

8:30 a.m.

Wednesday, June 19, 1991

[Chairman: Mr. Pashak]

MR. CHAIRMAN: I'd like to call this morning's meeting of the Public Accounts Committee to order. The minutes of the June 12, 1991, committee meeting have been circulated. Is there a motion to adopt the minutes? Mr. Gibeault. Are we agreed that we adopt the minutes as distributed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Any business arising out of the minutes? Hearing none, I'd like to . . .

MR. PASZKOWSKI: Mr. Chairman, it should be pointed out that the Liberals were so interested in having time at public accounts, and there isn't one present here. I think that should be recorded, because this is a habit that happens on a regular basis.

MR. CHAIRMAN: I'm sure your comments will appear in *Hansard*.

I'd like to welcome again Mr. Don Salmon, the Auditor General. Today he's accompanied by Mr. Bud Cuthbert, the Assistant Auditor General and the auditor responsible for the audit for fish and wildlife. And it's my pleasure to introduce Mr. LeRoy Fjordbotten, the minister for fish and wildlife - Forestry, Lands and Wildlife. Sorry. I don't know why I've got fish and wildlife. It's because of the fish in the river. Anyway, I'd like to introduce the minister, Mr. Fjordbotten, and I'd invite him to introduce the members from his department and make an opening statement if he'd care to do so.

MR. FJORBOTTEN: Thank you, Mr. Chairman. It's a pleasure for me to be here before the committee today. You shouldn't feel apprehensive at all about getting mixed up in using the words "fish and wildlife" rather than "Forestry, Lands and Wildlife." When you have a title like that for a department and a name like mine, you always get things mixed up, I would expect.

Mr. Chairman, I do appreciate the opportunity to discuss my department's financial performance as it's described in the 1989-90 public accounts. With me this morning I have my deputy minister to my left, Mr. Cliff Smith, and to my right is Mr. Tom Collins, the senior assistant deputy minister who basically looks after the financial aspects of my department and Energy as well. I'd like to acknowledge the efforts of my staff in the department, who I believe have done a first-class job of both managing the funds voted to them by the Legislative Assembly and managing the revenue which flows through the department into the General Revenue Fund.

By way of introduction, Mr. Chairman, I would like to take a few moments to highlight a number of areas in the department's financial performance. On the expenditure side my department had voted appropriations totaling \$165.3 million. During the course of the year an additional \$27.5 million was provided through two special warrants for forest protection and for land claim settlements. As a result, the total authorized expenditure for the department was \$192.7 million, and of that total amount \$188.6 million was expended. Committee members will note an underexpenditure of \$4.2 million. Of that \$4.2 million, \$3 million represented savings in fire suppression brought about

really by an earlier than anticipated end to the critical fire season in August of 1989.

On the revenue side, Mr. Chairman, during the year my department received just over \$68 million. While this really represents a small increase over the previous year, it's important to note that revenue from the timber export tax or the softwood lumber tax actually decreased by \$1.7 million but other sources of revenue were more than sufficient to cover off that decrease and also provided a net revenue gain of some \$600,000. On balance, I'm pleased to report that the department carefully managed expenditures while at the same time adding revenue to the General Revenue Fund.

I'd also like to comment on the observations of the Auditor General in his 1989-90 annual report. In this report the Auditor General has acknowledged that the department fully complied with the previous recommendations respecting our monitoring of the softwood lumber export charge. In addition, committee members will note that there are no further recommendations in the Auditor General's report, and I believe we can take this as an indication of the sound financial management practices demonstrated by the staff in my department.

There are a number of other areas that I could touch on this morning, but as per our opening discussion, with those remarks I'd like to invite questions and comments from the members. In the event that I'm unable to provide answers this morning, I'll provide detailed responses to the questions after undertaking a review of *Hansard* to make sure I haven't missed anything. With that, Mr. Chairman, I'll invite any questions.

MR. CHAIRMAN: Well, I'm sure the members will appreciate that offer, hon. minister.

I'll begin with Mr. Gibeault.

MR. GIBEAULT: Thank you, Mr. Chairman. In his opening comments the minister touched on the special warrant for land claims under public lands. I wonder if he could clarify that. Is that in relation to the Metis settlements?

MR. FJORBOTTEN: No, it's not. Just give me a moment here.

The individual amounts that I could give you are as follows: the Sturgeon Indian band was \$1.425 million, the Whitefish Indian band was \$10,986,390, and the Lubicon Indian band was \$540,000, making a total of \$12,951,390.

MR. GIBEAULT: Could the minister elaborate a bit on those three allocations? What were the circumstances related to those three land claim settlements?

MR. FJORBOTTEN: Tom, do you want to take that?

MR. COLLINS: The arrangements were that the Attorney General had negotiated with these Indian bands the final settlement of land claim issues. Some of those involved financial contributions by the province for various things, and as a result the various departments of government who were involved were asked to provide the funding. Since that was an unanticipated expense for our department, we approached Treasury Board for a special warrant to provide for those amounts. I think the short answer to your question is that the Attorney General negotiated the detail of those settlements and then directed us as a department to provide this funding.

MR. GIBEAULT: There were three itemized there. I'm wondering, were those the only three land claims dealt with by the department in that fiscal year, or were there others that were outstanding? Were those the only three?

MR. COLLINS: Those were the only ones that were concluded.

MR. FJORBOTTEN: There were others under negotiation, of course, but those were the only ones that were concluded in that year.

MR. CHAIRMAN: Thank you.
Mr. Drobot.

MR. DROBOT: Thank you, Mr. Chairman. One thing that puzzles me here is that on page 3.71 the Forestry, Lands and Wildlife revolving fund had no budget for supplies and services, yet they expended \$108,000 in this area. Could the minister please provide some information with regard to this item?

MR. FJORBOTTEN: That was on 3.71. Well, first of all, I think we have to understand revolving fund accounting. There's an apparent discrepancy that you talk about which actually reflects, I think, the amount of inventory which really is maps and map products held by the department. I believe 1988-89 levels were \$332,000 and the '89-90 levels were \$224,000, so there's \$108,000 that represents a decrease in inventory needs, I think is what it showed. Does that answer your question?

MR. DROBOT: Okay. I guess I need some further clarification regarding the revolving fund. Based on the numbers you have just provided, it appears to me that the fund has a negative budget of \$9,000 for 1990. How is it that the year began with a negative balance?

MR. FJORBOTTEN: I believe, Mr. Chairman, the negative budget really represents the anticipated surplus of revenues over expenditure after adjusting for noncash charges such as depreciation. The \$9,000 could be considered the anticipated profit or, really, a negative expenditure.

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MR. DROBOT: A final supplementary, Mr. Chairman. I'm wondering if the minister could comment on what the objectives and services are of the department's revolving fund.

MR. COLLINS: Perhaps I might undertake to answer part of that. The primary function of the revolving fund is to operate the Maps Alberta program, where the department, through its land information services division, produces maps and sells them to Albertans. Rather than budgeting the cost of the production of the maps into the budget allocation of the department and turning the revenue over to the General Revenue Fund, we operate this revolving fund which takes in the revenue and pays the cost of generating the maps. We try and run it as a break-even operation. So what you see in terms of the \$9,000 this year is in fact profit which the revolving fund produced, fewer expenditures than income by some \$9,000. If you go into one of our information centres in the province and purchase a map, the cost of the production of that map comes out of the revolving fund and the revenue you provide goes into the revolving fund so we don't represent a drain on provincial coffers through the process of selling maps.

MR. CHAIRMAN: Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman. My first question to the minister: in reference to vote 1.2 on page 3.69, it seems odd that the subprogram responsible for Finance and Administrative Services would overexpend its budget. I acknowledge that the amount of overexpenditure is only \$7,000 and it's not a large variance, but still, why did the overexpenditure occur?

MR. FJORBOTTEN: Well, as I stated in my opening remarks, Tom Collins wears basically two hats: he works with Energy as well as with Forestry, Lands and Wildlife. The costs for services are really shared 60-40, 60 percent by Forestry, Lands and Wildlife and 40 percent by Energy. In the annual report the Auditor General really recommended an internal audit to improve certain areas of its operation. The department took a number of steps to address these concerns since 1989-1990. As well, during 1989-1990 the department recognized a need for strong internal audit functions, and additional expenditures were authorized at that time to allow this group to more effectively fulfill its mandate.

MR. PASZKOWSKI: Thank you. My first supplementary. In regard to the expenditures for subprogram 3.5, Forest Protection, I see that this area has excess funding of \$366,944. If you combine this with the \$441,740 transferred out of the amount not expended on forest protection activities, it totals over \$800,000. This is a sizable difference from the amount originally budgeted. Could the minister please advise what effect this had on forest protection activities?

MR. FJORBOTTEN: Well, Mr. Chairman, the time that the seasonal staff spends on direct fire suppression is appropriately charged to the fire suppression budget, and there's some excess funding that you're talking about. The excess funding in the forest protection area resulted from fire suppression charges not being expended from the forest protection budget, and all forest protection activities therefore were carried out with no ill effect.

MR. PASZKOWSKI: Thank you. My final question goes back to page 3.69. It's indicated that Program Support for Forest Resources Management, vote 3.1, overexpended by \$331,000-plus. This is after \$970,000 was added to the original budget through special warrants and an extra \$1.06 million was transferred in from other subprograms. It's clear, therefore, that this area went through quite a large amount of extra funding in '89-90. Could the minister please explain why this happened?

MR. FJORBOTTEN: Tom, do you want to . . .

MR. COLLINS: You'll notice that the Program Support area has an extremely large budget, and that may seem a little unusual at first. But the department, at least the Alberta forest service, pays for all its field staff out of its Program Support element, so all the permanent staff in the field are paid out of that element. During this particular year we had some unanticipated large and unusual expenditures. We had a very large jump in vehicle maintenance costs during that year. We had some unplanned for renovations to some facilities we undertook. In addition, working with the minister, we had provided for the Metis framework agreement and needed to provide \$150,000 to that association for some special advisors. As a result, we then accumulated those requirements and transferred funds into the

Program Support element that were sufficient. The \$970,000 you referred to that came out of this special warrant was in fact overtime pay for forest officers who were engaged in fire fighting activities. We distributed almost a million dollars to pay for that.

MR. CHAIRMAN: Mr. Sigurdson.

MR. SIGURDSON: Thank you, Mr. Chairman. If I could direct the minister's attention to page 3.70; it deals with Forest Resources Management. I believe in the minister's opening comments he said that the reason for special warrants in vote 3 for Forest Resources Management being at the level it is is because of lower than anticipated expenditure due to the high season ending sooner. Is that correct? I'm just curious: I would imagine that fire suppression is labour intensive, and the special warrant is approximately 10 to 11 percent higher than the estimates for the department while at the same time the Supplies and Services special warrant is almost 25 percent higher than the estimates that were voted on in the Legislature. Could I get an explanation as to why Supplies and Services is 25 percent more than the estimates?

MR. FJORDBOTTEN: Well, Mr. Chairman, the Supplies and Services portion I think would basically be to cover the aircraft, and the aircraft are quite expensive. Until you really get into fire fighting, you're not sure exactly what aircraft you need and how much they're going to be utilized. So the Supplies and Services portion you're looking at there is basically the aircraft.

MR. SIGURDSON: If we could turn to page 3.73, vote 3, I see Aircraft Operations. The amount in the estimates was \$6,435,000 and the expended amount was \$6,261,000. Then you go down a little bit and find Fire Suppression. The estimated amount was \$13 million and the expended amount was \$23 million. Is Aircraft Operations, reference 3.5.7, different than the aircraft that would be used in vote 3.6, or are there no aircraft being used in 3.6? I suppose that \$10 million overexpenditure should account for aircraft, yet the aircraft operations of the department at \$6 million seem to be right on the mark as the estimates go.

MR. COLLINS: Perhaps if you look at element 3.5, which is the Forest Protection element, that is the basic year-in, year-out standard expenditure of the department to provide for fire suppression. We have a basic man-up process, and we have a number of aircraft on standby. In the process of getting ready to fight fires, we incur an expenditure of about \$13 million, and that's a stable expense. In terms of aircraft operations, that provides for our basic tanker rentals, our basic standby helicopter rentals. It provides for our tanker bases. It provides for the basic air crews we require even before a fire occurs.

8:50

The fire suppression element, 3.6. Once we have a fire under way, then the costs of fighting the fire accrue under 3.6, and that could also include additional aircraft we require. It could include extensions to contracts for aircraft that were arranged for under element 3.5.

Am I getting to an understandable answer?

MR. SIGURDSON: It's coming together.

MR. FJORDBOTTEN: It's very complicated. We budget around \$13 million as the average we try and stick with, but there are the heli-tack crews, the tanker bases, the standby and everything that is there no matter what. If you get into some fires where you don't need extra, fine, but if you do, that's where it covers it.

MR. SIGURDSON: Just down on the same page, 3.8.6, Industry Safety and Training. I know that the forest industry has the highest rate of premium for Workers' Compensation Board, and I see you've got an expenditure of only \$300,000 to promote industry safety and training. I'd like to have a long explanation of this. Is that \$300,000 expenditure for just the personnel in the department that operate under forest protection, or is that industry-wide?

Mr. Chairman, without getting into having my knuckles rapped for a policy question, do you think that expenditure is enough to provide that kind of service in an industry that's very high in terms of its accident rate?

MR. FJORDBOTTEN: I'll have to ask my deputy to comment further on that, but really it is a grant we took out and provided to the AFPA, I think, the Alberta Forest Products Association. Cliff, you might want to make a comment.

MR. SMITH: Yeah, that's correct. The \$300,000 actually came out of our public land development program, for which the revenue was generated by the softwood lumber export tax. Because of the fact that revenues from the softwood lumber export tax have been declining due to reduced exports to the United States, the level of funding that was going directly to the forest industry has also been declining as well. This does not include all the safety programs that are within the department itself, but it was a special recognition of the problem that has been occurring in the forest industry due to the high accident rate.

MR. FJORDBOTTEN: Maybe, Cliff, you could make a quick comment that would be helpful. The Alberta Forest Products Association uses the money to do what?

MR. SMITH: Basically they use that money over the course of two or three years to develop their own safety program. They hired safety specialists and put on training programs throughout the province for the various sawmills and industries so they could in fact upgrade their safety program.

MR. CHAIRMAN: I'd like to make a comment at this point. You can't stay completely away from policy issues, and as long as we don't get into the kind of debate that occurs in the Assembly and we're getting interpretations of policy or explanations from the minister about the consequences of expenditures, if that's acceptable to the committee and they're finding that information useful, I'm prepared to let some questions go in that direction. If that's acceptable to the committee, I'll just kind of play it by ear. I think that question was in order, and I think the members were genuinely interested in hearing about what your department's doing with respect to accident prevention within the department.

MR. FJORDBOTTEN: Mr. Chairman, I appreciate your latitude. I thought it was important to step over the line a little bit on this one because it is a serious issue in the industry. It is

\$300,000 that was budgeted out of this budget, and it's important to know where it was going. I thought it was an excellent question.

MR. SIGURDSON: Thank you.

MR. CHAIRMAN: Mr. Clegg.

MR. CLEGG: Thank you, Mr. Chairman. You're certainly using good judgment.

On page 3.70 it indicates that all four votes, except vote 3, Forest Resources Management, exceeded their manpower apportionment by a very small amount. Why did vote 3 have \$1.2 million left over for manpower?

MR. FJORBOTTEN: I believe that was unexpended fire fighting special warrant funds. When we go for a special warrant, we try and use our best judgment on what we think the fire season will be and how long it will go. The one you refer to is really unexpended special warrant funds for fire fighting. I think we requested those funds in August of '89. We anticipated a heavy fall and spring fire season, but then we had, I think, a lot of rainfall and snow, so there was a reduction in the fire hazard.

MR. CLEGG: Thank you. With the rain we've had in the north this year, I certainly hope we don't get too many fires. We shouldn't, unless there are some severe storms.

A supplementary question on the same page. The budget for Supplies and Services in vote 3 was unexpended by nearly \$815,000. Could the minister please provide an explanation for this underexpenditure?

MR. FJORBOTTEN: Mr. Chairman, I believe the same answer applies as in the previous question. It was because we had earlier snow and more rain than we anticipated, so we didn't expend the special warrant funds.

MR. CLEGG: Well, thank you. My final supplementary with respect to vote 3 on page 3.70. I note that every control group was unexpended. I've already asked about the manpower. This time I would like to refer to the \$1.3 million in unexpended funds for Purchase of Fixed Assets. Perhaps, Mr. Minister, you could provide this committee with some insight on this surplus as well.

MR. FJORBOTTEN: Well, Mr. Chairman, in our water bombing, our water bombers, et cetera, we budgeted for some capital acquisitions of more equipment. We thought at that time we'd get a new federal/provincial agreement - which unfortunately we still haven't got, but we anticipated it at that time - and we were going to use the money to upgrade our water bomber fleet. Since that federal/provincial agreement didn't materialize, of course we didn't move ahead and we had unexpended funds, and that's why.

MR. CHAIRMAN: Mr. Jonson.

MR. JONSON: Yes. Good morning, Mr. Chairman. I'd like to go back to one of the items raised by the minister in his opening remarks, and this concerns the whole matter of the timber export tax transfer. Perhaps my question will involve the Auditor General as well.

I acknowledge that the department has been making every effort to work this out, but this problem of evidently not getting the flow of money into Alberta that we should have has been going on for some time. I wonder if the minister or the Auditor General could refresh our memories as to what the issue is here. It's always frustrating to know that . . . Year after year it seems as if the two agencies, the federal tax people and ourselves, are not able to work out a smooth transition here as far as tax money is concerned.

MR. FJORBOTTEN: Mr. Chairman, it's very complicated. It's not only a complicated question; the answer is even more complicated. I'll ask my deputy to give the background of the U.S. putting on a tax. I think it was in 1987. Cliff, you might want to make a . . .

9:00

MR. SMITH: Yes, that's correct. For a number of years lumber producers in the United States have felt that the timber that was being exported from Canada into their area had in fact been subsidized. The Canadian provinces all contested that, and back about 1983 there was a countervailing duty investigation that was not upheld. That led to a subsequent lobby by a coalition of lumber producers in the States, and in 1986, in a preliminary determination, the United States Department of Commerce administration determined that there would be a difference of approximately 15 percent.

Rather than implement a duty at that point, a last-minute negotiation occurred between Canada and the United States which led to a memorandum of understanding which would see Canada collect a 15 percent tax on all softwood lumber that was exported into the United States. Because Canada was collecting that tax, it was also agreed at that time that the money that was collected would in fact be refunded to the provinces of origin. So the forest industry pays the tax to the Canadian federal government. The Canadian federal government, in turn, then refunds that to the individual provinces where the lumber originated in the first place. There is a small administration charge that the federal government holds on to, but by and large the majority of those funds are returned to the province.

During the course of the implementation of that tax, there was some alleged leakage of lumber going into the States that supposedly did not have the tax paid. That was attributed in part to the fact that in our case some Alberta lumber was actually going out under the name of an Alberta company that also had operations in British Columbia. The result was that because British Columbia have totally replaced the tax that they pay in their own stumpage formula, they do not pay the tax. So that lumber allegedly was going into the United States without the tax, and that was the situation which led to the investigation by the Auditor General.

MR. JONSON: A supplementary question, then, Mr. Chairman. Is there any rough estimate of what amount of money is involved here to the province? Is it a great deal of effort for a very small amount of money, or is it a significant amount that we're looking for in this transfer formula?

MR. FJORBOTTEN: Well, initially, we just had to make our best guess on what it likely would be, and at that time we thought it would be \$23 million, \$24 million. It hasn't reached that amount. It's been substantially less than that. I think the number for '89-90 was \$14 million, approximately. Of course, that's nearly half of what we anticipated it would be. There was

a shift in the market that took place. There was less lumber going to the United States, and there was more within Canada and offshore. So it was \$14,760,912. Page 3.74 is where that's identified.

MR. JONSON: One final supplementary, Mr. Chairman. As I recall, this dispute or problem predated the actual signing or conclusion of the free trade agreement. It would seem to me that since there was no initial decision regarding whether or not our forest products, forest exports, conformed with the free trade agreement, this should be referable to the dispute settlement mechanism under the free trade agreement. Has this been contemplated?

MR. FJORDBOTTEN: Well, under the free trade agreement, you're right. There is a dispute settling mechanism, but this came into place before the free trade agreement, so of course it didn't trigger that. I might say that it was all negotiations on offset measures that could get the tax reduced. British Columbia took that position, and frankly what they did by doing that is get themselves into all kinds of trouble with their industry by having their rates so high that the industry is having trouble surviving. Ontario and Alberta were the only two holdouts in the process. We weren't the culprits to begin with, and we said we didn't want offset measures; we wanted the tax removed because it shouldn't have been put on in the first place. That's been our position. But to answer your initial question: under the free trade agreement there is a dispute settling mechanism that had it been in place when this came in, we would have had an option to work on.

I'm sorry, Mr. Chairman, to get into some policy there, but I can't answer the question about the tax without getting into it a little bit on this.

MR. CHAIRMAN: I appreciate that. I didn't hear an objection from any of the committee members, so I assumed that they were all interested in your response.

Mr. Lund.

MR. LUND: Thanks, Mr. Chairman. Good morning, gentlemen. I'm looking at page 3.74, the revenue side, and I notice a fairly large increase under Fees, Permits, and Licences. The largest increase in there is on Lands and Grazing. Could you explain what triggered the \$4 million increase in 1990 over 1989 for Lands and Grazing?

MR. FJORDBOTTEN: Well, there are a wide variety of charges, Mr. Chairman. Really, in the public lands area, the authorization of access and utilization of public lands, the department allows for use of public lands for livestock grazing, and leases and permits and licences are really issued for some 5.5 million acres of public grazing land and grazing allocations in 31 of our grazing reserves. Agricultural leases and permits are issued for annual cropping purposes and all of these activities - recreational, residential land uses, leases and permits for commercial activity on public lands - so there's a wide variety of fees and charges that are assessed with respect to that. That's basically where the increase in fees showed up. If you go to page 3.74 in the estimates book, you will see that in '89 there was roughly 18 and a half million dollars in Lands and Grazing under Fees, Permits, and Licences. The listing goes down from there and shows some of the timber, game, and fishing fees as well.

Mr. Chairman, I don't know if that answers the question or not. Maybe you could rephrase the part that I might have missed.

MR. LUND: Thanks, Mr. Chairman. Actually, a supplementary on the fees and permits. When we look at the Timber Rentals and Fees, we notice a reduction of \$2.2 million in revenue. Now, I guess related with both of those, I don't think the amount of land that's being grazed or farmed has increased, yet the revenue went up \$4 million. I thought we were perhaps harvesting more timber, yet the revenue went down \$2.2 million. Has there been some change in policy in those areas that has triggered those changes, just opposite to what I would have thought would happen?

MR. FJORDBOTTEN: I'll ask Cliff to comment on that.

9:10

MR. SMITH: I think it's a very good observation. I think the majority of the difference with respect to the reduction in timber can be explained by the fact that we're not selling a lot of timber by quota, which in the past has carried some fairly large bonus bids on a one-time basis only. We've pretty well phased out of large quota sales, so that revenue is no longer occurring. The increase in timber harvest that you referred to will in fact take place and will start to show in years subsequent to 1989-90, because of course a lot of the new plants are coming on stream or have come on stream within the last year.

With respect to the increases that have occurred in public lands, I think the minister answered that with respect to his previous answer.

MR. LUND: A supplementary, then, Mr. Chairman. When we move down to Sales of Assets, you see there the sale of land increasing by about \$1.6 million, which represents about a 76 percent increase, if I've got that figured right. How did that occur? Where did that come from?

MR. FJORDBOTTEN: Give me a moment, Mr. Chairman. I'll find out. What number was that again?

MR. LUND: On 3.76, it's under that same listing of revenues but down at the bottom. Sales of Assets: Land.

MR. CHAIRMAN: Do you mean 3.74?

MR. LUND: Page 3.74. Sales of Assets, and under the Land component of that we go from \$2.09 million to \$3.68 million.

MR. FJORDBOTTEN: Mr. Chairman, about the only way I can answer that is that the simple answer is that public land sales were up. There was a greater number of them than previously. Prices were up as well.

MS M. LAING: I'm looking at the bottom of page 3.72, item 3.4.6. Now this is under expenditures, so I'm not quite sure of the meaning of Forest Revenue. What is that?

MR. FJORDBOTTEN: What's the number again? I'm sorry.

MS M. LAING: It's 3.4.6, right at the bottom of page 3.72, the second column.

MR. FJORDBOTTEN: I want to make sure that I'm reading the right one now. It's 3.4.6.

MS M. LAING: Yeah, and it's \$876,000.

MR. FJORDBOTTEN: And it was \$965,000.

MS M. LAING: Right.

MR. FJORDBOTTEN: Tom, do you want to answer that?

MR. COLLINS: This is an expenditure that we incur under the timber management group of the Alberta forest service. In order to monitor stumpage and in order to collect the softwood lumber tax, we have a number of staff who are specifically dedicated to that. We had budgeted some \$876,000. As we've heard in previous comments, there were great concerns about the department's ability to collect the softwood lumber tax and whether we were doing an adequate job or not, so we put some additional resources into that activity. As a result, you can see that we spent about \$90,000 more than we planned.

MS M. LAING: Okay. I just noted the contradiction there.

MR. FJORDBOTTEN: This might give you a simple answer. They collect all the timber revenues in the province, and then they also audit them as well.

MS M. LAING: Okay. Thank you.

Now, I'm just up that column a way, 3.3.2 and 3.3.3, Reforestation. What lands would that be occurring on? It's an overview of reforestation.

MR. FJORDBOTTEN: Go ahead, Cliff.

MR. SMITH: The question was with respect to 3.3.2, Quota Reforestation and 3.3.3, Reforestation?

MS M. LAING: Yes.

MR. SMITH: The answer to the question is that Quota Reforestation covers all lands where the quota holders have opted to pay the Crown a levy to do the reforestation instead of doing it themselves.

MR. FJORDBOTTEN: I'll just stop you there and just say that the small quota holders have the option: they can do it themselves, or they can pay a levy to us and we will do it. But if we do it, then we have to show it.

MS M. LAING: And Reforestation - would that be a similar kind of . . .

MR. SMITH: Reforestation that is referred to would be more general reforestation, which is normally a non industry responsibility and covers such things as previous forest fires or areas that the industry is not responsible to bring back into production and the forest service goes out and does that work.

MS M. LAING: Thank you.

Could I refer you to page 4.17? I'm wondering about Accounts Payable, which appears to have increased, to have doubled. It's under Liabilities and Surplus, Current.

MR. FJORDBOTTEN: You'll have to give me a number here. I can't . . .

MS M. LAING: Page 4.17.

MR. FJORDBOTTEN: Four point one seven.

MS M. LAING: Yes.

MR. CHAIRMAN: It's under the revolving fund. The numbering is a little strange. You go up to 4.8, 4.9, and then it starts over again.

Do you want to restate your final question there? The minister has the page?

MS M. LAING: Accounts Payable: who, why aren't they paid, how many, and what's going on there? I know it's not very much money, but I just wondered.

MR. COLLINS: This is more an accounting issue than anything else. This is the revolving fund which we were speaking about earlier, where we primarily provide for the maps Alberta program. We provide for the production of maps, and then we take the revenue from their sales and we produce more maps. In this particular case what happened was that our accounts payable, which are those things that at the year-end we owe, happened at that particular time to be some \$306,000. My recollection is that we had made a purchase from the federal government of some maps, because we also are authorized as an agent for them. Close to the year-end we had bought some maps from the federal government, we hadn't yet paid them the bill, so we recorded it as an accounts payable liability on our books.

MR. CHAIRMAN: Mr. Severtson.

MR. SEVERTSON: Thank you, Mr. Chairman. My question is found on page 3.72. Looking at the element Fish and Wildlife, it appears that there are several differences between the budget and what was actually expended. I'd first like to ask the minister to comment on the nearly \$490,000 surplus in element 2.5.2, Regional Habitat Services.

MR. FJORDBOTTEN: We did some realignment within the department between Regional Habitat Services and Habitat Development. That really resulted in Regional Habitat Services being underexpended by approximately \$500,000 and Habitat Development then being overexpended by the same amount. So it was really just a bookkeeping entry, because it didn't eliminate any of the functions.

9:20

MR. SEVERTSON: Yeah, okay. That part answered one of my supplementary questions. That was my next question: why it was overexpended in Habitat Development? That was just a reallocating of funds.

So I would like another supplementary. Page 3.69 shows Wildlife Management was overexpended by \$117,000. When you look at the element details back on page 3.72, it seems that the overexpenditure was created in this element for Regional Wildlife Services and Wildlife Management Planning. Would the minister like to comment on the overexpenditure of these two areas: 2.2.2 and 2.2.3?

MR. FJORDBOTTEN: There were insufficient funds in the manpower category, I believe, but Cliff might want to make a comment.

MR. SMITH: Essentially the overexpenditure for Wildlife Management was really a result of some insufficient funding in the manpower category. The manpower expenditures for Regional Wildlife Services as well as for Wildlife Management Planning actually exceeded the budget by about \$117,000. We were able to alleviate this in subsequent years with the approval of new budget funding.

MR. SEVERTSON: Thank you.

MR. CHAIRMAN: Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. First of all, I'd like to welcome the minister and his deputies; it's always nice to see you here.

My questions relate to the area on page 3.72 under vote 3, Reforestation and Reclamation and in particular with reference to 3.3.5, Pine Ridge Forest Nursery. The budget was \$2.3 million, and we actually exceeded it by \$1.7 million, almost a 75 percent overexpenditure for Pine Ridge nursery. I'm wondering if the minister could explain the tremendous overexpenditure from budget?

MR. FJORDBOTTEN: Just give me a moment here, and I'll see if I can find the . . .

I like his answer. I think I'll let him give it.

MR. COLLINS: I was just reminding the minister that with regard to the Pine Ridge nursery, it had been a number of years since we had made any significant increases to the base budget for that facility, and as we began to recognize that because of the new FMAs that were coming on stream we would require more seedlings, we attempted to do some internal reallocation and provide the nursery with additional funds. So the overexpenditure that you see was an intended overexpenditure to ensure that that nursery was coming up to speed to meet the requirements of the new forest management agreements and the reforestation requirements that we anticipate seeing over the next three to five years.

MRS. BLACK: Well, just as a follow-up, Mr. Chairman, if I may. As a result of the additional funding, are we finding that with the interest in our forests and consequently the reforestation programs Pine Ridge nursery is able to meet the demand of those who elect to have Pine Ridge or the government do the reforestation? Have we got enough up at Pine Ridge now to meet the demand?

MR. FJORDBOTTEN: No, we really don't, and it wouldn't be our intention, in any event. Pine Ridge really was meant to grow about 23 million or 24 million seedlings, and now with the retrofit - thank you to the heritage fund investment - it'll come out to about 30 million. I'm stepping over the line here again a little bit, Mr. Chairman.

MR. CHAIRMAN: No, that's fine. I think we can interpret that question as one of trying to see what the results from that expenditure were. I think that's fine.

MR. FJORDBOTTEN: I think the results of the expenditure at Pine Ridge are a very efficient use of funds. But to answer your question: can Pine Ridge meet the needs? The answer is no. And should it? My answer would be no. What percentage of needs could it meet? I would say probably one-third, and that's about where it should stay.

MRS. BLACK: Thank you. Just as a final supplementary, Mr. Chairman. I notice in the same vote, 3.3.6, Reclamation, there was \$144,000 budgeted with no expenditure. Could you explain why there was no expenditure in that area?

MR. FJORDBOTTEN: Just give me a moment here.

MR. CHAIRMAN: That Reclamation expenditure.

MRS. BLACK: Yes; 3.3.6 under vote 3 on page 3.72: \$144,000.

MR. FJORDBOTTEN: I've found it. It'll just take a minute to find out where it went.

You're right. The budget there is 100 percent unexpended, but really what it was for was to co-ordinate plans and undertake operational reclamation as required, to restore productivity on protected land resources on Crown lands, and conduct research and co-ordinate saving of forest soil problems. Now, in order to streamline the reclamation functions within the department, they were assigned to other branches within that year. So the work still took place except we started on a process of trying to create efficiencies within our department. Those dollars were still expended, but they were expended in different branches to do the same amount of work and create efficiencies.

Mr. Chairman, I see a quizzical look on her face. I don't know if that really . . .

MR. CHAIRMAN: Well, we could permit a clarification of the question.

MRS. BLACK: I'm just wondering why this part wouldn't have shown an interdepartmental transfer of funds, showing the funds being transferred out and received into another department.

MR. COLLINS: There was no requirement because there was no move between departments here to move funds. That whole 3.3 grouping deals with the branch that we call Reforestation and Reclamation, and as we set the budget up in this particular year, we had a small group that dealt with Reclamation activities. As the minister indicated, when we started to look at some streamlining activities in the department during the course of the fiscal year, we realized that we were duplicating expertise in the Reclamation group, which already existed in other elements of that same Reforestation area. So what we did was simply reassign responsibilities and left that Reclamation money apparently unspent; however, it was in fact spent in other elements of that same grouping.

MR. CHAIRMAN: Mr. Thurber.

MR. THURBER: Thank you, Mr. Chairman. Mr. Minister, I realize you've come very close to answering some of my questions before, but maybe your answers to these questions would just further clarify it in my mind. In regard to the Statement of Expenditure by Program and Object on page 3.70, Departmental Support Services, vote 1, overexpended its budget for Salaries,

Wages, and Employee Benefits by some \$172,846. However, it appears that funds for supplies and services were held back as an offset. Could you explain if in fact this was the case, or were other circumstances involved in that?

9:30

MR. COLLINS: I'm the person who should be able to answer those questions, and right at this moment - I'm sorry; could you give me the reference again to the statement?

MR. THURBER: It's 3.70 under Departmental Support Services, vote 1. There was an overexpenditure there.

MR. FJORBOTTEN: I'll take a shot at it, Mr. Chairman. If I understand the question, there was an overall surplus of \$53,386?

MR. THURBER: No. It was an overexpenditure of \$172,000, yet it appears that the funds for supplies and services were held back as kind of an offset. Oh, okay. Yeah, you're right.

MR. FJORBOTTEN: Not only Tom should answer it. But it's in his group, so he should be able to answer it, so I'll ask Tom.

MR. COLLINS: The assessment that you made is correct. My group happens to have a fairly large number of clerical employees in it because we provide the financial and support services to the two departments. During the course of this year committee members may be aware that there was an administrative series review - that is, the administrative staff of government had a reclassification review - and that significantly impacted my group. Many staff were given increases in their salaries as a result of that review, so that forced a situation where we would then be some \$170,000 overspent in the manpower categories. In order to compensate that, we reduced some contract expenditures that we had anticipated undertaking. We had some contracts for some consulting work on one of our systems, and we had to forego that expenditure in order to cover off the salary increases.

MR. THURBER: Okay. My first supplementary: with reference to the Departmental Support Services, was there any purchase in particular that explains the \$34,332 overexpenditure of fixed asset funds?

MR. COLLINS: Once again, it's my group, so perhaps I could . . .

MR. FJORBOTTEN: He wanted more data base. That's why.

MR. COLLINS: Actually, the minister is not far wrong. One of the groups which my group provides for is the automated information systems division, which provides all of the centralized computing services to the two departments. We made a number of purchases in that group related to the installation of the department's integrated office system, and it was primarily those expenditures that resulted in the \$34,000 overexpenditure.

MR. THURBER: Thank you. My final, Mr. Chairman: could the minister explain the \$34,426 of prior year liabilities in vote 1? What does that involve, if you could?

MR. FJORBOTTEN: It's his group again.

MR. COLLINS: This is a very interesting and somewhat awkward situation. The budget for my group is provided initially through the Department of Energy, and the Minister of Energy represents my group in providing the estimates. As the minister indicated earlier, subsequent to the year end, or once the budget has been set, 60 percent of it is then passed to the Department of Forestry, Lands and Wildlife, and that's the portion that you see here. Forty percent of it is maintained in the Department of Energy, so they share the costs of my group.

What happened in the previous fiscal year was that the Deputy Minister of Energy's office requested some special computing services work to be done strictly for the Department of Energy, not on behalf of both departments. So we then undertook to transfer \$100,000 from the Deputy Minister of Energy's budget into the finance and administration budget, thinking that that would be a very simple transaction and that some \$60,000 would flow into the budget allocation of the Department of Forestry, Lands and Wildlife. Well, my friends down in Treasury stopped that transfer. They said that what we were doing, in essence, was transferring funds from one vote to another because the budget allocation had already been set. They were saying that what I was really doing was taking money out of the Department of Energy and moving it into the Department of Forestry, Lands and Wildlife, and that was an inappropriate transfer. The net result was that my group had apparently overspent, at least on paper, by some \$34,000 in the Department of Forestry, Lands and Wildlife. In fact there is an offsetting underexpenditure in the Department of Energy. And if that isn't complicated . . .

MR. CHAIRMAN: Hon. member, do you wish to . . .

MR. THURBER: I think I thank you.

MR. FJORBOTTEN: If you understand all that, you're hired.

MR. CHAIRMAN: Mr. Cardinal.

MR. CARDINAL: Thank you. My question is on page 3.70 of the public accounts, '89-90. At the bottom of the page under Public Lands Management and Land Information Services, when I look at the expenditure by program for vote 4, I notice that the overexpenditures and underexpenditures and their amounts appear erratic: \$472,000 was unused for supplies and services, and this surplus grossed over \$600,000 if you ignore the transfers and the special warrants. Could the minister explain to the committee why there was such a sizable surplus in this area?

MR. FJORBOTTEN: Well, Mr. Chairman, maybe Tom would like to take a shot at it. It's complicated in the answer again. Some \$56,000 of that was a special warrant amount that had been a land claim settlement negotiated with the Attorney General's department. As part of the department's approved program changes in '88-89, they weren't reflected in the estimates. The changes, I believe, came late in the budget process as well and could not be included when it had been sent out for printing. There was a transfer of some \$149,000 from supplies and services to fixed assets occurring during the fiscal year to provide for the program changes that had been previously approved.

Now I'll ask Tom to comment on the \$472,000. That's on page 3.70 on vote 4. Maybe Tom could comment on that.

MR. COLLINS: One of the services that's provided in that element is in our range management activities on public lands. In the process of maintaining those lands, we do a lot of breaking of the lands. We seed the lands and make them available for disposition to the public, or we make them available for inclusion in grazing reserves. Well, we plan to do a certain amount of activity every year, and this particular year what occurred was that we had a very wet fall. As a result, we weren't able to get on the land as frequently as we wanted, and we weren't able to do as much work as we had anticipated and budgeted for. So the majority of the saving of \$472,000 is really because of poor weather late in the year.

MR. FJORBOTTEN: It's not really poor weather, because the rainy weather helped the forest fire season, so we didn't expend so much money. But then we weren't able to work on this either because it was too wet to do this work. That's part of the trouble in forecasting a budget.

MR. CARDINAL: My supplement is referring to vote 4 on the same page. I note that the budget for Purchase of Fixed Assets was exceeded by \$226,000. This is after \$149,560 is added to the original budget through transfers and special warrants. Would the minister please explain what unbudgeted purchases were processed and why?

9:40

MR. FJORBOTTEN: Well, I think I'll have Tom answer it, because it was for some integrated office system hardware.

MR. COLLINS: Earlier I had made reference to the department putting in place, through the computing systems group which I have, an integrated office system for the department. One of the things that has done is that it has linked all of our regional and district offices together and allowed us to operate off the same word processing equipment, the same spreadsheet equipment, and to have an electronic mail capacity that links all of the department's offices in the province. The public lands division, which incurred this fixed asset expenditure, was one of the last elements of the department to come on board. Late in the year we made a decision to hook up a couple of offices that we hadn't originally planned to do, and that caused the overexpenditure in the fixed assets category, but we recognized at that point that we already had some savings that were occurring in other areas of the budget group.

MR. CARDINAL: My final supplementary again is on vote 4, the budget for manpower exceeded by over \$90,000. I suspect the reason for this would be the same as votes 1, 2, and 3. Am I understanding right on that?

MR. FJORBOTTEN: That's correct, yes.

MR. CARDINAL: Okay. Thank you.

MR. CHAIRMAN: Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. Good morning. I'd like to ask the minister to turn to the revenue page, 3.74, please. In particular, I have a question with respect to the section Fees, Permits, and Licences. There's a section there for Game Licences, and I note an increase of some \$700,000. I'm wondering if the increase in the game licence fees is due to an

increase in the number of fees, or is that increase of \$700,000 a result of the new closed-bid system that was created that year?

MR. FJORBOTTEN: It's both, really. Just a minute; I'll try and get a number here. The introduction of the outfitter/guide allocation system was one part of that, and then there was some increase in fees as well that I think in there was about \$400,000.

MR. BRUSEKER: My supplementary to that then. Since there's an increase in the number of permits, I'm wondering if that reflects an increase in the number of animals that are actually taken by hunters. Are there more animals being harvested?

MR. FJORBOTTEN: No.

MR. BRUSEKER: My final supplementary is on the previous page, 3.72. Under Fish and Wildlife there is a vote that I'm curious about, vote 2.2.7. It says Crop Damage Prevention, an expenditure of \$250,000. I'm wondering what that expenditure is and why it's under Fish and Wildlife that we've got a crop damage prevention expenditure.

MR. FJORBOTTEN: First of all, we operate a crop damage prevention program in our four provincial regions. That's really to deal with waterfowl damage, basically, on unharvested crops that are in the province. In most areas we provide feeding sites and lure crops and things like that to lure them so they don't go in there. But the expenditures for the crop damage prevention program largely depend on the harvest progress that's taken place and weather conditions, and they can vary dramatically from one year to the next. If we have a wet fall, it's more, and if it's a dry, open fall, of course it's much less. In years when the conditions are near optimal, expenditures are normally less than the budgeted total. Basically, that's why it shows some 26 percent unexpended in that.

MR. CHAIRMAN: Okay.
Mrs. Osterman.

MRS. OSTERMAN: Thank you, Mr. Chairman. Good morning, gentlemen and Mr. Minister. I'd like you to look at page 3.73, and the specific item is 3.7.2, Forest Management Research. While this isn't a large item, I notice that on a \$199,586 item there is a \$65,000 drop in what was committed to what was actually expended. Am I accurate in that?

MR. FJORBOTTEN: I just want to be sure, Mr. Chairman, and I interrupt to make sure I'm on the right page. It's 3.73?

MRS. OSTERMAN: And then the specific reference is 3.7.2. It's Forest Management Research, and while not a large item, it's certainly a major underexpenditure in an area that I think is pretty sensitive for most people. I believe there would be good support for research, and I just wondered how this particular drop in expenditure had occurred.

MR. FJORBOTTEN: It doesn't affect the in-house research, but we do a number by contract, and I think really the answer is that we didn't contract as much.

MRS. OSTERMAN: Is there a reason for that?

MS M. LAING: Oh, okay. On page 3.72, in the second column, 3.1.8, I'm wondering about the Forest Technology School. Where is that? What is that?

MR. FJORDBOTTEN: The forest school is at Hinton. I'll ask Cliff to comment on that.

MR. SMITH: The Forest Technology School is a school that's been in place for many decades now. It's a very successful training school that is used for in-house programs for the department; as well, second-year Northern Alberta Institute of Technology forestry students take their training there. In addition, there are a number of other departments that utilize the facility. It's becoming more and more recognized across the country as a first-class forestry training institution.

MR. FJORDBOTTEN: It's not only forestry. Fish and wildlife utilizes it as well. Also, there are other external groups that use it as well. Could you give a quick example? I think it's important for members to know that.

MR. SMITH: There are several local groups in Hinton – public service groups, recreation groups, and whatnot – that utilize the facility, and the Canadian forestry service under the federal government uses it. The University of Alberta has part of their second year on the forestry training school campus in the spring. So there's a number of different groups and associations that are involved.

MR. CHAIRMAN: I'd like to thank the minister for coming before the committee this morning. I'm sure that all members of the committee appreciated the conciseness of his opening statement, which permitted them to get in more questions than they otherwise would have been able to, and I'm sure they appreciated the information that you provided, Mr. Minister.

Just two quick items of business. One, the Hon. Don Sparrow, Minister of Tourism, is scheduled to appear before the committee next week.

Mr. Thurber and I, if there's time, would like to report back to the committee on what we learned from the Australasian public accounts committee. If we don't have that opportunity, we will file either a statement with the committee or with the Assembly itself.

Mr. Moore.

MR. MOORE: I move we adjourn.

MR. CHAIRMAN: We have a motion to adjourn. Are you agreed?

HON. MEMBERS: Agreed.

[The committee adjourned at 9:58 a.m.]

