8:30 a.m. **Wednesday, March 15, 1995**

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'd like to call us to order. The first item of business is approval of the agenda. Could I have a motion to approve it as circulated? Thank you, Pearl. All in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Carried unanimously.

Approval of the minutes of the March 8 meeting. Any errors or omissions? If not, can I have a motion to accept them as circulated. Sine. All in favour?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Carried unanimously.

At this time I'd like to extend a warm welcome to the hon. Dr. Steve West, Minister of Transportation and Utilities, and also his staff and acknowledge once again the attendance of our Auditor General and Mr. Nick Shandro. Dr. West, if you'd like to introduce your staff at this time and then proceed with opening remarks, I'd appreciate it.

DR. WEST: Yes. To my right is Harvey Alton, Deputy Minister of Transportation and Utilities. Bob King has many hats, but he's chairman of the Alberta Liquor Control Board today. Here we have Doug Porter, assistant deputy minister of the administration division of Transportation and Utilities. Gary Boddez is the assistant deputy minister of lotteries and gaming, and he sits on many boards. He's chairman of the lotteries board itself, and he also sits on Wild Rose and the gaming control branch boards. As I said, I've got many hats on here today.

This goes back to a time when – I was just talking to individuals from the Auditor General's department that we're now reviewing something that is three budgets behind. Of course, that was at a time when I wasn't the minister of this department, which makes the logistical ability to address the details of those areas a little more difficult for a minister. But I'm sure the people I have with me can recall those days vividly and will be able to succinctly answer your questions.

Today we are looking at public accounts for Alberta Transportation and Utilities, as well as a national infrastructure program, although it was just starting at that time and we were putting some lapsed funds back in about March of '94. We have lotteries and financial assistance to major exhibitions and fairs. We'll be looking at the gaming policy, the licensing and control branch that looks after certain developments with volunteer and charity groups, the control and the development of horse racing in the province of Alberta, and disaster services and dangerous goods control, which is under public safety services.

I think the '93-94 area was when we started our three-year budget plans. If you recall, we started to lay out a process which was new. At that time, the Department of Transportation and Utilities started a restructuring plan, as well as a lot of other areas that we're going to deal with. Transportation and Utilities reduced from six to four divisions and five regions to four and eliminated two district offices during that period of time. Of course, the focus of policy of government was to establish its role as well as it could and then move where it could to contracting or to finding other ways that were more fiscally responsible as well as feasible to do business. So we had an increased use of contractors, supply of materials and contracts during that period of time, and such things as moving the end product specifications for all paving contracts were initiated.

During those same times, if you recall, was the peak of the privatization of the Alberta Liquor Control Board. I'm jumping away from transportation to demonstrate that in that period of time there were big transitions taking place. Although lotteries and gaming were traditionally set pretty well where they were until we started looking at them this year, the Liquor Control Board had moved to divest itself totally of its assets as it related to the retail business and set in motion a process to remove itself from the wholesale ownership of a warehousing system and become indeed the proverbial tax collector and enforcer of the rules around the Liquor Control Act and other regulations.

Back in Transportation and Utilities, we started to look at transferring of road authorities, such things as making smoother, I guess, evolution in the province of government itself. We took the improvement districts and started a process to transfer the 34-year tradition where the department of transportation was the road authority in the improvement districts and funded them in their operational area. Really, I guess we considered them as capital assets to the province at that time. That process, of course, is complete today, but in '93-94 we started the process in the three-year budget plan.

At the same time the central vehicle services and executive fleet were integrated into the department. That was a new direction. I think at the time – I can't remember the definite number of vehicles – we had the challenge to remove 25 percent of those vehicles. At the time we were probably dealing with over 4,000 vehicles in that fleet. Again, the department started to look at its own fleet and its equipment and any surpluses and started to move to liquidation of some of those and to downsize its fleet.

Just a note. I'm not going to go into too much more detail, because I did acknowledge right at the beginning that I think your questions will bring it out and Public Accounts will cross many borders here this morning. I'm sure there will be questions that go back and forth between probably partial policy and the absolute nuts and bolts of finances.

Just a comment about the ALCB. The net income that year showed 378 and a half million dollars. Traditionally we have delivered back to Treasury from that account 400-plus million dollars. That year was unusual because we were in the privatization, and of course we had a little over $17 million in employee severance costs in dealing with a very large workforce that had to move out into the private sector. As well, there was the cost of terminating the retail operations, which was roughly $36.1 million at that time. There were losses attributed to the retail stores we had too, because they had a book value. They were dealt with on a type of amortization, a flat line, and they still contained the book value. They weren't depreciated as I would have done in the private sector; they were run at a different depreciation. As a result, when we went to market value in the sale of those stores, they weren't bringing the same market value in 1993 as they were built perhaps in 1979 or overbuilt in 1985. So we took book values, but we actually took more in market value, because they actually brought $3 million to $4 million more in market value.

One of the other big losses to the ALCB was dealing with the warehouse in St. Albert, which had a book value of close to $38 million but on market assessment and evaluation on any appraisals we had done, it came in at around $25 million. Therefore in the dealings and the agreement that we have, there will be a realized loss on that building of a minimum of $13 million. What percentage is calculated – I don't believe that's in this. No, that won't be in this, but it's part of the process of why you see the net income down at $378 million when indeed the revenues are above that.

I won't go into lotteries at this time. I think we'll bring that up as you go forth. Of course, the video lottery program at that time started to show a sharp increase in revenues in '93-94, about $184 million that year. That was the first realization we had that these video lotteries would generate considerably more than the amounts of somewhere around $125 million plus that the traditional lotteries, 6/49 and others, had generated back to the government. At that time, too, we started the community facilities enhancement program 2, and then you could see that the grants were increasing from about $5 million to $24 million in '93-94 as the program ramped up. During that year, of course, $113 million was transferred from the lottery fund to the general revenue fund. At the present day, as we stand this year, it will be around $384 million.

8:40

If you look at the differences – and the Auditor General's department has made comments on lotteries consistently every year, not only on how the program expenditures were priorized or justified but also on the operations as to how they were transparent and accountable to the Legislative Assembly and back through the process, the way the fund was set aside and then sent over in lump sums through Treasury. I believe at the present time we are going to great lengths to rectify that, to bring them forth in normal estimates and to make the lottery dollars totally accountable and treated as any other dollars and revenues to the province, as well as set out processes. It was difficult in the CFEP that had the guidelines as set out before, and it comes off the decks from many areas in the province, from different groups. We have hundreds and hundreds of applications, and it is a very difficult thing. If somebody said, "Would you demonstrate the net benefit from the expenditure of those dollars?" – that's always been a thing, and we're going to try to the best of our ability to do that. I think in programs in the future – and the Auditor General's report is quite accurate – you must be able to show some process of justifying the results as well as the granting of those funds, the end result and benefit to society in some form. Otherwise, they become discretionary by some means and don't go through a process that's accountable as we are here today.

I'll stop there. Those are some introductory remarks, by no means complete. I understand that. But working three budgets behind in a department I've only been in since December 22nd, you tell me how I've done after I get through.

THE CHAIRMAN: Thank you, hon. minister. I'm sure they won't be reticent in sharing their viewpoint at the end of the meeting.

At this time I'd like to call on Pearl Calahasen. Pearl.

MS CALAHASEN: Thank you very much, Madam Chairman. I would like to welcome the minister to his first Public Accounts since he assumed his position as Minister of Transportation and Utilities. If you'll look in volume 2, page 373, towards the very end, you'll see schedule 30. It gives details of salaries and benefits for the department. If you go further down under the executive of the department, you will see motor transport services and support programs division, and in there it says that the ministry got .8 percent of the support programs division and the motor transport services executive only got .2 percent. Could you tell me why that would be, why your ministry would get more than motor transport services?

DR. WEST: Well, I assume this is a downsizing that we were doing at the executive level at that time. Some of the support programs, I believe, were moved over to the engineering division partway through that year, and some of the other support programs were absorbed by the planning and development division of transportation during those times. It was the beginning of those three-year plans, and there was a definite downsizing starting. There was also the retirement of the chairman of the Motor Transport Board, and the assistant deputy minister of motor transport services moved to the board, retaining his old duties. So we had a collapse of one position and had that consolidated under one individual who used to be the assistant deputy minister of motor transport services.

MS CALAHASEN: I think at that time the chairman of the Motor Transport Board – you just mentioned him – received a 22 percent pay increase, from $96,000 in 1993 to $117,447 in 1994. This was a time when salaries were being frozen. As a matter fact, there were some salaries being rolled back 5 percent. Could you tell me why this happened, and is that why he's gone now?

DR. WEST: It's an interesting one. That one hit the newspapers. There was quite a lot of politics around that in those images, but again, as we said, those positions were collapsed and the assistant deputy minister took over that. With that combination, the original chairman was entitled to receive on his way out certain benefits and vacation pay that was not taken. It amounted to about $16,000 and therefore showed an increase on that position for that year, but indeed it was the payout services at the end. Anybody can add to that, but in accounting points of view we show benefits and that sort of thing as salaries in our books. As a result, those benefits would show an increase in salary rather than what is traditionally done in the private sector, to literally show it as vacation pay.

THE CHAIRMAN: Final supplementary.

MS CALAHASEN: Thank you. Has there then been a review of the salaries and benefits of the department staff to determine whether or not they are in line or commensurate with the private sector?

DR. WEST: That's an interesting question. Every time we do that somebody says, "How do you compare some of the other benefits that you get in government and that sort of thing to the private sector?" We just went through an exercise where we gave it out to somebody to compare members of the Legislature to the private sector, and of course as soon as that document hits the road, the criticism starts: "That's ridiculous. You're not going to demonstrate those salaries." We try to compare these to some executive officers in the private sector, depending on their functions. You will find that if we do that across the board, many are underpaid and some are well paid and some might comparatively, because of their time in government, be a bit overpaid. We continually work on codes that have been put in place in government to compare it to the private sector, but certainly those will be out of line depending on the economics in the private sector and the variables we'll find there.

MS CALAHASEN: Thank you.

THE CHAIRMAN: Sine Chadi.

MR. CHADI: Thank you, Madam Chairman. Firstly, I want to thank the minister and his staff for appearing before us. Good morning. I would like to start off with the Alberta Resources Railway Corporation with respect to the Auditor General's report, where the Auditor General reserved an opinion.

THE CHAIRMAN: Could you give us a reference point, Sine?

MR. CHADI: Page 112 of the Auditor General's report. It says:

> This reservation of opinion was necessary because audit evidence to support the completeness of tonnage rental revenue was not available.

Of course, I'm interested in knowing the rental revenue from this corporation and where it may be recorded in transportation's statements. There is revenue recorded in the public accounts, Madam Chairman, on page 134 of volume 2, but it couldn't possibly be there because it doesn't show it. It doesn't show enough revenue, so it couldn't be embedded in any of the revenues there. Where would it be recorded, Mr. Minister?

DR. WEST: Yes. I'll refer that to my chief executive officers here.

8:50

MR. SHANDRO: The page number is 201; tonnage revenue, 1993.

THE CHAIRMAN: In volume 2?

MR. SHANDRO: In volume 3.

MR. CHADI: It is my understanding that the Alberta Resources Railway Corporation has been sold or the railway asset itself has been sold. Is there anywhere it's recorded in our documentation as to the value we received for that asset?

MR. ALTON: The sale of the Alberta Resources Railway is currently being reviewed by the National Transportation Agency, and until they approve of the sale, the sale is not concluded.

MR. CHADI: It's not?

MR. ALTON: The sale of railroads in Canada must have the approval of the National Transportation Agency. There is an application before the National Transportation Agency currently, but it has not yet rendered a decision.

THE CHAIRMAN: Final supplementary, Sine?

MR. CHADI: Yes. I'm wondering if the province is still getting the rental revenues in light of the fact that it hasn't completed a sale.

MR. ALTON: Under the agreement of sale which exists with CN, the province would continue to get the revenues if the sale is not approved. If the sale is approved, then the conditions of the agreement of sale apply and the revenues would go to CN.

MR. CHADI: Would there be any offsets or maybe interest that has been approved? Would that come to the province? I mean, it just doesn't make sense that you lose the rental revenues.

MR. ALTON: Under the terms of the agreement, there is provision for interest to the province if the sale is not approved.

DR. WEST: In '93 the revenues to the province as recorded by the Auditor General were $6,706,089. They did make reference that they were unable to determine whether any adjustments might be necessary for the tonnage rental revenue, excessive revenue over expenditure, but there was rental revenue coming in at that time.

MR. SHANDRO: My understanding of it is that in the year ended December 31, only the spur line was sold in that particular year. The other part of the railway was sold in the subsequent year. So there's revenue in the year ended '93, and there will be revenue in the year ended '94.

MR. FRIEDEL: I'm starting out in the Auditor General's report on page 15, recommendation 6:

> It is recommended that the government reconsider its rationale for being less accountable for lottery revenues than for other public funds.

I understand that this recommendation has been accepted. I'm also aware, Mr. Minister, that you have made quite a number of changes, but I'm wondering if you could perhaps elaborate a bit on what specific steps have been taken to ensure that this revenue is treated no differently than other general revenue funds the government is responsible for.

DR. WEST: Yes, that brings us up to the present day, because those changes have been forthcoming just in this spring budget term. As you well know, we put out a review committee, but at the same time we announced that we would be taking steps to accommodate all the recommendations made by the Auditor General. In so doing, these are some of the steps we've put in place to make accountable. The Alberta lotteries operation will be funded by a grant now from the general revenue fund. Remember that before they took all their operational expenditures off the fund first. They just set their own budget, removed the money, and then said, "Here's what's left over." Now they will have to receive their operations – it will go in the form of a grant, but they will have to justify before they get those moneys that that's their set budget for the year, and I've asked them to establish three-year business plans. The grant is part of the government's regular budget process and subject to full review by the Legislature.

The lottery fund grant programs will continue to be part of the regular budget process and subject to full review. That means for future years – that's in the three-year plans – the three-year business plan for lotteries and gaming has been prepared and includes lottery operations in Alberta of all kinds. The Lottery Review Committee has been established to seek that public consultation, as I said, and to look at the future of the gaming process. So we have taken those steps at this point in time. In '93 that wasn't the case at all with these revenues. Certain moneys from the fund were put through to the traditional grant programs. Literally money accumulated in a lottery fund, and almost on an ad hoc basis those moneys were transferred to Treasury if they needed them or to specific targets.

MR. FRIEDEL: In the same document, same page, the Auditor General noted that Alberta Lotteries spent $42 million for administration and operating and marketing expenses and for the purchase of capital assets. This strikes me as being somewhat generous relative to the proportion of money normally spent in an operation for the administration function. Is that also going to be changed, or is there an explanation for that proportion?

DR. WEST: Well, you know, that's exactly the root of all this. The question you bring up says: what is $42 million, or should it have been $52 million or $22 million? There was no basis. There was a budget, lotteries did establish a budget, but in looking down through, the public of Alberta or the Auditor General said: how do you justify those numbers in relation to such a large revenue? I mean, if you're making $500 million a year, what criteria do you use, what benchmark do you use for whether $30 million, $40 million, or $50 million was really a lot of money as compared to operations. I mean, you could literally ramp up advertising and this and that and justify it. So yes, we did change it, and we designated the Auditor General as the auditor for Alberta Lotteries. He will be the official auditor rather than somebody from outside. Again, we said they'll get a grant now from the Legislative Assembly through the process, and as any other, they'll have to develop a budget, justify it, and bring it before the minister and bring it in here.

The expenditures in '95-96 will be $24 million, and you noted that it was $42 million at that time. That's a 40 percent decrease. Some of that is capital, mind you, but we are working on the same process as has gone into the rest of the government operations. We asked for an initial 20 percent cutback immediately in their operations and took a 5 percent salary rollback. Then I have challenged the operation to continue in its amalgamation, and we're going to see very shortly the amalgamation of many of those areas which will again, I think, give us a major contribution to this sum here so that we can operate this thing a lot more efficiently. So yes, this one shows 40 percent in '95-96; some of that is capital. But all I say is: stay tuned and we'll see what the Auditor General says. We hope that as auditors they'll be able to help us in their recommendations and even streamline it more.

MR. FRIEDEL: In public accounts, volume 2, page 199, still relating to the lottery fund, the revenues were $342 million and transfers, or paid out in grants, was $137 million. Now, I understand the breakdown, that there were transfers to the general revenue fund of $113 million, but I don't understand the fund equity thing. It appears to be a rather arbitrary amount that's carried over from the balance for the previous year. Last year it was $71 million, it was raised to $110 million, and now the $110 million is carried over. Is there a rationale or explanation for what that equity balance is all about?

9:00

DR. WEST: That's the way it was done before. You took out so many dollars and you transferred out of the fund what you needed. Then periodically if there were surpluses and the government deemed by policy that some of those surpluses might be used in the general revenue fund, it was called. Now there will be a base amount left. From this point to where we're going now, we're going to transfer all the funds. I said this year we'll transfer $385 million over to the general revenue fund, into Treasury, and there won't be any base amount, this equity position being kept, except $35 million on an ongoing basis. We're going to leave $35 million there. Again I await some comments from the Auditor General, but there's some rationale with the massive cash flow that comes into this fund on a daily basis, on a weekly basis, $9 million a week – if you just took four weeks, that's $36 million or $30 million. So we felt that a $35 million base in this fund would allow it to function, and keep transferring anything over that automatically into Treasury or into the general revenue fund.

So the answer to your question is: the same question was asked by the Auditor General, and we've corrected that because it's very hard to have justified why the fund would accumulate. When I got along it had 200 and some million dollars in it. Why it would accumulate and then the government would say, well, you'll deliver that to us at a certain date – we'll just keep throwing that money to the accountable process we have in Treasury, and it will be fully transparent now. The only base money that can be kept is $35 million.

THE CHAIRMAN: Thank you, hon. minister.
Terry Kirkland.

MR. KIRKLAND: Thank you, Madam Chairman. I was looking in volume 2 at the revolving fund and the gravel and land operations which often cause many questions to rise. I see in '93 there's an actual expenditure of $4.5 million.

THE CHAIRMAN: Terry, can you give us your page and vote?

MR. KIRKLAND: Volume 2, page 183.

THE CHAIRMAN: Thank you.

MR. KIRKLAND: Revolving fund, gravel and land operations. When we look at that, there's almost a threefold increase from '93 to '94. I'm led to believe when I look at that that there's obviously considerable activity planned and/or there was a need to expend moneys, I guess, towards the end of the year and purchase those considerable increases in gravel, if I'm to interpret that correctly. How does the department actually judge that, and when we look at that expenditure and that threefold increase from '93 to '94, what is the time period we're dealing with as far as planning is concerned?

DR. WEST: Yes. I'll let either the deputy or assistant deputy answer that. There are fluctuations in inventory in gravel. There always have been in the province, depending on when you're preparing your stockpiles and what surpluses you have after. I'd better let them answer that, because now I can envision all those piles around the province I've seen and I want to know how they're accounted for.

MR. ALTON: Well, of course the revolving fund provides the funding to put up gravel reserves that are required for construction projects, and those vary considerably depending upon the types of projects. What we have been doing more in recent years is moving more and more to the contractor supply of materials, so we tender not only the construction of the road but also the supply of materials. That has generally resulted in a reduction in the amount of inventory. But these inventory numbers include the requirements for gravel and land operations, so the numbers vary considerably from year to year depending upon the amount of land that is acquired for specific highway projects or the amount of gravel that must be stockpiled during generally the winter season so it's ready for the construction season. Those numbers go up and down considerably during the course of a year.

MR. KIRKLAND: First supplemental. In light of that, Mr. Alton, as I look at your comments that in fact generally you're tendering more so the contractor has a tendency to supply material or include material in his contracts, and as I understand it we're selling a little land today, I'm still a little perplexed as to why we'd see such a threefold increase in that area. I'm having difficulty following your rationale or justification there. I understand that the price of gravel fluctuates and varies, but I'm still a little perplexed, in light of where we're moving in government today, why we would come up with a threefold increase. Can somebody provide some clarification for me?

MR. PORTER: Perhaps I could address that. If you look at the balance sheet at the top of page 183, you'll note that for the 1993 year-end gravel and land inventories of 13 and a half million dollars were reported. At the end of the year, for the public accounts we're talking about, those inventories have declined to $4.5 million. So the change in contractor supply in terms of us doing a whole lot of the land/gravel business, particularly in the area of gravel, was shifting away during this period of time from where we held the gravel supply and prepared it for the next year to where contractors were effectively doing that. What you see here is the transition between those two years. Effectively, when we look forward to the public accounts for the year we're operating in right now, we're unlikely to see ourselves in very much inventory in either gravel or land within the transportation revolving fund, particularly the gravel in '95-96, probably the biggest year of transition to contractor supply to take place. So you're seeing the change year. We started at the beginning of our year of '93-94 for the public accounts we're talking about with a $13.5 million inventory. During the year that declined to $4.5 million by way of selling those to the general revenue fund operation.

MR. KIRKLAND: Final. Not a specific item here. There has been some controversy in past years about the usual government philosophy of attempting to burn off funds before the end of the fiscal year. I know that was discussed in the House during this particular year. Is there some mechanism in place or some encouragement in place, Mr. Minister, to discourage that sort of activity?

MR. ALTON: In this fiscal year the department had a very substantial surplus, and the direction has been to attempt to maximize that surplus in any fiscal year, so there's no charging of materials at year-end.

MR. KIRKLAND: You have a bonus then. Thank you.

DR. WEST: If I could add some information, the three-year plans we're putting in – they're not three anymore; they're four because we're into the fourth from this date you're talking about here – set out the parameters of the budgets in the future and what programs we're going to. Although we have to set the budget absolutely each year, it starts to tie a flavour of where those funds are dedicated each year. Now, you'll say: if they don't use those, what happens to them? Well, they lapse. I guess what you're saying is: how do you prevent from falsifying what you say happened before, that they would sell those? I can just assure you that under our program today the lapses are looked at on an ongoing basis quarterly, the quarterly reporting mechanism. The way we do our budgeting today, those lapses are carried forward and perhaps either used in other areas of government that have a need for them or put back into the consolidated budget, or in some ways, like we did with surpluses this year, they fund programs where money had to be found in order to do that, like the national infrastructure program.

I'll tell you one thing: most departments I've been involved with end up with money on the table after this is over, even with the tight reductions they've had. I can assure you that the philosophy of government today isn't to spend the money at the end of the year. In fact, some of the incentives we're looking at to try to work with staff is to make it the opposite of that: to get some mechanism back in government where there's an incentive not to spend those moneys and to make cost savings. In so doing, we should be able to look at staff right down to those in the front lines and find some incentive program for them.

THE CHAIRMAN: You've got to have some Scots blood in you.

DR. WEST: Bless you.

9:10

DR. L. TAYLOR: He used to, but he doesn't anymore.

I'm particularly concerned about some overexpenditures in your department. In this time of cutbacks you seem to have some areas that are overexpending themselves. For instance, if you look at page 129 under program 2.2.5, this shows a $2.4 million overexpenditure in operating expenditures for resource roads, and the equivalent 2.2.5 on page 132 shows over a $5 million overexpenditure in capital investment on resource roads. When we're cutting back, it seems to me a bit unusual to be overexpending money.

MR. ALTON: If the department delivers a project directly, it shows up, you know, as a capital expenditure of the department. However, in some projects we enter into agreements with either other levels of government or with the private sector whereby they deliver the project and we provide the funding as a grant. The difficulty with those kinds of projects is that if we are going to do the project but then it becomes more economic to do it by providing the funding to one of our partners, it shows up as an overexpenditure in that area, but in the overall budget, it's not an overexpenditure; it's simply the money being put into a different grant program. So the overall adjustments resulted in there being a considerable lapse of funding, an underspending, but there are certain programs that show as overspent and there is a corresponding underspending in other programs.

DR. L. TAYLOR: The point is, though, that when we're budgeting is it not possible to predict better than we're doing right now and saying, "Well, we're going to spend some money on resource roads, and this is the estimate of what we're going to spend"? As soon as you take it from another part of your budget, that other part of the budget has to do without, and that may be a road in my constituency that has to do without so you guys can build a resource road in Pearl's constituency. By taking it from another area of your budget, you're penalizing that other area. I'm wondering: is it not possible to predict or budget a little better so that you don't go from one area and penalize one area?

MR. ALTON: It's not so much a case of penalizing any area. It's really a matter of – particularly with resource road projects, many of those projects arise as a result of new developments or new initiatives that require some reaction in terms of the infrastructure. We then try to adjust the program to meet those needs. Certainly you're correct in saying it would be desirable to have all those foreseen at the time the budget is prepared, but that is not always possible.

DR. L. TAYLOR: Would it not be possible to do it like we do in Energy? For instance, take a rolling five-year average to do that same kind of planning with some of these areas. Take kind of your best guess as to "What did I spend over the last five years?" and plug that into the budget rather than plugging zero into the budget and then pulling money out of other programs.

MR. ALTON: Well, generally the budget is prepared on a best-guess basis, and in most instances the expenditures are very close to the estimates.

DR. L. TAYLOR: How can your best-guess estimate be zero, like in this year?

MR. ALTON: You mean in terms of the '95-96 budget?

DR. L. TAYLOR: The '93-94. If you look at the authorized, there's zero for authorized resource roads. I guess I want to know how your best guess is zero.

MR. PORTER: Effectively what happened on this one was that we entered into an agreement with the private sector around a project. We had the moneys budgeted for in a grant funding element in a capital program directly. Once we moved to delivering the project by way of an agreement with the private sector, it turned this particular project into a grant, and that particular funding type is called an operating expenditure. So overall the transportation budget had this roughly $2.5 million in it on one side of our budget as opposed to the other. Effectively the project was delivered and the moneys were accounted for correctly. Like the public accounts are showing us spending this as an operating fund, and in fact, if we go to the other side in our capital programs, that's where you'd see moving that $2.5 million out of those areas, leaving them there. We're really not penalizing another area, because this project had been budgeted there to have been done. So really the moneys left there are spent here, and what you really see is just the accounting treatment showing it as unexpected but in fact it was expected – just the mechanism of delivery.

MR. ALTON: It's the rules that we are required to operate under. If it is a project where we tender out the work, pay the contractor directly, then it is a budgeted item under supplies and services. If, however, we provide a grant of an equal amount to the municipality, for example, they hire the contractor and tender out the work. It is under a grant fund, and it's not allowed to show in the same program. So there's a separation between capital – grants are operating; expenditures that we undertake directly are capital.

THE CHAIRMAN: Moving to Nick Taylor.

MR. N. TAYLOR: I don't know if the minister can take two Taylors in a row, but we'll try.

In the Auditor General's report, the 25th recommendation on page 107, he mentioned that the minister at that time approved nine projects which were not considered urgent above other projects which were considered urgent. You may not have it at your fingertips. It's on page 107, I think, the Auditor General's 25th recommendation. He mentioned that the minister had approved nine projects that were not considered urgent above – in other words, before – other projects that were considered urgent. Now, I doubt whether you can recall from memory or any of your assistants recall from memory, so I would accept a tabled copy. I'd like to know: what were the projects that were overlooked? In other words, what were the other projects that were considered urgent?

DR. WEST: This question zeros in on, again, a core principle that we must address in where we go in the future. We do over 400 projects a year, and of course you have a system set up where you priorize these roads. We have a 20-year visionary plan for transportation that we've set out, then we have the five-year plan where we look at all the roads, and there are many variables taken into consideration in that. I would ask hon. members to refer back to the document I tabled in the Legislature this year, the planning process and delivery process of priorities for our road projects. That's the first time that document's been tabled; as well, the first time the complete construction budget for primary and secondary bridges and ancillary structures has been tabled in the Legislative Assembly.

Getting back to the question. In that process you will note that each year, although we have to set out our priorities ahead of time for budgeting, in the spring we go back and re-assess some of these projects as to their needs, whether they might be seal coats or a major overlay. We go back one more time and look at the road versus some other projects that might be pending at the same time, and some of the projects are changed. The problem with that, of course, is what was brought up in the Legislature and what you're bringing up today: why do nine projects or five projects not hit the deck when indeed they were part of the original priority and now you changed? The process we have in place today and the process we've outlined – the checks and balances we go through right from the municipalities through to the technical aspects of determining whether that road's breaking down or whether it's reached its length and if we don't overlay it or we don't crack seal, will it last another two years or will it last another five years, or should it be done at the end of 15 years, a complete new covering? All those go into a process and must be determined at the beginning of every year and then applied against our five-year projections and our long-range projections.

9:20

Then, of course, the other variable that comes in is indeed our economic development itself in some areas where the trucking and the travel is changing. Let's take logging for an example. Right now we're under duress where 1,200 trucks every 48 hours are moving through this province that weren't moving here half an hour ago. These are hauling major tonnages, and they're using different roads. We will have to monitor and assess those roads and with the municipalities may come up with a change of the priority. The municipality may come along and say: "Yes, you were going to overlay that road there. Can your engineers assess if that's right? There's one project we would like to transfer over to this road now because it's starting to break up and we'd better stop it before it goes any further." Therefore, the priority changes. Does that answer your question generally?

MR. N. TAYLOR: No, it sure as hell doesn't. You were away off on the other side of the pasture.

The question was the Auditor General's report of 1993. All I want is to have the minister commit to table a copy of the construction projects that were approved, the ones that were originally planned, and the ones that were actually completed. In other words, the Auditor General said quite clearly that there were nine projects done that weren't urgent and left out those that were urgent. I just want to know what was left out.

MR. ALTON: All of those projects were tabled in the Legislature.

MR. N. TAYLOR: Pardon?

MR. ALTON: They were tabled previously.

MR. N. TAYLOR: No. The ones you did were tabled, but I don't think the ones you overlooked were tabled.

MR. ALTON: All of those projects that were identified in that correspondence were tabled in the Legislature, and they've all been completed. As the minister indicated, the ones that were listed as being not of the greatest need referred specifically to evaluations as to the condition following spring breakups. The resurfacing of the road is dependent upon an assessment of the condition of that road. These projects are not anything other than protecting the basic investment that exists in those roadways.

THE CHAIRMAN: Supplementary.

MR. N. TAYLOR: Yeah. The second one, also the Auditor General, on environmental liabilities – that's on page 109. Has the government implemented the AG's recommendation regarding environmental liabilities as indicated on 109 in the '93-94 report? In effect, he's saying that you had a lot of contingent liabilities for restoration particularly that aren't covered in your report. What are you doing about that?

MR. ALTON: The Canadian Institute of Chartered Accountants has not yet set standards that are generally accepted accounting principles on environmental issues, and the department will adhere to those standards when they are clearly established. Now, the Provincial Controller has agreed with the department that the disclosure of environmental liabilities is premature at this time. Many of the so-called liabilities relate to things like, for example, where we have acquired for highway purposes what may be old service station sites and there may be some contamination of soil resulting from old underground tanks. In some instances those sites will require substantial cleanup where there is potentially a cost or a liability. At this particular time it is not considered appropriate to try to estimate the costs of all those cleanups and include them as a liability. That will be done as soon as there are some acceptable practices for identifying those costs.

MR. VALENTINE: Madam Chairman, this is an area in which I have considerable interest because I was a member of the accounting standards board at the time this section was written. There seems to be some difference of view between the department and my office. We will be working with them in the current year to ensure that the department's accounting is in accordance with generally accepted accounting principles.

DR. WEST: I just say that this issue you bring up, and you target it specifically to the Auditor General – there's a huge gray area not only in Alberta but in the country. If you start putting contingent liabilities on projected environmental costs of the cleanups that we might in the future set standards to and then have everything from banks to environmental research people determine the cost of those and put them as contingent liabilities into consolidated budgets, I would say that by setting those standards you could literally bankrupt a country in four seconds. So we have some real environmental standards that we can project to the tanks we have or what we're doing in that year, but if you put that out to somebody who wants to do an inventory of projected standards and project it into the future, as I say, the costs could overrun the economy of this country. I think we have to watch what ground we trespass on very carefully.

MR. VALENTINE: The minister makes a good point. The question of the contingent liability, in fact the question of dealing with contingencies in financial statements in and of itself, whether it's an environmental contingency or one that comes as a result of a court action for wrongful dismissal of an employee or any other such contingency, is an area which currently is under study. The question of the contingent liability is not the one that's really in focus; it's the question of the known liability.

THE CHAIRMAN: Final supplementary.

MR. N. TAYLOR: Thank you, Madam Chairman. I thought I had a pimple, but it turned out to be a boil, so I'm quite happy to see that the Auditor General is really going to work into it. I hope he can drag the minister into the 21st century.

DR. WEST: You'll be lucky to make it.

MR. N. TAYLOR: Yes, kicking and squealing though it may be.
The last question is under program 4.1, electrical utility development and support. I don't know on what page program 4.1 would be. Under administrative costs, issue 2?

THE CHAIRMAN: What page, Nick?

MR. N. TAYLOR: I don't know. I just got a brief – I pulled it out. I've got so many books and I closed them up. I don't know where the hell I got it.

THE CHAIRMAN: Page 130, volume 2. I got distracted. We were trying to work out the member's age by the turn of the century. So it's volume 2, page 130, 4.1.

MR. N. TAYLOR: I don't quite understand why the costs of support services exceed the amount of actual grants. Aren't support services merely the administering of the grants? I don't quite understand what that's about.

MR. PORTER: That particular element provides support for a revolving fund that is in addition to the $700,000 in grants that is noted in 4.1.3. The rural electrification revolving fund is a fund of approximately $20 million and during 1993-94 handled roughly 45,000 financial transactions. The support dollars you see in 4.1.1 provide the support for all that operation as well.

MR. N. TAYLOR: I'm relieved. I thought you were delivering one-dollar cheques by helicopter.

9:30

THE CHAIRMAN: Thank you.
Moving along. David Coutts.

MR. COUTTS: Thank you. I'd like to pursue the use of a revolving fund, particularly as it applies to page 111 in section 2 of the Auditor General's report. That's the 1993-94 Auditor General's report. It mentions a past recommendation that

> the Department determine whether the Transportation Revolving Fund met the Department's needs for the procurement of supplies and materials.

The Auditor General states that "the Department is presently changing the Fund's role." I'm wondering what the plans are for the transportation revolving fund to ensure the needs of Transportation and Utilities are being met.

MR. ALTON: The use of the revolving fund, as we indicated earlier, is very significantly reducing as we move to a process of contractors supplying materials rather than the department purchasing materials and supplying them to the contractor to use on projects. For example, the revolving fund has been reduced by approximately $16 million from the peak period in the '80s when highway construction budgets were significantly higher. Our present inventory of materials, which is about $7 million, will be further reduced by about 40 percent to reflect the current business plans in the department. It may well be that these revolving funds can actually be eliminated within a short period of time.

THE CHAIRMAN: Just before we move on, I want to acknowledge the presence of a number of students in the gallery. This is a Public Accounts meeting, and appearing before the Public Accounts this morning is the Minister of Transportation and Utilities, the Hon. Steve West, and also the Auditor General, Mr. Peter Valentine. What we're doing is going over the Auditor General's report of 1994 and the Public Accounts, volumes 1, 2, 3, and 4 of 1993-94, examining how public moneys were expended. So welcome to the Legislative Assembly.

Moving on then. A supplementary, David.

MR. COUTTS: Thank you, and thank you for that answer.

Are there some specific things the revolving fund is doing differently to keep pace with change in the way you're doing business, as you mentioned financially?

DR. WEST: I could answer some of that. Some of the privatization initiatives we're moving forward are going to show significant changes in that. As was said, some of the inventory levels that were maintained before are going to be now utilized through contractors who supply the materials rather than the way we used to do it. Our shop operations are continuing to move away from conventional fixed shop services, and we're going to a more mobile service delivery on that and even under contract. A considerable number of these shops will close in the future. We're going to be looking at literally selling them and getting out of that business, because we can do it in the private sector. If we're cutting down our fleet and our inventory, then why should we keep the same amount of maintenance staff and materials around? Again, as I said, we're cutting down the fleet, and in this budget it was cut back about $9.6 million.

I got another inventory the other day and they had another major auction on some 130 half tons, and I've gotten into all types of oil trucks and different things like that. But we're moving out. We've got to get rid of this surplus inventory. We've been holding it sitting in yards all over the province, and there's no need for that. As we get out of some of these operations and contract them, there's no sense keeping the old equipment waiting for a day to come back. So I think those are some specifics we're talking about. It might be everything from crack filling to the mechanical people that are working out there, to signage, to those people with those drill trucks and that out there putting in signs for us. It goes down to guardrails, to painting, to mowing. We're moving out and redefining the role we have in maintenance and in building new highways.

THE CHAIRMAN: Final supplementary, David.

MR. COUTTS: Actually the minister's very extensive reply to my first supplemental covered my second supplemental. Thank you, Madam Chairman.

THE CHAIRMAN: Thank you, David.

Peter Sekulic.

MR. SEKULIC: Thank you, Madam Chairman. I'm just going to refer to the comments of the Auditor General. First, I want to make a comment on the environmental liabilities. If costing environmental liabilities can, as the minister indicated, potentially bankrupt the country in seconds, then I would suggest early on that he look very closely at what actions he's currently undertaking that are running up these liabilities. Think of them as debt, because at some point in the future we'll be confronted with them as exactly that, a cost to the taxpayer.

Having said that, I'd like to flip over to . . .

DR. WEST: On that point, my reference was not just to government. This will have a more far-reaching impact on our whole society, because what you're going to have to do is look in your own backyard and what you're doing. When the banks and everybody else start to assess the environmental impact on your land, then the value of your home may be worth zero because of the habits you have. When we put that into our system, economically it could be devastating. So it's not just government I was talking about.

MR. SEKULIC: But we are talking about government. That's why we're elected to be here. We'll deal with those other ones in our household.

THE CHAIRMAN: The question, please, Peter.

MR. SEKULIC: I shall. I'm going to page 110 of the Auditor General's report and his comments with reference to capital assets. It's recommended that the Department of Transportation and Utilities improve the accuracy and completeness of the reported value of its capital assets, and I look to some of the comments he's made here. The capital assets incorrectly included an amount of $40 million. Some capital assets with a value of $27 million were recorded twice. Some capital assets belonging to the department were not recorded. These are fairly significant oversights. What has been done since this report has come out – and I'm speaking of specifics – to correct these sorts of oversights?

MR. PORTER: First off, I guess I would like to assure everyone that the public accounts are not in error, that the observations made in the Auditor General's report were observations they had as they were auditing our completion and preparation of the reported capital asset values. As the Auditor noted, this was the first year the government reported in its public accounts by way of note what its capital assets are. Our department has a significant portion of the capital assets of the province, and the process for us to arrive at the values of capital assets involved going back to when Alberta was created as a province and roads were starting to be built. It was a significant undertaking. During their audit they did find some of the errors that had been made as we were putting these numbers together and, in fact, helped us get to the right numbers. We're continuing and have continued since their report, and in fact as an ongoing process we have been challenging to improve and get as correct and accurate as possible the capital asset statement for the province relative to its investment in primary highways.

The public accounts do not contain the errors that are noted here. Those were cleared up as part of the audit and the finalization of the accounts for the year.

MR. VALENTINE: I think it's noteworthy that the process of accounting in the public sector since time began has been one where the acquisition of capital assets is treated as an expenditure, so the record keeping that flows in the private sector was not followed. Now, with the recognition that there is accountability for the capital asset in the public sector, it's appropriate to go back and determine what those costs are. That is a difficult thing to do. It's much easier here in North America than it is in some of the Third World countries or the former Soviet Union countries where they never kept track of that stuff at all and when they try to get into the public markets with a balance sheet and financial statements that have meaning, they've got to go back and do the same thing. So I think the department, it's fair to say, has done a commendable job to get where they are.

9:40

THE CHAIRMAN: Supplementary, Peter.

MR. SEKULIC: Thank you. That shows that there's a counter in liabilities that haven't been included environmentally and then capital assets which should have been countered.

THE CHAIRMAN: Get to the question, Peter.

MR. SEKULIC: I shall. Looking at volume 2, page 129, I'll just follow up in the direction Lorne Taylor was going in terms of overexpenditures. I'll refer to 2.1.1 on page 129 and 2.1.4 where we have executive management and regional service delivery. Between the two you have an overexpenditure of $454,000. I was wondering if I could get a comment as to whether there were new projects that were undertaken or . . .

MR. ALTON: The overexpenditure resulted largely from severance payments to employees who opted for the voluntary severance program and from moving costs established from staff relocations. During that year we had a significant reduction in staff, and in those reductions, of course, there were severance payments required to be paid. That resulted in an increased expenditure for that fiscal year. There will be, of course, a very significant corresponding reduction in expenditures in the following fiscal year because those payrolls no longer have to be met.

MR. SEKULIC: Along the same lines – and the same answer may apply here – on pages 131 and 132, votes 1.2.4, 2.1.2, 2.1.4, 2.1.6, and 2.1.7 are likewise all overexpenditures in personnel areas. Regional service delivery was one of them; executive management once again. I'm just wondering: do your comments to my first supplemental apply in this area as well?

MR. ALTON: Yes. Severance payments to employees were the major component of the cost, but also in this fiscal year we closed the St. Paul regional office and the Stettler and High Prairie district offices and downsized districts in High Level, Medicine Hat, and Edson. All of those involved some staff relocations and moving costs that added to the budget for that current year. Again, all of those moves will result in significant reductions in the budget in the following fiscal year.

THE CHAIRMAN: Thank you, Mr. Alton.
Barry McFarland.

MR. McFARLAND: Thank you, Madam Chairman. Mr. Minister, I'm referring to volume 2, page 130. I'd like to preface my question with a comment. Over in volume 3, page 201 shows assets of the Alberta Resources Railway almost half of what they used to be. Where they were nearly $28 million in 1992, they were down to $14.3 million in assets in 1993. But then on the reference page I'm talking about, page 130 of volume 2, reference 3.0.1, we see there's a budget of $586,000 that has been unspent. I want to know exactly what this budget would have been for. Why was it not spent in the past year?

DR. WEST: Well, I have some information in front of me on that, but perhaps you could . . .

MR. ALTON: Well, part of the investments decrease was due to the retirement of debt, the investments of the Alberta Resources Railway Corporation, the sinking fund to retire debt. During 1993, 16 and a half million dollars was transferred to the operating fund to retire that debt. The budget of $585,000 for the Alberta Resources Railway which apparently was not spent: that budget is provided to support any operating shortfall the railway may incur in its operations. Since the debt of the railway had already been paid out, the revenue from freight operations fully covered the operating costs and therefore there was no requirement for that funding. Now, the decision relative to the retirement of that debt was a decision made in the Treasury Department. That decision to retire that debt has resulted in this budget not being required because the freight revenues more than covered the operating costs.

MR. McFARLAND: I guess in light of the federal budget and the impact it will have on branch lines – I don't know if the Alberta Resources Railway would fall under that scrutiny, but that may be a blessing in disguise for them.

If a province appears to have a railway that was starting to turn a profit, why would it be put up for sale?

DR. WEST: That's easy. We have defined what business we should be in, and as you see, the federal government has recognized that too. They're in the business of getting rid of many of the things they own. So what better time to move out something that we can take a little cash backwards and get out of the business?

You can see how complicated it is to answer the questions on this railway. Won't it be a lot nicer when we don't own it and we don't have to answer these questions?

MR. McFARLAND: If I might, Madam Chairman, this one is a little bit different. It's back to the Auditor General's report on page 109. I don't know if the minister and/or the Auditor General would like to comment on it. We see where the department of transportation is requested to estimate the cost of restoration work in gravel pits. Anyone with common sense knows that gravel is not found by and large on good prime land and there is never an abundance of topsoil to reclaim in the way Environmental Protection would like to see things done. To the Auditor General and the minister. Is it not a fair way of doing things: if Environmental Protection has such stringent guidelines when it comes to restoration of pretty poor land, the cost of that restoration should not be in the hands of Transportation and Utilities? Really, the cost of some other department insisting that things be restored to unreasonable levels, given what you've got to work with, should be absorbed by that department rather than Transportation and Utilities.

DR. WEST: Well, I guess this question leads us into more of a philosophical discussion than it does into nuts and . . . I don't know whether the Auditor General's people could make a comment on this. On the surface you could say that that's true, but there is only one taxpayer and there is only one Treasury when it's all over. How you dedicate which area or which budget this money comes out of – if it's the policy of a government or direction of a society that we clean these up, then of course we could find the area to put those funds into to make sure that happens. What you're saying is that if some other department such as environment is indeed requiring that these lands be recovered, it shouldn't come out of the capital money required to build roads; it should be done in another fashion. That's what I understand by your question.

MR. McFARLAND: You can't make grass grow where it never grew before.

DR. WEST: That gets back into the details of common sense. I don't know how we're ever going to legislate it.

THE CHAIRMAN: Auditor General, do you wish to make a comment?

MR. VALENTINE: Thank you, Madam Chairman. I think the matter is a political issue, and it could be well dealt with between the appropriate ministers.

THE CHAIRMAN: Moving on. Sine Chadi.

MR. CHADI: Thank you, Madam Chairman. I'd like to start off by making the comment that I think the minister is absolutely correct in saying that the environmental liabilities that have been asked to be corrected could have some very far-reaching implications when you ask the Institute of Chartered Accountants to give their opinion on accounting practices, but having said that, we do have a situation according to the Auditor General on page 109, where it says:

> Restoration work for underground petroleum storage tanks. To date, the Department has identified approximately 30 sites.

I'm wondering: have we done an assessment of these sites to ensure that we could perhaps mitigate whatever damages may arise? I suspect there could be situations where contamination of groundwater, this sort of thing going on, could cost us a great deal of money in the future. Has there been a priorization of any kind or an assessment?

9:50

MR. ALTON: The department has done examinations of all these sites, and certainly on any site where there is any indication that there could be any further damage or liabilities occurring, those are being addressed. Primarily the majority of these sites are long since abandoned service station sites which have had no active operation for many years. It really becomes then a question of the degree of cleanup of the contaminated soil that may be around the tanks from leakage. Again, the timing and the degree of cleanup – there's a lot of discussion going on with the Department of Environmental Protection – has not been established; therefore, we have not established it as a liability in the accounts of the department.

DR. WEST: But on those 30 sites, just as an example, it's estimated that the cost on the parameters given to date would be $3 million to $5 million.

THE CHAIRMAN: Sine, a supplementary?

MR. CHADI: Yes. Mr. Alton referred to the bulk of this stuff being perhaps contaminated soil around old storage tanks. I know from my experience that there would be either removal of the tanks at least, because sometimes there will be fuel remaining in those tanks, or else they put some sort of foam or chemical into the tanks to ensure that contamination will not increase. Has an assessment been made in that respect to make sure that any liquid still in tanks has been taken care of?

MR. ALTON: We've had consulting engineering firms do a number of evaluations of a number of these sites to assess if there is any immediate action that needs to be taken. In the majority of cases the work that has been identified as being immediately required has been undertaken, and in some cases the costs on an individual site have amounted to several hundreds of thousands of dollars.

MR. CHADI: Has the minister thought of perhaps looking at other departments as well – I would imagine public works and I think maybe Municipal Affairs or Energy; I'm sure there are other departments facing the same problems – and pooling these sites together and doing something with them rather than doing it on an individual basis? I'd hate to think we had a site, say, in Hanna and one just on the outskirts of Hanna and one department didn't know what the other one was doing and somebody was doing a cleanup over there and could have done this one relatively easily and it didn't happen. Is there any co-ordination whatsoever between the different departments with respect to this?

DR. WEST: I believe we're working on that to better disentangle some of our overlaps and get on with what you're saying, but I think yours is more of a recommendation to us to ensure that happens rather than a comment from me.

THE CHAIRMAN: Thank you, hon. minister.
Carol Haley.

MS HALEY: Thank you, Madam Chairman. I would draw your attention to page 131 in volume 2. The main question I have is with regard to program 4.3.2. It shows the expenditure under municipal water and the water waste program. Could you please tell us how this program has benefited Alberta?

DR. WEST: Again, what was . . .

MS HALEY: Page 131, program 4.3.2.

MR. ALTON: The municipal water and wastewater grant program is a program to provide assistance to smaller urban communities to ensure that they have proper water and wastewater treatment. That program has been very successful in ensuring that we have safe water and safe disposal of wastewater throughout the province.

MS HALEY: My understanding of this is that only municipalities with a population of less than 45,000 people are eligible for this program. Could you please tell me why you have a limit at 45,000?

MR. ALTON: The cost of providing treatment facilities increases substantially on a per capita basis as you get smaller and smaller. The cost of providing a water treatment plant for a thousand people is substantially greater per capita than it is for 50,000. So the program is designed with the grant assistance on a decreasing scale. Communities over 45,000 don't get any grants at all, communities of 3,000 or less get up to 75 percent grants, and all those between have a decreasing amount from 75 percent down to zero. It's really just based on the cost of providing those kinds of treatment facilities. To build a water treatment plant for a thousand people costs substantially more per capita than to build one for 10,000 people.

THE CHAIRMAN: Final supplementary, Carol.

MS HALEY: Thank you. My final supplementary is with reference to 4.5.2, also on page 131. It shows that there was an overexpenditure in farm water grants under the rural water program. What is the reason for this expenditure?

MR. McFARLAND: All right. The best program going too.

MS HALEY: You've got to sit by Barry to really appreciate him.

MR. ALTON: The farm water grant program was a program where applications could be provided to the department and were approved. In some cases those projects weren't completed by the farm community when expected, so the costs would vary from year to year. Basically, the program has wound down, and there is no longer a farm water grant program. The reason for the increase there was simply that some of the farmers completed their projects ahead of schedule.

THE CHAIRMAN: Thank you very much.

Because of the hour, we'll now conclude questions. At this time I want to express my appreciation on behalf of the committee to the hon. minister for your extensive answers to questions and also to your staff. Once again to the Auditor General, Mr. Valentine, and Mr. Nick Shandro, thank you very much.

Is there anything under other business? If not, the next meeting is March 22, the Hon. Walter Paszkowski, Minister of Agriculture, Food and Rural Development.

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