

**Standing Committee on The Alberta Heritage Savings Trust Fund Act**

**Tuesday, August 18, 1981**

*Chairman: Dr. Reid*

*1:30 p.m.*

MR CHAIRMAN: Good afternoon, ladies and gentlemen. We'll call the committee to order and get on with our visit and presentation by the Associate Minister of Public Lands and Wildlife. I'd like to welcome the minister here on behalf of the committee and ask him to introduce his staff members who are with him from the department. If he has any preliminary remarks to make, we'd like to hear them; if not, we'll go straight into questions about the report and about the document he's produced for us. Otherwise, that will follow any remarks the minister may wish to make.

MR MILLER: Thank you, Mr. Chairman, ladies and gentlemen. On my right is the Deputy Minister, Mr. Fred McDougall, and on my left is Mac Forbes who is the acting Assistant Deputy Minister in charge of lands. I would report, Mr. Chairman, since last we were here, the Deputy Minister of lands for a number of years, Charles Paquin, retired as of August 1.

I believe you have all received a handout which we prepared and have distributed to each of you. I would like to make a few corrections, if I may. On the first page, if you have it in front of you, under the 10 reserves announced to date, it should read 198,816 acres rather than 197,900 acres. Going further down under break, re-pile, and burn, we have 76,364 acres rather than 77,264 acres. The next line, on the work down and seed, should read 57,629 rather than 59,338 acres. If you go down a little further under dugouts, it should read 247 dugouts rather than 247 miles; and on the same line it should read 62 dugouts rather than miles. That's not part of the metric system.

As well, Mr. Chairman, page three, we would like to replace it with an update. Mr. Forbes, if you would distribute that, along with the summary sheet which was not present in the first package which you received. Mac, would you distribute that please.

Mr. Chairman, I would just like to report that the grazing reserve program is on an ongoing basis. We feel that it is contributing a significant factor to the smaller farm units throughout, particularly the northern half of the province, in making them into more viable units. As you can read from the handout, we have the Sang Lake and the Pembina grazing reserves which are new ones which are getting ready for development.

We are looking for other areas. One of them is up in the Sangudo area where we are looking and had a planning team looking as to the potential for a grazing reserve in that area. We have also looked in northeastern Alberta. I had the privilege of talking to MLA, Mr. Isley. He suggested an area up there which we might look at. The program is well received. It is beneficial to the agriculture industry. We think it's a very positive approach and money well spent from the heritage trust fund.

Thank you.

MR CHAIRMAN: Thank you, Mr. Minister. The Member for Calgary McKnight.

MR MUSGREAVE: Mr. Minister, I just have a quick question. You mentioned that in your opinion it's a successful program, and it seems to be well accepted by the farm community. Do you have any vehicle, method, or system whereby you're evaluating this on an ongoing basis to show us that the value of the land has improved by increased crops or produce from it? Just what kind of a system do you have for an ongoing evaluation? And if not, do you think it would be a good idea in the future if we included such a program as part of the investment?

MR MILLER: Mr. Chairman, in answer I would like to say that in most cases the lands which we are utilizing to establish the grazing reserves is land that at present has little agricultural potential in its present state. In other words, the land that we are developing is scrub poplar and of no commercial value, has no grazing capacity, no wildlife habitat, and as such is a resource which we have here in Alberta which is being under-utilized.

We feel that by developing the grazing reserves -- and we look on it as a long-range program -- that over the next 30 to 40 years not only can we increase the carrying capacity dramatically, in many cases we can increase it five to tenfold, but also it aids the wildlife habitat. In particular the Blackfoot grazing reserve, which is being established east of Sherwood Park, is not only going to increase the carrying capacity for the people who utilize it as grazing but also is going to enhance the recreational and wildlife habitat potentials.

MR LITTLE: Mr. Chairman, to the minister. I recently had some complaints or concern expressed by a constituent that the granting of grazing leases frequently obstructed or prevented access to shooting and fishing areas in Alberta; that is, sport shooting and fishing. Would you care to comment?

MR MILLER: The case that you mentioned, Mr. Little, had to do with grazing leases, which are not part of this heritage grazing reserve program, but indeed is a concern which has been expressed regarding the granting of grazing leases to private individuals. There has been a concern expressed by both the people who are utilizing as grazing and other user groups as to the access. We have had the advisory council of the fish and game department of Wildlife look as to how we can resolve that problem.

MR ISLEY: Thank you, Mr. Chairman. Two questions, Mr. Minister. On page 1 of your handout, you split up fencing and then fence ungulate. What is referred to by fence ungulate?

MR MILLER: Ungulate fence is fencing for wildlife; in other words, elk, deer. This is the fencing which we propose to put around the Blackfoot grazing reserve, where we have quite a population of deer and elk and some moose.

MR ISLEY: That's where there's some protective barrier above the wire to prevent injury to wildlife?

MR MILLER: It would be a fence similar to that which is around Elk Island Park.

MR ISLEY: The second question. On the third page of the handout, you have an outline of the 13 reserves funded under the Alberta heritage fund. The page

following it lists an additional number of grazing reserves which I'm assuming are funded in a similar way out of the General Revenue Fund. Is that correct?

MR MILLER: The operating costs of all reserves are paid for out of the General Revenue Fund of the province.

MR ISLEY: So we have a grazing reserve program in addition to the one under the Alberta heritage fund.

MR MILLER: The grazing reserves which you referred to on page 4 are reserves which were established before we had the project funded, the capital costs, under the heritage trust fund. These were in operation before.

MR ISLEY: Thank you.

MRS FYFE: On page 32 of the Heritage Savings Trust Fund report, it's reported that you've spent just a little more than half of what was appropriated. This seems to be a fairly long, good season, with the exception of July -- sorry, this is for last year. Would you like to make any comments related to the amount expended?

MR MILLER: Yes. As you noted, we didn't spend the money that we thought we would spend. In fact we didn't spend \$4.4 million. Some of the reasons why that wasn't spent are on page 2 of the report I handed out. It had to do with the fact that we didn't do as much on the Blackfoot grazing reserve as we'd hoped to because of concerns which were expressed by various user groups. We did have a problem with the weather factor which is common in these types of development because things have to take place in a sequence. If the weather isn't right, you get held up.

We didn't spend money on fixed assets, such as barns, corrals, et cetera, which we'd planned on. We didn't do as much on the Blackfoot grazing reserve as we'd hoped to. In fact we just had the clearing and didn't have any of the actual pasture development take place.

MRS FYFE: Mr. Chairman, further, if I may. When you're making a decision about setting up a grazing reserve, how do you determine the economic benefits? I appreciate in a general sense the comments you've already made that there's land that's being under-utilized. But putting that in the same context, is the money that you're expending on the improvements . . . Do you do a fairly detailed plan on the benefits that will accrue? Over what period of time would you project that?

MR MILLER: This is not a short-term program. When you develop land, it's like the farmer who does it on an individual basis. He does it for many years. He's looking at it over a long term of 30 to 40 years. The improvements which are put into place in respect to corrals, fences, and dugouts, are based on need in order to best utilize the grazing reserve as it's put into place. So it's a long-range program, and it has spin-off effects which are hard to put a price on.

For example, it increases the wildlife habitat aspect. As far as Blackfoot grazing reserve is concerned, there's a recreational aspect. There are some intangibles which are hard to put a dollar figure on, but it's something that benefits all the people because we are developing a resource.

MRS FYFE: I appreciate that and realize that's difficult to set out in specifics. But for the actual improvements, would you actually have an amortization period for the improvements?

MR MILLER: Fred, maybe you would like to answer that aspect.

MRS FYFE: Maybe I'm getting into detail that I shouldn't.

MR McDOUGALL: Maybe a quick answer. The gross revenue generated per animal unit on grazing reserves was about \$407 in 1979. The overall costs were \$159. So there is a definite generation of value in excess of cost. Now the distribution of those benefits between the rancher and the Crown is something else. But the gross value generated is more than double the cost.

MRS FYFE: Thank you. That's very helpful.

MR NOTLEY: Those figures again, please.

MR McDOUGALL: In 1979, for northern reserves -- and I have to take a second to find the aggregate figure, but this is indicative. The gross revenue generated per animal unit was \$407, and costs per animal unit were \$159. Now this is an aggregation of government and owner costs. So that's total generation of benefit as opposed to total cost. Now that's not the government cost and government revenue.

MR SINDLINGER: Could you clarify those numbers again, please? You talk about aggregate cost. Could you indicate what the total costs are? Are those operating costs, or operating costs plus capital? And to whom are they charged?

MR McDOUGALL: The figures for all reserves, which are maybe the figures I should have been using . . . The gross revenue generated -- and these are 1979 figures -- was \$12.4 million; aggregated production costs were \$3.9 million; utilization fees were \$785,000; net revenue to patrons was \$7.7 million, for a net revenue per patron of a little over \$6,600.

MR SINDLINGER: Another supplementary, Mr. Chairman. I'm having difficulty following. Are you saying that this is a money-making proposition? Is the government making money on it?

MR McDOUGALL: Not the government. The aggregate value production is significantly positive. The bulk of that is going to patrons.

MR SINDLINGER: What would be the factor then for the government?

MR MILLER: Our revenue from pasture utilization fees was \$785,400. The operational costs for these reserves was \$1,548,300. In other words, we operate these at a loss at the present time.

MR SINDLINGER: Mr. Chairman, on a supplementary basis. You began by giving these numbers on a per animal unit basis. Could you please define what the per animal unit basis is and, secondly, give the numbers that were just given on a per animal unit basis?

MR MILLER: Mr. Sindlinger, your question again was the amount per animal unit?

MR SINDLINGER: Yes. The first figures were gross revenue per animal unit and gross cost per animal unit. And that was an aggregation of users plus government, I understand. Then you gave us gross numbers for only the government side and indicated it would be run on a loss. I'm just trying to determine the magnitude of the loss, and then my supplementary question would be: how long will this loss be projected? Will the loss continue in this proportion over the life of the project, or over the next 20 years, or the life of the land, or whatever?

MR MILLER: To answer the last part of your question. It would be relative to two factors. The first is that the start-up factor where we don't have total utilization is going to mean that we're going to have a higher per animal unit cost at the start. The second factor is that we do a review of the rates that we charge the owner of the animal. This is subject to a review and can be increased in future years relative to the costs of production. But at this point in time, they are operating at a loss. Pardon me, the government isn't obtaining enough money to cover its operating costs.

MR SINDLINGER: Will the grazing reserves at some time in the future become self-sustaining?

MR MILLER: This is hopefully yes. But it's a hard question to answer because of the fact that there are other factors, benefits, which accrue to Albertans which haven't got a monetary value placed on them; for example, the increase in the wildlife habitat.

MR SINDLINGER: Mr. Miller, I can understand there will be intangible benefits from the development. There's no arguing that. But I'm just wondering if there will be a cash call on the heritage fund to sustain operations indefinitely into the future.

MR MILLER: At the present time, the operating costs come out of the General Revenue. The operating costs aren't part of the costs to the heritage trust fund. The heritage trust fund just pays for the capital costs.

MR SINDLINGER: Thank you very much. That clears that up.

But one other question for clarification, if I could please. Coming back to the gross revenue per animal, the gross costs per animal unit. You've indicated that the gross revenue per animal unit on the government's side only is less than total cost. Could you give a broad indication of what that ratio is? Is it 10 per cent, 90 per cent, or somewhere in-between?

MR MILLER: I gave you the figure in regard to what we collect in revenue. I gave you the figure of \$785,400 as what the province received as revenue from pasture utilization in 1979. The reserve operational costs for 1979 were \$1,548,300. The difference is picked up out of the general expense of the department. Is that the figure you were wanting?

MR SINDLINGER: I have your aggregate numbers now. I'm going to go back to your original numbers: the \$407 gross revenue per animal unit with associated costs of \$159 per animal unit, which I understand to be a combination of

government and producer costs. Using those same unit bases, could you just give the government costs?

MR MILLER: The gross revenue to the producer is \$407. That was in 1979 on the northern reserves. The production costs per animal unit were \$159. Does that answer your question?

MR SINDLINGER: I think I'd better think about that for awhile, if I may please. I'm not too sure if I'm asking the right question. If I get it, I'll come back to you.

MR CHAIRMAN: The Chair is beginning to have a little problem as well. I'm wondering where we are getting. It sounds like we are getting more onto the general revenue budget of the department rather than the allocation of capital funds from the Heritage Savings Trust Fund. Perhaps the questions could be asked at Public Accounts or something like that, because I think we're getting off the heritage capital funding of the whole system of grazing reserves and getting onto the operational budget of the department. Now I may be wrong. Perhaps the minister can clarify it.

MR MILLER: I would tend to agree, Mr. Chairman, that these are general revenue expenses.

MR R SPEAKER: Mr. Chairman, I'll try to relate my question to capital expenditures, if possible, but it also relates to the operational cost. I wonder if the minister could indicate whether the reserves that have been developed under the heritage fund in terms of operational cost have a comparable operational cost to the reserves of Southern Alberta or the grazing areas in terms of animal units. Are the costs somewhat comparable for operating or is there a significant difference?

MR MILLER: Mr. Forbes, could you answer that in regard to comparative costs?

MR FORBES: I would say that the costs for the heritage funded reserves would tend to be higher simply because the stage of development isn't as far along as the general revenue funded reserves. You have less animal units for a given expenditure while a grazing reserve is being developed as compared to when it's fully developed. So the operational costs do tend to be higher with the heritage reserves than with the others. But that should reduce in proportion as the development increases.

MR CHAIRMAN: Are there any more questions?

MR SINDLINGER: Mr. Chairman, this morning when we were talking to the Minister of Hospitals and Medical Care, it seemed to me that there was some difficulty in tracing the costs once they were allocated or appropriated from the Legislature to their final designation. I would pose the question to Mr. Miller and ask him if he could indicate to us how the appropriations from the Legislature are monitored or controlled once approval is given to them. That is, how do we ensure that the moneys that we appropriate here actually go to their designated use, and what kind of cost/management system is in place?

MR MILLER: Well, in regard to developing a reserve where we have brushing, piling, and breaking, it's done by contract. So we ask for bids, then we

select, in most instances, the lowest bid. So that's the control which we have on that aspect of it. And the great majority of projects are on a bid basis.

MR CHAIRMAN: Does that clarify that for you?

MR PAHL: I noted that the places where grazing reserves were established tend to be on what you might call non-productive forested lands or marginally productive. Could you tell me whether there's a tendency for succession on these lands so that the clearing would almost have to take place on an ongoing basis? If that's the case, is that re-removing, if you will, the tree growth an operating cost that will be borne by the Heritage Savings Trust Fund, or will that be part of the department's cost, if it is indeed a cost?

MR MILLER: When a reserve is being developed, the first thing that is done is a plan established as to the land which is to be cleared and that which is to be left in its natural state. Generally speaking, when land is brushed, piled, then broken, and seeded down, there's very little tree growth which can't be controlled by spraying. In other words, once you have your land prepared and seeded down to grass, there is a minimal tree growth that comes back in. It can be controlled generally with one or two sprayings, then the grass is established to the extent that the tree growth will not move in except over a long period of time.

MR PAHL: And that would be an operating cost to the department, not the Heritage Savings Trust Fund?

Mr. Chairman, if I may -- and I'm taking the chance of moving ahead because the minister has kindly provided us with a total work to be completed by March 31, 1982. I note that the order of magnitude of that work is \$19.4 million as opposed to considerably less numbers for any one. Could you indicate whether that level of activity will or could be planned to assist the small contractors in rural areas who have perhaps suffered from the downturn in the oil industry, who probably are pretty proficient at the same kind of work in terms of clearing, piling, cat work -- this sort of thing. Is there a design there or is there a possibility to aim your tenders at those people rather than taking it in big lumps, because there are other programs that try to spread the work around?

MR MILLER: Not specifically. Certainly it will have some effect along with our Crown land improvement program which is also utilizing some of the smaller operations and putting their equipment to work. I think it's a question of being in a position where we can go ahead and do it at this point in time, having completed the planning and the laying out so that the timing aspect is right that we can go ahead and do these projects.

MR PAHL: Thank you.

MR MACK: Mr. Chairman, I'd like to ask a supplementary on the comparative cost versus revenue on the usage. There was a comment made with regard to slower usage on the newer areas. Is this because the area, because of its newness, cannot handle 'X' number of stock on it, or is it because it just has not been required?

MR MILLER: Generally the cattle are put in on a phase basis. In other words, the first year when the grazing reserve is identified there are no cattle. The next year or that winter, probably the brushing and piling could take place. Depending on the weather, that could be broken and seeded down. But that year there will be no cattle on it. The next year, we'll start to have some cattle come in. As this clearing and breaking goes on, your cattle numbers increase and so you have better utilization, for example, of the staff and the facilities than you do in your initial two, three, or four years.

MR MACK: Thank you. A further question. On the utilization question, I imagine there are minimums and maximums, certainly maximums on a specific acreage. Would you utilize a percentage costing to be able to compare it to another area, or would you use actual cost versus revenue from that particular area?

MR MILLER: Certainly the development cost, particularly from area to area in regard to the tree cover -- for example, if it's a heavy tree cover, it's more costly to develop than less. Fred, do we . . . There is some relationship to development costs and per animal unit costs. How is that arrived at on an individual reserve as compared to a region?

MR McDUGALL: I'm not really sure I understand the thrust of the question.

MR MACK: Okay. I'll repeat it then. The question basically that I'm asking, Mr. Chairman, is the initial . . . I'm not as concerned about the initial expenditure because the area being developed is the one that, depending on the amount of work that has to be done on it, is the cost that's going to be involved depending on the magnitude of tree cover and so on. I'm basically more interested in a developed area that is already available for running stock on. If we're running 1,000 head of stock on range 1 and 2,000 on range 2, there may be determining factors as to why range 2 only has 2,000 as opposed to range 1 having 1,000. Therefore your cost analysis, if you were doing it per capita, would probably give you a fairly good figure of appreciation, whereas if you were doing it on the parcel itself may not, depending on the parameters. I'm just asking what kind of calculus the department will use in determining that.

MR McDUGALL: The general trend is that the larger reserves have lower per capita costs, but it varies a great deal depending on the actual conditions. We've tried to distribute these around the province so it minimizes the haul distance for patrons in and out of the reserves. So there's an attempt to locate them on the best available sites and distribute them geographically so that operating costs for patrons are minimized and that they're accessible -- as accessible as possible to as many patrons as possible. So there are all these underlying factors.

The physical constraints of the sites themselves, I guess, are the determining factor when you compare costs from one to the other. In some areas we were fortunate in having extensive areas of good quality land in one nice, solid block. That type of a reserve would tend to have lower costs than one that has to be fitted in an area where there may be more lakes, marshes, muskeg, and that kind of thing that breaks it up. You end up with a lot more fence to maintain for a smaller area. So it tends to be more a physical determinate than anything else.



MR MACK: Are any determinations made on these physical characteristics of the lie of the land and the kind of land prior to going into it and turning it into grazing area to minimize the variances?

MR McDOUGALL: Yes, very much so. There's a lot of detailed planning work that is undertaken before an area is selected. After an area is selected, there's a great deal of work done by both our wildlife people and our public lands people to try to plan the area so that it's not totally dedicated just to maximizing grazing but also watershed protection measures are considered, wildlife benefits are considered. It's an integrated planning exercise that we now do.

MR CHAIRMAN: Any more questions from the members of the committee for the minister or his staff?

Thank you, Mr. Minister. We'll see you next year.

I think for the benefit of members, we're going to see if the Minister of Transportation is available a little earlier than his half past 2 scheduled time so that we can carry on with his presentation.

*The meeting adjourned at 2:10 p.m.*