes a component that would be seasonal for the firefighters that we bring on during the firefighting season. As far as the escalation over budget, a component of that would be where we bring on salaried staff to deal with forest firefighting.

Mr. Dunford: If we were looking at a chart of full-time equivalents on April 1 of '05 and March 31 of '06, we'd see 1,900?

Mr. Pickering: Yes, 1,900 across the board.

Mr. Dunford: On supply and services – I always notice around the Legislature Building a flurry of activity in March – what percentage of those expenses would be paid in March of '06?

Mr. Pickering: I wouldn't have an exact percentage for you. I would indicate, though, that a large percentage of our supply and services pertains to our forest firefighting. It peaks during the summer, and it tapers down in that October time frame. I think that if you looked at a profile of our supply and services, you'd see a significant bulge during the summer months, when we're into a significant, sort of, contracting for resources for forest firefighting.

Mr. Dunford: So in that particular year you potentially could be a role model for not spinning out your budget in March?

Mr. Pickering: There would be, I assume, a bit of a hockey stick in March, just dealing with, sort of, year-end transactions, but I would suggest to you that there would be a very large bulge in the summer months.

Mr. Dunford: Thank you.

Did you want me to proceed, or do you want me to wait?

The Chair: David Eggen, followed by Neil Brown, please.

Mr. Eggen: Thanks, Mr. Pickering, for coming this morning. I think I'll follow with Mr. Dunford's questions. I've noted that you hired 10 new fish and wildlife officer positions. Are those new FTEs, then?

Mr. Pickering: They would have been new FTEs for that year.

Mr. Eggen: What are the criteria that you use when you choose how many new fish and wildlife officers – when you brought on those new FTEs, was that a reflection of a greater demand for coverage in the wilderness areas? What was the rationale behind that?

9:00

Mr. Pickering: The rationale was that as we went through the budgeting process leading up to this year, we raised an issue with the amount of public feedback we would get about the lack of officers in the field. We were graciously provided with the funding for 10 FTEs. We do have 62 district offices throughout the province, so we basically look at those district offices and the demands throughout the province to determine where we'd actually resource those officers.

Mr. Eggen: Yeah. I've received a lot of that same feedback.

My supplemental would be: do you believe that this hire brings up your fish and wildlife officer FTEs to a full complement, or how many more FTEs do we require to execute the responsibilities of SRD in the field?

Mr. Pickering: The only way I can answer that is that for '06-07 our complement remained constant. For '07-08 hopefully we'll be receiving through the budget process an additional 12 FTEs in the fish and wildlife complement.

Mr. Eggen: So that satisfies the criteria of coverage that you employ through the SRD. Okay. Thanks.

The Chair: Thank you.

Neil Brown, please, followed by Harry Chase.

Dr. Brown: Thank you, Mr. Chairman. Mr. Pickering, my question is relating to the grazing leases on Crown lands. I believe this is a good policy. It not only encourages environmental stewardship, but it creates economic benefits and wealth for Alberta. My question, however, is relating to the income, which I gather from your report is assessed on the basis of an animal unit month. I'd like to know how much income you get per animal unit month and how you assess that the taxpayers of Alberta are getting fair market value for their grazing rights on those leases and how those values are changed, implemented, and updated.

Mr. Pickering: I'll maybe start with the very general, and then I'll turn it over to Craig Quintilio. Basically, in the grazing lease regime that we have, I think it's important to distinguish that we do put a fair degree of onus onto the grazing lessee to deal with fencing and improvements on the land. They have the obligation to pay the municipal taxes as well. Then, as you've mentioned, we do assign an animal unit month charge. I'd only be able to talk in generalities, so I'll turn it over to Craig to let you know what those numbers would be and how they're determined.

Mr. Quintilio: We have three zones in the province each with its own grazing rate. In the south the current rate is \$2.79 an AUM, in the central part of the province it's \$2.32, and in the north it's \$1.39. The reason for that difference is that as you go farther south, you've got a lot more flexibility to get into some winter grazing as opposed to the north, so that's kind of the rationale for the higher rates. They're basically a market-driven rate. They're set kind of in conjunction with the cattle market. We haven't changed them for a number of years just because of the goofiness going on in that market, you know, with the BSE and that kind of stuff. We've left those rates, I think, probably for the last five or six years at the current rates, but they are basically indexed to the market.

Dr. Brown: I'm sorry; I'm going to require a little clarification on that answer. When you say market value, you're talking about the market value of grazing leases on the private market?

Mr. Quintilio: No. To make that comparison is really, really a difficult one to do, and lots of people would compare our stuff to private lease rental rates. You could go on all day, I guess, on why that's a hard comparison to make. These rates were set a number of years ago, and they're just indexed with the cattle markets. Do you want to have some details on how we set the original rates? Is that your original question?

Dr. Brown: No. I want to know why the taxpayers of Alberta are not getting fair market value for their grazing leases.

Mr. Quintilio: Well, I think these rates give fair market value for Crown land grazing leases.

Mr. Pickering: The other thing I'd also indicate to you is that there is some work that we are doing with the grazing lease associations this year, looking at that issue of comparability between a private lease rental, where usually it's fenced and there are water sources – a number of those things are provided – and the Crown land, basically to ensure that we are getting a fair return. There are issues, I think, as you'll recall, historically dealing with R-CALF and the issue of subsidies. So we do have to make sure and have an obligation to make sure that we are getting a fair return for those grazing leases.

The Chair: Thank you.

Mr. Chase, please, followed by Heather Forsyth.

Mr. Chase: Thanks. Just a notation following Neil's comments on cow grazing. There's absolutely no indication of fence maintenance in either Cataract Creek or Etherington, so we have free-range cattle interfering with camping on a regular basis.

My questions, though. Cutblocks are a euphemistic term for the unsustainable practice of clear-cutting. In 2005-2006 how many hectares of cutblocks/clear-cuts were carried out and/or proposed in FMAs for Kananaskis Country?

Mr. Pickering: I don't have those details present. I don't know if Bruce from forestry does.

Mr. Mayer: No.

Mr. Pickering: The only comment I will make is that, you know, our forestry planning manual, which basically deals with how those cutblocks are set out and determined, is based on the Canadian Standards Association. They have been reviewed internationally, and they are a very high standard.

The other issue is that the forestry regime does mimic a fire sort of regime. The boreal forest was formed through frequent fires through the boreal forest. In today's sort of economy we're trying to secure the resource and utilize it for a number of things that we all enjoy: home building and the wood products that we use on a day-to-day basis.

Mr. Chase: Thank you. Fires promote reforestation; clear-cuts don't.

In 2005-2006 what priority was given, what steps were taken to protect the Kananaskis watershed, that supplies the million-plus citizens of Calgary and surrounding municipalities?

Mr. Pickering: Again I can't address specifically '05-06. I can tell you that our planning manual and regime has a very high emphasis on hydrology. In fact, as we go through and ask our forest companies to do a detailed forest management plan, a significant component of that is dealing with the hydrological effects. In Kananaskis generally I think there's a very small percentage of that park that's actually open to logging. I think it's in the order of about 25 per cent of the total land base. That land base is logged by doing, through our regulatory regime, which includes some fairly detailed planning up front, the layout of the cutblocks. After those cutblocks are completed, they're reforested. So there is, as some of the public would determine, a scar on the landscape for a short period of time as there would be if you had a fire regime, but the regeneration does occur and allows forestry to occur over a very long planning horizon, a hundred-year planning horizon.

The Chair: Thank you.

Heather Forsyth, followed by Mr. Miller.

Mrs. Forsyth: Thanks, Mr. Chair. Brad, thanks for coming. I would like to talk about the reforestation. In volume 1 of the Auditor's report he talks about current legislation requiring reforestation activities to take place within two years after the year of a cut. I know that there's been quite a bit of criticism in regard to that. He alluded to the fact that it was difficult because it was year 1 of the reforestation, so we sort of do it in cycles of three years. But the importance of following your own guidelines I think is something that we need to do. So where are you on that now, the fact of

following your own guidelines that you've established in the department?

9:10

Mr. Pickering: The issue with reforestation – and I'll again give you a general response and then probably defer to Bruce Mayer. The reforestation does occur two years after a cutblock occurs. The issue as far as reporting is concerned is that there's a free-to-grow period, which is generally 14 years after reforestation has occurred. There are certain criteria that a forest company has to meet. There was reporting that occurred to the department, and we have a system – ARIS, I believe it's called – that captures that information that's provided to us from the forest companies. As we sort of crept up with a new standard in place, our first sort of 14-year free-to-grow period, there were some issues with that integrity, and that led to us having to have a look at the integrity of that measure.

Mrs. Forsyth: Do I get another?

The Chair: Sure.

Mrs. Forsyth: Thank you, Mr. Chair. I just want to find out about the funding that's available to help protect people and property from the potential impacts of fire and the FireSmart community grant program, that encourages communities to develop plans and resources and actions for the wildlife. What's the status, and how is that working?

Mr. Pickering: I'll ask Bruce to respond to that.

Mr. Mayer: Thanks. The FireSmart community grant program is a joint initiative with SRD and municipal affairs. It's been on the go for probably about three or four years. We've got lots of uptake from local communities, and with the dollars provided, they're able to do planning. They're able to identify evacuation routes, do some thinning within communities to reduce the hazard.

The Chair: Thank you.

Mr. Miller, followed by Mr. Cardinal.

Mr. R. Miller: Thank you, Mr. Chairman. Further to the private sale of public lands – and I'm not sure, Mr. Dunn, whether or not you can give me an answer today – certainly I'm curious whether or not your office would feel that the taxpayers of Alberta received fair value for the land in question at Elinor Lake when it was sold to private interests. I suppose a question that you might be able to answer today is a more general one, and that is: in general, do you feel that Alberta taxpayers are receiving fair value for the sale of public land in a private fashion, as we're discussing here this morning?

Mr. Dunn: I cannot answer the first one about Elinor Lake unless anyone else has some detail on that.

Mr. R. Miller: Perhaps you could check into it and report back to the committee.

Mr. Dunn: Yeah. We'll check into that and submit a response to the committee as a whole. But, generally, that's one of the areas that we are looking at, not just within SRD but in other dispositions of land. Certainly, we looked at it around the Fort McMurray area when there were dispositions of land from what was known as the Social Housing Corp. Of course, there are certain dispositions from

SRD and out of Infrastructure. We also look at the dispositions there.

That's one of the things that we're trying to look at to ensure that each of those dispositions is supported by an independent appraisal. That's the objective or policy, to have an independent appraisal that brings out fair market value. Those are followed unless there is a certain reason which is provided which is sustainable and supportable for why it would not be at fair market value. It may be because of proximity to other lands that are held that it's a requirement to enter into a different transaction, but we look for a business case to support those sorts of exemptions or exceptions.

Thank you.

Mr. R. Miller: Thank you. Obviously, my concern is not near so much with private or priority sales to municipalities or MDs but, rather, to private interests.

For Mr. Pickering or perhaps Mr. Quintilio: corporate registry documents show that in the case of Elinor Lake the taxpayer received less than \$2,300 per acre for the land in question, and I'm wondering if your department considers less than \$2,300 for developed lake resort land to be value for money.

Mr. Pickering: I guess I would answer it this way in that we did get an external appraisal done. The development that occurred on that site was done by the lessee, so the appraisal would be based on the highest and best use of vacant land. In that area of the province I would suggest to you that \$2,300 per acre would be a fair value.

Mr. R. Miller: Thank you.

The Chair: Thank you.

Mr. Cardinal, followed by Mr. Bonko.

Mr. Cardinal: Thank you very much. I want to commend you for all the good work you're doing. We have the best staff in North America, so you are to be commended.

There's one thing. I see you still haven't changed the name of your department to forestry, lands, and wildlife. We started that quite a while ago. A lot of people do not understand what sustainable resource development is out there in the general public.

As we all know, forestry continues to play a very important role in the overall economic diversification plan of Alberta. In fact, next to agriculture and oil and gas I think forestry comes in third. I know that there are close to 50 communities that depend on forestry as a major source of income in Alberta. So it is very, very important. In the past, of course, we tried to protect and manage the flow of wood. There were over 300 operators, I believe, in Alberta that produced less than 5 million board feet per year. Then there were the mid-size operators like Vanderwell and Boucher and Buchanan and Millar Western and then the multinationals. The policies in the past that had been set were to try to ensure that the small operators and the mid-size operators and the multinationals continued to survive in a balanced way. We all know that if certain policies are changed within the department in relation to movement of wood, possibly four multinationals would have all the wood very shortly. I just wondered in what direction you are going with that plan, if it's still in place, and what the future may be.

The other one is in relation to the pine beetle, and that's the communication part. When you read the articles out there in relation to pine beetles, there are indications that it impacts the whole forestry right across Alberta. Well, parts of forestry do not have pine usage, like Millar Western in Boyle, for example, Northland in Fort McMurray, Vanderwell, West Fraser, and some areas there.

They have spruce only. So up to now I don't know what the impact would be. As far as the pine beetle it would be very little, I believe.

That should be communicated, I think, for the public to know that it's not a complete disaster. It may be a disaster in points where the mills are but not the whole industry. The communication seems to point in that direction.

The other one is maybe an update on the Calling Lake pilot project, the successful one.

The Chair: Thank you, Mr. Cardinal.

An Hon. Member: That was quite a speech.

Mr. Cardinal: Well, I only speak once.

Mr. Pickering: I guess, dealing with the first one first – hopefully, I'll remember all the questions – we do have a community timber program. So we do have a program that deals with our small loggers which allows them the opportunity to secure access to resource. The forestry industry right now is under tremendous pressure. There is some work that the department is doing with the Alberta Forest Products Association. A lot of the issues that we're dealing with are global factors, exchange rates, and a number of other things. We do have a forest industry competitiveness study which is looking at the landscape. I can tell you that generally across the country a consolidation of the industry is something that is occurring. But there's also, I think, a belief in some of the work that we've done with industry, that there are a number of niche markets that would allow our medium- and small-size industry to be able to play an important role. Whether it's the role that they play today is something that will be determined as we move forward.

With respect to the mountain pine beetle I think the major concern that the department has is that while pine isn't the entire sort of percentage of our annual allowable cut, it is a very significant component. The fiscal impact, if all of our pine was destroyed by mountain pine beetle, I think is in the order of \$23 billion. As you mentioned, the forest industry is our third most important industry in Alberta. So it is a concern to us.

With our messaging to date we are trying to make Albertans aware of the significance of the infestation, particularly last year with the major blow-in that we had up in the Grande Prairie area and the potential for that to spread very quickly, as one has seen in British Columbia.

I think I answered them all, but I stand to be corrected.

The Chair: Thank you.

Mr. Bonko, please, followed by Mr. Herard.

9:20

Mr. Bonko: Thank you, Mr. Chairman. On page 122 of volume 1 of the AG's report, 5.3, monitoring and enforcement, with regard to reforestation I'm a little concerned with regard to what we were referring to before as self-monitoring, where the company reports back on their findings. When I was in school, we used to do self-monitoring of our own exams, and miraculously everyone got 100 per cent. You know where I'm going here.

So I'm just saying: besides the company who else from your department ensures that the rate and the percentage are in line with the acceptable timelines that are set out under the ministry? As well, if not, what impact will this have on the overall economic value of the impact for Albertans?

Mr. Pickering: I'll give you a general answer, and then I'll turn it

over to Bruce Mayer. You know, I think it's important to recognize that our forest companies do have professional foresters that do act on their behalf, who have to adhere to an ethical code and code of conduct, that do provide that reporting to us. We are in the process of having our field staff do some review as well to ensure that we do get appropriate numbers back and that those are registered in our system.

I'll have Bruce expand on that.

Mr. Mayer: A follow-up with the AG's report: we've developed a forest operation monitoring protocol, and it helps identify or send our staff in the right directions to do more monitoring, do more check surveys, to be able to do proper audits from a registered forest practitioner perspective. So I think we have the tools in place to ensure that the industry is doing the appropriate job out on the landscape from a reforestation perspective.

Mr. Bonko: Would the Auditor General like to supplement as well?

Mr. Dunn: Well, first of all, I wanted to thank you for the question because that's exactly the skepticism that we went into this audit with: the concern that over time the forest industry can be severely impacted by the economics. When the economics are unfavourable, one of the easiest things to give up is reforestation. Reforestation has such a long-term return that at the times when the dollars are short, that's one of the things that from my own personal experience, having worked in the forest industry for many years and in many different provinces, it's an area that can be cut back, not a play on words, when you don't have the economic resources to sustain it.

So as you saw within the findings that we talked about here and as indicated by Mr. Mayer, we're very concerned about the monitoring and then, subsequent to the monitoring, the enforcement around the reforestation because if you don't get on it in the first five to 10 years, then you have a real problem trying to catch up later. You may be able to explain to them: there has been some challenge around the setting of the standards. You know, they had to change over some time the free-to-grow period, et cetera, and it was very difficult to come up with standards that were acceptable and then, subsequently, monitored and enforced. Indeed, it's not always easy to exercise your enforcement when you only have a relatively short window of about two years.

You may want to talk about how the standards . . .

Mr. Pickering: I'm not a forester, so we'll have to turn that over to Bruce. But I will say that we are very appreciative of the recommendation that the Auditor General gave to us on this. I think it allowed us to look with some focus specifically at this issue.

I think that as one looks at the whole forest planning cycle, though, I mean, growth and yield are important components of coming up with an annual allowable cut, so if there are some issues on the reforestation side, it does potentially affect the companies' opportunity as to how much they're able to cut on an annual basis on the AAC side.

Bruce, if you want to get into the definitional issue. I recall it, but I couldn't explain it.

Mr. Mayer: Yeah. Specific to the standards we've got legislated standards that industry must follow, from establishment surveys at seven years to performance surveys at 14 years. With that, as the Auditor has alluded to, we needed to be more formal in our process with enforcing and monitoring with industry.

I lost my train of thought. Sorry.

The Chair: That's okay. Thank you. We've spent a lot of time on this question.

Mr. Saher, be brief, please.

Mr. Saher: I'll be very brief.

I think the important piece of the department's response to our recommendation that the quality of the monitoring be improved is the department stating that they plan to have a greater risk focus. I'm trying to bring this back to the original question. If there is a high degree of reliance on the professionalism of the forestry operators, that's how the system works. Nevertheless, professionalism has to be tested. If the quality control that the monitoring processes do have a risk focus, which is based on past performance of the operators, I think that the whole system will in fact improve.

Mr. Bonko: Good. Thank you. That's part of my skepticism.

We are doing currently a review of royalties with regard to oil and gas because they're natural resources. This is also a natural resource, indicating a \$23 billion asset to the province. How do we compare, with regard to what we're retaining from the companies as far as royalties, to other provinces throughout Canada and, perhaps, into the States? This is where some of the confusion or some of the upsetment comes from with the softwood lumber dispute in that we're maybe unfairly compensating the people here. But I'd like to know: pound for pound are we doing as well as other provinces?

Mr. Pickering: The short answer would be yes. The difficulty, again, with this issue is comparability. In Alberta there are a number of obligations through our forest management agreements that are placed on the forest companies, such as a significant component of the planning, which in other provinces is done by the provincial jurisdiction. The issue that one generally runs into and the issue in softwood lumber is whether it's a market-based type of royalty review. Ours is regulated. It's based on the price of the commodity market that the log is turned into.

The main issue that I think Alberta struggles with is, obviously, distance to market, which doesn't allow us as easy access to markets as maybe some of our other sister provinces. We do believe that we are getting a fair return. In fact, probably on an annual basis the forest industry looks for us to review because they believe that they're paying too much based on all the other obligations they have, but that's not uncommon, I think, in any industry.

The Chair: Thank you, Mr. Pickering.

Mr. Herard, please, followed by David Eggen.

Mr. Herard: Thank you, Mr. Chairman. I think this is the fifth question on reforestation because people recognize that that's the key to sustainability in the future. I can understand that if you get a new system and you try to come up with ways of making the data comparable, you can sometimes run into problems: the data set and the reports that don't make sense and so on. Surely to goodness, we didn't invent reforestation in 2005. You know, it's been going on for a long, long time. Despite the fact that you did not provide any actual results, there had to be a way of monitoring that in some different fashion prior to '05. So I'd like to know: where do we stand as a province? How close are we to 88 per cent? My second question is: how was 88 per cent determined to be the proper target?

Mr. Pickering: Again I'll answer it in generalities. I think that as time passes, standards get more scientific. I can tell you that on a general basis for every one tree that's harvested, four are planted. If you use that as your measurement criterion, you know, we

wouldn't necessarily have a regenerated tree in a number of years, and I think that as the Auditor General mentioned, we're looking for a sustainable industry. So we put various criteria in place a few years back to have the companies meet a specific criterion at certain points, seven years out, and then what we call free-to-go standard, which is approximately 14 years out, where we're looking for the tree to be to a certain size.

A number of issues come into play, climactic conditions, over that period of time to determine fertility of the soil. A number of things can affect whether you achieve that standard or not. Generally there has been reforestation. I think Alberta was one of the first provinces to put that into place back in the '60s. I think we've gotten more sophisticated with our regulatory regimes over time, and those are science-based, which creates that issue that we've bumped into with respect to measurement criteria.

9:30

Mr. Mayer: You're right on the mark with the science-based standards. Things are always evolving. We've got a strong science community and strong forestry community that help provide oversight to ensure that we are doing an appropriate job at reforestation. A number of the companies – this was mentioned in previous comments – don't want to see reduction in their cuts, so they do spend the extra effort to ensure reforestation.

Just a quick clarification, I guess, on Brad's comment on one tree cut, four planted: it's four regenerated, not necessarily by planting. There are some areas where we do seeding as opposed to planting, so trees are regenerated that way as well.

The Chair: Thank you.

Mr. Herard: The 80 per cent figure: I didn't get an answer. I don't think I got an answer to the first one either. Where are we as a province today compared to that 80 per cent? Secondly, why is 80 per cent appropriate?

Mr. Mayer: The 80 per cent was based on the scientific reviews over the years on what an appropriate standard would be. There always is some natural die off of trees. Where are we at for the province? I don't know the exact number, sir, but we'd be fairly good within that 80 per cent mark.

The Chair: Thank you.

Mr. Eggen, please, followed by Mr. Strang.

Mr. Eggen: Thanks, Mr. Chair. I was going to ask about trees, but I think that in the spirit of Public Accounts co-operation, I would like to go back to the grazing lease issue. You know, if we're not getting a fair market value, I think, for grazing leases, why doesn't the department entertain the idea of expired leases going up to tender instead of just being turned over? This is, after all, essentially, lost public monies if we're not getting the market value for that grazing land.

Mr. Pickering: Our current regulatory regime deals with an animal unit month as leases come up. They do have a 20-year term on them. They are integrated into an agricultural operation, and some of the leases have been operated for a number of years by various family members. There is a significant stewardship requirement that goes along with our lands, particularly in the south where we have probably the largest intact natural fescue left in the province. So I think that while the highest return is important, while we need to get

a fair market value or a fair return for it, I think there are obligations that we want to ensure are imposed from a stewardship prospective as well.

Mr. Eggen: But as those leases come up, certainly, you could tie the stewardship component to that tender. There's no reason why the two can't go together. You know, we're talking about quite vast tracts of grazing leases there in southeast Alberta that, essentially, just get continually turned over at a bargain basement price to the same bunch. So, I mean, you could have stewardship tied into the lease, could you not?

Mr. Pickering: I would suggest to you that it's not a bargain basement price and that, yeah, anything's possible subject to a policy change.

The Chair: Thank you.

Mr. Strang, followed by Harry Chase.

Mr. Strang: Thanks, Mr. Chairman. To Mr. Pickering, I guess: again, on the aspect of reforestation on your page 129 with a recommendation of seed inventory and as you realize, and as you spoke earlier, with the different zones that we have, have we sort of rectified that now so that we have a good complement of seeds so that we can move forward in the years to come to make sure we have the proper trees to be planted in the designated areas?

Then my second question is on your goal 3 on page 44. When we suspended the grizzly bear hunt in that year, have we got a full scientific scenario set up now so that we can judge it on pure science rather than perceptions?

Mr. Pickering: I'll answer the last question first, and then I'll turn the first question over to Bruce. With respect to the grizzly bear when there was a suspension of the hunt imposed last year by the minister, that was on the basis that we were going to complete a DNA, sort of, population analysis. We still have two more years left before that would be completed. On the basis of all of that information being provided, then we would make a decision on the grizzly bear, dealing with issues such as the hunt and status as well, I think, which was tabled through the committee, the ESCC.

Mr. Mayer: Okay. Thank you.

On the seed supply: we're always increasing the seed supply every year so that we do ensure that we have an adequate supply. The Auditor General's concern was – and I'll be corrected if I'm wrong here – to ensure there's more rigour to ensure that when seed does go out and is seeded or planted, it goes to the appropriate seed zones. We've reviewed the seed zones. We've got a new established process in place, and as part of the forest operations monitoring protocol inspections will take place as to the appropriateness of the seed within the particular zone.

Mr. Strang: Okay. Thank you.

The Chair: Mr. Chase, please, followed by Mr. Dunford.

Mr. Chase: Thank you very much. I'm going to continue on with reforestation and enforcement. Yesterday in the House SRD Minister Morton indicated that for every tree cut, four were replanted. That assertion was reiterated today. Unfortunately, in Kananaskis, Cataract, and McLean Creek areas there is little, if any, evidence of regrowth in the years following wave after wave of devastating clear cuts. Permanent scars, I believe, are going to

remain on Moose Mountain and Mount Burke. I have to stick with the 2005 and 2006 year. A question has been asked: why did your department have inadequate reforestation standards in 2006? This question has been attempted to be answered, so I'll move onto enforcement.

Referencing the AG's report, volume 1, page 126 talks about inadequate enforcement. The Cataract Creek circumstance after Spray Lakes clear-cut the heck out of the area, anything left standing was finished up by Bell Pole. Bell Pole was instructed that it had a window to get the felled trees out. That window was never enforced. Bell Pole had logging trucks on the roads, the forestry road, at the same time as recreational vehicles. Spray Lakes cut through-out a fire ban. I'd like to know where the enforcement was in 2005 and 2006 because I saw no evidence of it.

Mr. Pickering: I guess, just a point of clarification, I mean, if we've got logging trucks, I assume that the question is with respect to forest operations, not reforestation. The issue that I'd like put on the table with respect to our standard, I believe – and the Auditor General can correct me if I'm wrong – that the Auditor did say our policy is sound, that our procedure and approach are sound, but that our monitoring needs some work. Our standard, in fact, is a very good standard, and it's just the issue of how we monitor against that standard which was the issue from the Auditor General.

Mr. Dunn: Let me just supplement. Indeed, you are onto a subject that we were trying to bring out through this report. The standards are there, but you must do two things: monitor, as the deputy is saying, and then, secondly, enforce. It's on page 126. Your enforcement, though, Brad, was somewhat, I'd say, flexible at times.

9:40

Mr. Pickering: Yes. Flexible in the context of a newly evolving, sort of, period. Usually in most issues when you're dealing with enforcement: education before sticks. With your specific issue unfortunately, not knowing the specific details of time frames – and appreciate that we get a number of complaints from the public, some founded, some not – you have to get into the specific details to be able to appropriately answer that question.

The Chair: Thank you.

Your follow-up briefly, please, Mr. Chase.

Mr. Chase: Well, my follow-up would be that I've cited specific incidents. It was the summer of 2003 when we had clear-cutting throughout the night while campers were trying to camp during a fire ban, and in 2005-2006 campers were playing dodge ball with forestry trucks that were told by Sustainable Resources that they were not to be on the road during those recreational, especially weekend, time periods. There was no enforcement. I would appreciate an investigation of those two concerns and a report back to the entire body.

Mr. Pickering: Sure. We can do that.

Mr. Chase: Thank you.

Mr. Dunford: The first question I have is on page 97 of your annual report note 6 under Environmental Liabilities. If I could just quote the one sentence: "At March 31, 2006, the Ministry was still in the process of investigating the extent of work and costs required on all sites for which it may have reclamation obligations." I'm curious as to what type of work that would go on that would somehow make your department or our government have a reclamation obligation.

Mr. Pickering: I stand to be corrected on this, but I believe it's gravel pits and the issue is with Alberta Transportation and Sustainable Resource Development. We're trying to get a handle on the reclamation of those gravel pits.

Mr. Dunford: That makes sense.

Then my second question is on page 98. Note 8 under Contingent Liabilities talks about "various legal actions to recover amounts spent on fighting forest fires."

Mr. R. Miller: Those are my questions. I ask them every week.

Mr. Dunford: Oh. Do you? Well, actually, I need to apologize. I've missed a couple of meetings because of extremely important and hazardous responsibilities that an MLA has. All I can do is apologize to the member.

The Chair: Proceed, Mr. Dunford.

Mr. Dunford: Actually, part of that hazardous work was trying to get wiretaps into the Liberal caucus room. Can I say that in the *Hansard*?

The Chair: You already did.

Mr. Dunford: I also said it front of the Auditor General.

An Hon. Member: That should start a controversy.

Mr. Dunford: Well, the media is here. We didn't actually have the people at the back of the room introduced, but I assume media is here, are they not?

The Chair: Proceed with your questions, please. It's a public meeting. Any individual can come and attend.

Mr. Dunford: The question was regarding legal actions to recover amounts from fighting fires. It would seem to me that you guys are the fighters of fires. How would you become somehow legally obligated to some kind of, I don't know, financial charges or whatever it is?

Mr. Pickering: Basically, as part of our fire protocol there's an investigation to determine the start. If it's determined that it's a man-made, sort of, start, then there's an investigation done to determine if we can find out who the responsible party is. If we do determine the responsible party, then we do file a statement of claim against them to recoup the expenditures that the Crown has put into extinguishing that fire. There have been a number of instances where we have proceeded with legal action and/or settlements to recapture some of the dollars that the Crown has expended.

Mr. Dunford: Thank you. I hope that met the standard of important questions.

The Chair: Mr. Miller, followed by Dr. Brown.

Mr. R. Miller: Thank you. Again on the land surrounding Elinor Lake and the Elinor Lake resort, this land has traditionally been used and occupied by several from the Métis and the aboriginal communities, and I'm wondering whether or not they were consulted about the sale of the land, if that would be standard practice, and whether or not they would have had any opportunity to perhaps purchase the land in question.

The Chair: There were two questions there. Please proceed.

Mr. Pickering: Right. On the first, I'm not entirely sure of the time frame that that negotiation took place. It probably was pre having our framework policy in place. I can't say for sure, but I would assume not. Currently, though, our process would be that if we were affecting any traditional-type uses as part of the aboriginal consultation framework policy, that would occur.

I'm sorry; I missed the second question.

Mr. R. Miller: That's all right.

I'll just move on with a supplemental, then, if it's all right. To the Auditor General. On February 14, 2006, your office responded to concerns from a local concerned citizen, and you indicated that you would be forwarding her concerns to your staff and taking them under consideration for future audits. Can you tell us whether or not, in fact, your office did investigate the sale of the land involving the Elinor Lake resort?

Mr. Dunn: As you appreciate, we receive a number of queries from the public, and generally what we do is we take those under consideration in the current audit. We, of course, are obligated to report matters of significance to the Legislative Assembly as a whole. So any matters that would come out from our reporting or investigation into that will be tabled in our next '07 report, which will go simultaneously to all MLAs.

The Chair: Thank you.

Dr. Brown, followed by Mr. Bonko.

Dr. Brown: Thank you, Mr. Chairman. My question, again, is to Mr. Pickering regarding the grazing leases. It's my understanding that a surface rights compensation for Crown lands subject to grazing leases is paid to the grazing lessee and not to the Crown, and surface rights compensation consists of initial compensation, which is generally related to the market value of the land. It also consists of annual rent, which results from the components of adverse effect and the loss of use, which is calculated usually on a per acreage basis. My guess is that the amounts paid for loss of use per acre paid to the grazing lessees is far in excess of the amount paid by the grazing lessee based on the animal unit month criteria. So my questions are: what is the policy of the department regarding surface rights compensation, and why is there not a provision in there which would change the terms of the leases when they expire to ensure that any windfall profits are accrued to benefit of the Crown and not to the grazing lessee?

Mr. Pickering: I may ask Craig to supplement. I think it's important to note that there is a payment made to the Crown with respect to the miscellaneous lease that occurs for, say, a well site. There is a damage payment that is made to the lessee, dealing with damage inconvenience, nuisance. That's something that's negotiated between the oil company and the grazing lessee. We're not a party to that. But it is to sort of make the grazing leaseholder whole from that perspective. There have been allegations from the public that grazing leaseholders potentially are receiving significant sums. That's difficult to determine from our perspective, not being a party to those negotiations. I don't know if there's anything else.

Dr. Brown: Mr. Chairman, if I could follow up on that.

The Chair: Please.

Dr. Brown: The question, I guess, would be why the department would not change the terms of a lease to reserve to the Crown a right of entry for resource development and thereby ensuring that the surface rights compensation of millions of dollars is paid to the Crown and not to the lessee.

9:50

Mr. Pickering: Again, you know, there's a requirement under the surface rights legislation for any lessee to be contacted by an oil and gas company, their consent to be obtained. From the department's perspective we don't issue a lease until that consent is obtained. It's similar to the previous issue. I mean, anything is possible subject to a policy change.

Dr. Brown: Well, yes. It's a contractual issue, though, between the lessee and the lessor.

Mr. Pickering: Right. Which would be a policy change of the government.

The Chair: Thank you.

Mr. Bonko, followed by Mr. Cardinal.

Mr. Bonko: Thank you. In the annual report at page 47 with regard to the species that are, you know, the healthy sustainable wildlife population, my questions are: how concerned is the department and the Auditor General with regard to this species at risk? Sustainable Resource Development has already said that it needs to balance the interests with recreation, economic, and industry. What consideration is given to habitat and the impact on an already fragile ecosystem with some animals that rely on it, such as Little Smoky caribou, whose numbers have already dwindled, perhaps beyond repair?

Mr. Pickering: Is that a question to me or to the Auditor?

Mr. Bonko: Well, it's two parts: one for the department as well the Auditor General.

Mr. Pickering: Basically, we have a process that we go through to determine species at risk. There's a status of species in Alberta. It's run through the ESC Committee, which is headed by an MLA, currently MLA Cardinal. It has a number of our stakeholders on it. There are scientific reviews that are done. I think our measurement is determining how healthy our species are. In the last three years we have exceeded our criteria. As with anything it will be an issue, I think, that will come out as a result on land-use framework. There are trade-off decisions that have to be made in certain areas.

While I say that, we also are embarking upon a very rigorous biodiversity monitoring program, hopefully in conjunction with our oil and gas and forestry industry, which will allow us to provide that appropriate baseline to do planning and get a good understanding of the impacts of our decision on various species and plants.

Mr. Dunn: Very briefly. We do look at the performance measures and the systems that support providing the information on the performance measures, but I'm not aware myself, Mary-Jane, if we've done anything specifically around species at risk in our audits.

Ms Dawson: No. We haven't done anything recently. We have done things in the past about fish, but we haven't done anything about species.

Mr. Bonko: Okay. Well, maybe later on that could be one.

My second question is: what determines species at risk with regard to that or endangered, and what is the determination based on? You know, examples like Little Smoky caribou or the swift fox or the grizzly bear.

Mr. Pickering: I'll maybe have Ken walk us through the process for designation of species, whether they're endangered or threatened.

Mr. Ambrock: Well, as I'm sure you're aware, there is a national listing process, and all of the species that are reviewed go through what is called the Committee on the Status of Endangered Wildlife in Canada. It's essentially made up of a group of science experts that look not only provincially but nationally at species.

In the case of things like grizzly bear the criteria might be quite different from caribou. For grizzly bear one of the criteria would be so many breeding bears in the province. In the case of criteria for woodland caribou they look at historic populations, present populations, recruitment, the rate of decline in some herds, and that essentially invokes a status assessment that would have a recommendation to declare it as either threatened or endangered, in which case that would invoke a recovery planning process. We have a recovery plan for caribou, and we're in the process of implementing that through a bunch of landscape planning initiatives. The west central, which includes the Little Smoky and the A La Pêche herds, is being worked on right now, and in fact we expect to get some recommendations in that regard likely by the end of May.

Mr. Bonko: Thank you very much.

The Chair: Mr. Pickering, we still have four or possibly five members with questions that they would like to direct to the department, and we're running out of time, unfortunately. We're going to ask the members to concisely read their questions into the record, and if the department could provide a written response, again, not only for these questions but previous questions, through the clerk to all members, we would be very grateful for your co-operation.

Mr. Cardinal: It was in my first question: just an update on the Calling Lake pilot project.

Mr. Pickering: I'll ask Ken to respond to that one.

The Chair: Thank you.
Mr. Chase, please.

Mr. Chase: Thank you. I have two questions. Why in 2005-06 did SRD permit exploration in the Rumsey ecological area, the Caribou Mountains wilderness park, and the Suffield range?

My second question: does SRD have final say over AEUB exploration approvals? Who's in charge?

The Chair: Thank you.
Mr. Strang.

Mr. Strang: Thanks, Mr. Chairman. Just two quick ones. On the \$18.6 million settlement we got from CN on the 2001 Chisholm fire, can you just sort of elaborate on the different programs that we have to utilize that money?

Then I guess my second question is from page 40 where you state that you “completed three forest management agreement renewals.” How many more did we have in 2005-06 that you were working on?
Thank you.

The Chair: Thank you.

Mr. Miller, please, followed by Neil Brown.

Mr. R. Miller: Thank you, Mr. Chairman. The Auditor General described circumstances in which land sold in a private or priority sale might be sold at less than the appraised value, and I’m wondering if the department could provide a detailed accounting of how many instances in which that took place during the last business year and an explanation as to why.

The Chair: That’s it? Mr. Miller, I couldn’t hear you.

Mr. R. Miller: That’s it.

The Chair: Thank you.

Dr. Brown.

Dr. Brown: Thank you, Mr. Chairman. Mr. Pickering mentioned, I believe, that 14,000 trees were cut in the Willmore wilderness in an effort to halt the spread of the mountain pine beetle. I’m wondering whether or not with the benefit of hindsight he could advise whether there is some value for money there and whether there was some efficacy to that practice and whether or not there are other tests which would justify the expenditures of money in either clear block cutting or selective cutting as an effort to stop the mountain pine beetle, whether they are efficient.

The Chair: Thank you. I also have today a question for you, if you don’t mind. On page 66 of your report you have a chart, or a listing, of species that may or may not be at risk. For fish the total of species reported is 63. In 2000 there were no species at risk; in 2005 there were 5 species at risk. Could I please have from you what species of fish are at risk now and why? Thank you.

That concludes this portion of the meeting. Mr. Pickering, I would like to thank you and your staff on behalf of the entire Standing Committee on Public Accounts for your time and patience

with us this morning and your diligence. We look forward to hearing from you with written responses, and we wish you the very best in administering your ministry.

Mr. Pickering: We’ll see you next year.

The Chair: Yes. Thank you. Just feel free to go. We have some other items on the agenda to discuss.

Item 5 on our agenda, please, members. I would like to advise that the committee clerk has distributed a memo about the attendance of deputy ministers at Public Accounts Committee meetings in response to Dr. Brown’s request last week. The memo was sent to all MLAs yesterday, and I will table it in the Legislative Assembly at the appropriate time. This letter makes reference to Parliamentary Oversight – Committees and Relationships: A Guide to Strengthening Public Accounts Committees, and this letter also references the advice we received from Mr. Dubrow. So I hope that is adequate for the members.

I would also like to point out that Mr. Dunn’s briefing note about our meeting with the Minister of Finance has been circulated. We appreciate Mr. Dunn’s note and his sage advice.

You have no comments at this time?

Mr. Dunn: No. No further comments.

10:00

The Chair: Okay. The date of our next meeting is two weeks from today. There is a constituency week next week, and I wish Mr. Dunford good luck with all of his constituency work. Our next meeting will be on Wednesday, May 30, 2007, with the Hon. Dr. Lyle Oberg, Minister of Finance, his department.

Are there any other items to be discussed at this time?

May I have a motion to adjourn? Moved by Heather Forsyth that the meeting be adjourned. All in favour?

Hon. Members: Agreed.

The Chair: None opposed? Thank you very much. The chair appreciates your patience.

[The committee adjourned at 10:01 a.m.]