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Standing Committee on Public Accounts

Wednesday, October 31, 1979

Chairman: Mr. Mandeville

10:10 a.m.

MR. CHAIRMAN: Good morning, ladies and gentlemen. We're late again getting started; we'll bring our meeting to order. We really don't need to go through our minutes, but I just thought we'd ask if there are any errors or omissions, in case there are any names omitted. We do have the transcript. Are there any errors or omissions from the last minutes? If not, we'll have them filed.

We'll get right into Housing business here this morning. We do have one new gentleman here this morning: Terry Fikowski, vice-president of Alberta Home Mortgage Corporation. Terry, we want to welcome you to our meeting. The members who were sworn are under oath. Do they appreciate and realize that they are still under oath? If they do, we won't have to swear in the witnesses. That's agreed. Mike, if you could swear Terry in.

Mr. Fikowski was sworn in.

MR. CHAIRMAN: Do we have any questions from the committee members?

MR. R. CLARK: Mr. Chairman, with the greatest of respect, I don't believe this committee can function unless the Auditor General is here. He's next door; perhaps you, Mr. Chairman, or Mr. Clegg could use your influence to go and wrestle the chairman from the select committee. For the next half-hour, as one person who's asking questions anyway, I certainly think it's important that the Auditor General be here, hear the explanations, and perhaps get some direction from the committee.

MR. CHAIRMAN: I agree with you, Mr. Clark.

MR. McCRAE: Mr. Chairman, I think it would be very desirable if the Auditor General were here. I don't know that it's absolutely necessary. I gather that the select committee is holding its meeting, and I don't know how long it's going to be. I don't know if it's the wish of this committee to adjourn until the other committee finishes. But since we're all assembled here and all short of time, I think the appropriate thing might be to continue with the questions. Any questions or clarifications required of the Auditor could be referred to him later. I just can't see us sitting here doing nothing, waiting for the gentleman to come. He obviously can't be in two meetings at one time.

So I would suggest, Mr. Clark, that we continue, and whatever needs to be referred to the Auditor can be referred to him upon his return here; and that next week we try to assure there's no overlapping of meetings.

MR. CHAIRMAN: I'm sorry about that, committee members. I was waiting, and no one contacted me. I realized that the other meeting was in progress, but I

thought we'd have either Mr. Henkelman or Mr. Rogers with us this morning. However, we don't. Mr. Clegg has gone to see if we can get somebody from the Auditor General's office to sit in on our meeting.

Mr. Clegg indicates that the Auditor General will be free in approximately 10 minutes. Is it the wish of the committee to continue, and as Mr. McCrae .

MR. R. CLARK: Mr. Chairman, from my point of view, I'd like to wait until the Auditor General gets here to get the answers to the questions I posed last Wednesday. I also asked the Auditor General to have some information for us. So if I could just retain my opportunity to ask questions as soon as he arrives.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Are there any further questions to be directed to any of the witnesses, or to the minister?

We're just saved by the bell.

MR. ROGERS: Mr. Chairman, I'd like to apologize to the committee, but I was detained at another committee.

MR. CHAIRMAN: Yes, we're pleased that you're here.

Mr. Clark, did you have some questions?

MR. R. CLARK: Yes, Mr. Chairman. At the conclusion of my involvement in the discussion last week, members will recall that officials of the department, the Housing Corporation, and so on, had told us in essence that they couldn't find any information with regard to the Grouard housing situation, that they had no idea what the costs were supposed to be when the program was started. I brought to the attention of the committee the news release dated August 17, 1976, which made three salient points, I think. One, the houses were to cost approximately \$25,000 apiece. By the evidence presented under oath by the officials of the corporation last week, we found out that if you take in the infrastructure, the cost is \$101,000 apiece; if you leave out the infrastructure it's \$86,000 apiece. That's one area, Mr. Chairman, where I certainly want an explanation.

I also asked Mr. Rogers, in his capacity as Auditor, what kind of investigation or look had been done by his department in this particular situation. So that's where I would like to see us start, Mr. Chairman.

MR. CHAMBERS: First of all, I would have to take some exception to part of what my friend from Olds-Didsbury said. We did have the information available, and I volunteered it, as you will recall, Mr. Chairman, prior to the end of the meeting. But we ran out of time. We've always had the information with us; quite prepared to review that in detail. If you'd like it now, I'd ask Mr. Earl to go over the statistics.

MR. CHAIRMAN: Thank you.

MR. EARL: Mr. Chairman, I think that in order to put this into perspective, I'd like to go back very briefly to the beginning of this project. This project in Grouard was initially approved as a project based on an experimental undertaking, and was to be used as a model for further

application in remote and depressed areas. This concept that was used in Grouard had some basic goals that we tried to attain, right from the beginning. These fit into the rural and native housing program.

The first was that this concept would lend itself extremely well to local unskilled labor through log harvesting, cutting, stacking, cement mixing, and site work. Second, it would stimulate the local economy and ease unemployment. Third, substantial cost savings would be realized by minimizing skilled input and maximizing utilization of local forest resources. Fourth, applicants would earn sweat equity, at the same time identifying with their unit. Fifth, the community involvement would result in a united effort to produce a sound and acceptable product.

Shortly after this project was tendered for the purpose of obtaining a construction manager, some of the problems associated with this project began to emerge. It was from this time on that some of the cost escalations were experienced. For example, first we immediately found that on the insistence of land-owners and applicants, eight of the houses were to be built outside the AHC subdivision on land that was not yet subdivided and was scattered on privately owned land in that area.

Second, one of the initial concepts of the project was to use 4-inch by 4-inch wall logs. It was found that these were no longer available in the local mills. Immediately after the tender -- and I might go back just briefly to indicate that the \$25,000 per unit costs, which were originally published in the newspaper, were felt to be realistic costs for those houses because by that time we had built houses in Faust and Jousard for \$25,000. The architect retained for this project indicated that he could design and produce, on an experimental basis, houses for the same cost.

After the tender, and after Bird Construction was hired to be the construction manager for the project, an immediate evaluation showed that the houses alone were going to range from \$26,500 to \$37,600 per unit. The average costs at that time, September 1976, were indicated to be approximately \$32,000 per unit.

To indicate further some of the problems associated with this project and the reason for escalating prices, I could briefly indicate a number of reasons for this. First, productivity and dependability of local unskilled laborers were much poorer than anticipated. There was a high staff turnover, and eventually skilled labor from Bird's own forces were hired to finish the work.

Second, with the buoyant Alberta economy, a shortage of qualified local subcontractors developed.

Third, a shortage of construction material developed at the local mills.

Fourth, applicants became indecisive regarding their unit designs and features. Some cancelled, and changes were required by new applicants.

Fifth, disputes and misunderstandings with local land-owners resulted in slow land purchase and tie-up of properties outside AHC subdivision.

Sixth, some outside properties needed subdivision, and this is a long, drawn-out process.

Seventh, permanent road construction had just commenced, and access to most units was difficult.

Eighth, units were not closed in by onset of winter, requiring further costs to hoard in and work during the winter months. Adverse weather, heavy rainfall, made sites muddy and impassable. Bulldozers were needed to tow equipment to and from the sites.

Ninth, wet weather delayed installation of electric power and gas service. In fact, that didn't even get installed until the spring of 1978.

Tenth, soil conditions dictated a change in the servicing level to full, installed underground system, to be connected to upgraded community sewage system. Installation of these services hampered vehicular movement for services and supplies.

The original goals of the project were to produce units to meet local needs at approximately \$25,000. From the fall of 1975 to September of 1976 they escalated to \$32,000. In the latter part of 1976, CMHC approved a per-unit cost of \$40,000. On December 16, 1977, costs had escalated further to \$51,000 per unit. In January of 1978 a further revision, to approximately \$60,000 per unit. The final average cost was approximately \$86,150 per unit.

MR. R. CLARK: Mr. Chairman, I don't have the advantage of the statement Mr. Earl made, but I'm sure that will be available to the committee, and perhaps we'd have a chance to look at that later on.

Mr. Earl, you'll pardon me for being very direct with you, and with you, Mr. Minister. But we have been given 10 points as to why the costs rose from \$25,000 -- not in the newspaper but in the government's own release, which last week you people didn't know about -- the cost has now gone from \$25,000 to \$86,000. The reasons we've been given this morning are: staff turnovers; shortage of local subcontractors -- it shouldn't come as a great shock to people who know the Grouard-High Prairie area that there aren't many local contractors in the area; shortage of lumber -- one would have assumed that the department would have known whether there was lumber available or not before the project was started. You know, the trees take 50 years to grow.

Now, the people having some indecision as to the design. I can appreciate how that would put the cost up somewhat, but I doubt whether it would more than triple the cost.

A dispute over land, and land tie-up. I can appreciate that would extend the period of time, but I can't understand how that would increase the cost.

Subdivision. I know how long that takes, but that wouldn't increase the cost, other than what you could do business for in 1976-77 compared to 1977-78. Okay, we'll concede inflation there.

Permanent road construction. I can't see how that increased the cost of the houses at all. Remember, if you take the infrastructure into the figure, it's \$101,000, not the \$86,000 we're arguing about here this morning.

Not closed in by winter. I can appreciate that.

The heavy rainfall. That sounds very much like the excuse we got from the corporation last year when it rained on the east side of the road at Airdrie, but not on the west side.

Then soil for the service levels; they had to go underground. Fair ball. That doesn't add anything, or very little, to the cost of the houses.

Mr. Chairman, to the hon. minister and to Mr. Earl, recognizing that we're all here under oath: is there any other information that this committee should receive from the officials of this corporation that was a reason for the very sizable increase? I'm pleading with the minister and his officials, if there's any other information that this committee should know so that we can better understand the increase, now is the time to level with us.

MR. CHAMBERS: Mr. Chairman, I would point out that we're trying to be very candid and level with -- we're open. If there's anything else, we'd certainly be willing to provide it. I would point out that an audit was done, an extensive one. The audit team consisted of a member of the operations audit division of the Canada Mortgage and Housing Corporation, national office; the vice-president, administration, of the Housing Corporation; a member of the

rural and native housing division, the Edmonton branch of the Canada Mortgage and Housing Corporation. The audit team concluded that the prices, as outlined, were the way they were.

MR. WEISS: On a point of order, Mr. Chairman. As I sit here and listen to the remarks of the hon. Leader of the Opposition, I'm appalled. The witnesses are under oath. They have stated what they clearly believe are the facts. The Leader of the Opposition is making accusations or innuendoes that these are not truths that are coming out, and there are other unreported facts. The minister has clearly stated that he is preparing and clearly putting all the facts out on the table. As a member on the government side, I accept those. I do not like the accusations, innuendoes, as they are stated.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: On the point of order, looking at it myself, I really thought the Leader of the Opposition asked if there was any more information. That's the way I understood it, Mr. Weiss.

MR. R. CLARK: Mr. Chairman, then despite Mr. Weiss's uncomfortableness . . .

AN HON. MEMBER: Discomfort.

MR. R. CLARK: Okay, discomfort. I can appreciate how he would be not comfortable. I'm not either, or the taxpayer, I might add.

But Mr. Chairman, to the hon. minister. Mr. Minister, there's no additional information that should be laid before the committee?

Then could I say to Mr. Rogers, as Provincial Auditor: did your office, under the circumstances at that time, do an investigation in this area?

MR. ROGERS: At the time, '77-78 and earlier, the Auditor did not have the mandate he had under The Auditor General Act. The thrust of our audits at that time was on the financial statements; did they fairly present the activities of the Housing Corporation? We also had a charge which is inherent in any legislative auditor's mandate, whether it is set out or not, to see that the moneys were spent for the purposes for which they were provided; in other words, we did see that the moneys were spent on this project. The fact that it was in excess of what had originally been estimated, in a Crown corporation context, was not anything that our office was called upon to report. In fact, you will recall that prior to March 31, 1978, the Auditor did not have a mandate to report to this House.

So the answer has to be that while we were aware of the situation, we were aware of the developments that had taken place, it was not a reporting responsibility at the time.

MR. R. CLARK: Mr. Chairman, could I proceed with the question to the Provincial Auditor. Mr. Rogers, recognizing, though, that under the previous situation there was a mechanism by which the former Provincial Auditor -- and I'm sure you have done, sir -- could go to an agency of the government or to a minister expressing concern about what's happening under a particular project or program, was that practice followed in this particular case of the rural and native housing program? Or in fact did you feel, Mr. Rogers, that there was any need to do that? Was that done?

MR. ROGERS: Mr. Chairman, I was talking about reporting to the House. In actual fact, in our management letter we did report -- not mentioning this particular project because it was only one of the projects we looked at -- on the wisdom of having an integrated system, integrated with the general ledger, a contract control accounting system. I believe that considerable progress has been made on that. There were changes made by the Housing Corporation in their methods and controls as a result of this particular development.

MR. McCRAE: Mr. Chairman, could I make a point. I've never really established the ground rules (inaudible) a question and two supplementaries. I haven't been keeping track, but something tells me we've gone far beyond the two supplementaries. I have a supplementary. I don't know whether it's my turn on the list or not, but I'll come back to that.

Could I comment, sir, on the last question as to whether or not the Auditor had done an investigation, which I think is an unfortunate term. The term "investigation" infers -- and this is getting back to what Mr. Weiss was getting on to a moment back -- that there is something wrong. The Auditor has said that he conducted his usual audit, as was his mandate in '77-78, of the Housing Corporation, and in fact found that all the moneys had been expended on that particular project. We've had the minister and his officials tell us, with all candor, that the original experimental model type of project that they had set up -- and it was an experimental thing, trying to help the native people, trying to use local labor. I think we all recognize that sometimes these things don't succeed. But he's told us with all candor what went wrong. He hasn't given us any particular detail as to whether items 1, 2, or 10 cost us X dollars. Perhaps he has that information, and might give it to us later on.

But I see the trend of these questions leading up to a suggestion that there should be some sort of investigation done. Before we even get into that, I'm going to say that I'm totally against that. It is just not the direction we should be talking about. The Auditor has performed his function with respect to the Alberta Housing Corporation experimental housing program in this particular area. If we want more detail as to what happened, what went wrong; if we want some facts, figures, dollars and cents items, fine. As our supplementary question, when the opportunity comes up, let's ask for those without the insinuations and innuendoes that there needs to be some investigation. I just reject that line of questioning, Mr. Chairman.

MR. CHAIRMAN: We have our witnesses here, and I'm sure they'll give us all the information we need.

On the three questions, I've recognized Dr. Anderson as our next questioner. We didn't have any hands up, and that's the reason I let the question period go on. As soon as Dr. Anderson put his hand up, I recognized him, followed by Mr. McCrae, if you have another question.

DR. C. ANDERSON: Mr. Chairman, I too would like to follow up on this. I'd like to point out to the Leader of the Opposition that I wonder what makes him the expert on construction in the province. I'd like to point out to him that there's an awful lot of difference between constructing a home in Olds-Didsbury and in the area we're talking about.

MR. R. CLARK: Mr. Chairman, just to point out to the hon. member: I'm using the government's figure of \$25,000 that you didn't know about last week, not the Olds-Didsbury figure or the figure of the Leader of the Opposition.

DR. C. ANDERSON: Regardless of what you're using, I still think that if we had some information about the costs of housing at the time this project was started, the escalation of prices, and time required for the project and materials over that same period -- if you've done any construction yourself, you might know that the prices have gone up a substantial amount in materials alone.

MR. R. CLARK: They haven't gone up three times.

DR. C. ANDERSON: When you start to get to the point where you are dealing with pulling equipment through mud and that sort of thing, and if you've ever walked in the mud up there and seen the water coming out of the side hills, you might know that there would be more problems than expected.

So I fully support our department. They're giving us the answers to our questions, and I think we should listen instead of just trying to call for this so-called inquiry or whatever.

MR. McCRAE: Mr. Chairman, my question is along the line of Dr. Anderson's. Could you give us any indication of the cost increases of the housing project in Faust, which I think you said was about \$26,000 or \$24,000 in '76. For comparison purposes, I wonder if we might have some indication of how the costs there have gone up.

MR. CHAMBERS: Mr. Chairman, that was one of our earlier projects. In those days, we were able to build a house without -- those happened to be stick-built -- a basement, without connection to a normal sewer and water system. I guess expectations have probably increased over the years. Perhaps Mr. Earl might give information on Faust.

MR. EARL: Mr. Chairman, Faust is a project that received national attention. As a result, a number of activities occurred in Faust -- it isn't as clear cut as Grouard.

Faust consisted of three phases. The first phase was for nine units. The original estimated cost on those five units in 1976 was \$305,230. But because of the problems we had there, and the fact that the residents did not accept those homes and the need to do remedial action, the final cost due to that remedial action was \$411,889.

The second phase consisted of another four units. The original estimate there was \$244,000, and the final cost was \$268,000.

The third phase of Faust, another four units. The original estimate was \$184,000; the final cost, \$251,000.

I might indicate that phases two and three were built with foundations, full basements, and full services because the Department of Municipal Affairs went into Faust at that time and installed a municipal sewer and water system. So the costs there are partly due to remedial action required.

MR. McCRAE: Mr. Chairman, supplementary if I may, Mr. Chairman, to the hon. minister. I guess we all recognize that if you get into an experimental program such as this -- and I think we should all commend you for trying to use local people, trying to assist local people, and so on -- sometimes your expectations aren't realized and that we're doomed to have some disappointments, costs are going to go up, et cetera, et cetera.

I did want to ask you whether, in Faust and other native communities in the northern area, we had attempted to use local help -- and some of the factors

that you tried to use in this other community and it didn't satisfy your needs and was one of the several problem areas. Were you using local help in Faust?

MR. CHAMBERS: Mr. Chairman, I'd ask Mr. Earl to comment on that.

MR. EARL: Not specifically. We found that many of the general contractors who were successful in the tenders in many of these projects ended up hiring local labor, but not to use it specifically without direction.

MR. STROMBERG: Mr. Chairman, to the minister with regard to public housing and the housing authorities which we have appointed to operate them. I was questioning as to the future of public housing. Are we building more, or is it at a standstill, or will we eventually be out of that business?

MR. CHAMBERS: Mr. Chairman, the amount that we budget for and build varies, of course, from year to year. What we attempt to do, of course, is assess the market and the need. If we see a vacancy rate building, then we'll back off on construction. But our attempt is to meet the need. If the need is there, we attempt to build, in whatever communities, sufficient public housing to meet that need.

MR. WEISS: Mr. Chairman, I'd like to direct my question to the minister. Prior to the question, I would like to go back for just one moment and digress about the last project. We've all heard here today that it was a trial and a learning process. I hope the government has learned, and perhaps through this model and this exercise will take corrective measures, reduce costs, and keep them to a minimum in the future. The question, perhaps, is not that bad by the hon. minister, because I think we've proved that we can learn, and as a government we're prepared to take those corrective measures as well.

But would the hon. minister perhaps advise me as to what process or change of process they will be implementing in the new town of Fort McMurray for subsidized housing costs for the government? I'm concerned, Mr. Minister, that private industry, the small businessperson, is not receiving the same benefit or break that subsidized housing is, being accommodated into the government sector. I'd like you to make that comparison and to assure us that there is no differential.

MR. CHAMBERS: Mr. Chairman, I guess the key factor with regard to a lot of our programs is land price. In Fort McMurray, land price has probably, for a number of reasons which would include the distance of Fort McMurray from Edmonton, the availability of contractors at a peak construction period through the Syncrude project, the topographic nature of Fort McMurray itself -- it's cut by rivers -- it is an expensive area to develop property in. The land was turned over at nominal cost to the corporation, \$650 an acre. Lot costs were somewhere in the order of \$35,000. Essentially following the wind-up of the Syncrude project and therefore a greater availability of contractors and equipment, we've been able to lower those costs over the last year or so. The last lot prices I've seen were in the order of \$22,000.

Of course, our programs apply in Fort McMurray as anywhere else. We would hope that in the future they would be utilized in that area.

MR. COOK: Mr. Chairman, rather than a question I have a comment, and it's this: I'm a little disturbed by the line of questioning of the hon. Leader of the Opposition. Rather than concentrating on the tremendously wide range of

programs the department does offer, he's singled in on one narrow area. I think the department has made real strides to improving the way of life of people who are much less fortunate than we are. I'm just going to ask the Leader of the Opposition two questions.

Mr. Chairman, is the Leader of the Opposition trying to suggest that the government should not be providing homes for the native people in rural areas? Secondly, is he also suggesting we should not be using Indian people to build those homes because we might run the risk of overrunning our budget, or trying to provide better housing for them with new, experimental programs? Is that the line of questioning the Leader of the Opposition is trying to promote? That would be in keeping with the Social Credit tradition of his administration, if he wanted to continue with that kind of approach.

MR. CHAIRMAN: Is that a question directed to the officials?

MR. COOK: I just wanted to make that point to the Leader of the Opposition, Mr. Chairman.

MR. R. CLARK: If you're checking the transcript, the hon. member asked me a question. Mr. Chairman, I would like the opportunity to respond to what the hon. member has asked me.

SOME HON. MEMBERS: Agreed.

MR. R. CLARK: The concern here in Public Accounts -- where we're charged with the responsibility of seeing if money has been well spent, wisely spent, and spent for the purposes it was set out for -- is to get some explanation here today, or last week, as to why the costs in this program went from \$25,000 to \$86,000 per unit.

I've said publicly on several occasions that I support the program. I've been up and looked at the area on several occasions. For the hon. member's information, on several occasions I've written this minister and the former minister with regard to problems in the program. I think it would be fair to say that there's been somewhat of a difference of opinion between the minister and me with regard to some aspects of the program.

But the function of this committee is to ascertain whether the money is being well used. What I've tried to do -- I asked last week and I ask again today, what is the logical reason for going from \$25,000 per unit . . . We knew what the ground was like up there, we knew there was water and many of these problems we've heard today. Anybody who has been in that Wabasca-Desmarais-Grouard area knows the lay of the land, all those kinds of things. I assume those things were taken into consideration before a figure of \$25,000 was arrived at.

It isn't a matter of saying, no, we shouldn't have the native people involved in the program. We should; there is complete support for that.

MR. COOK: With intended risks.

MR. R. CLARK: With the intended risks. But you see, I don't know of one other program -- and I hope the hon. member doesn't, either -- where the costs have gone from \$25,000 to \$86,000.

MR. COOK: But you're suggesting that on that land where the water table is very high, we should not be building houses?

MR. R. CLARK: Oh, no. But the water table didn't go up just after the contract was let. That's the whole point that the member has to keep in mind.

MR. CHAIRMAN: Committee members, I just think we'd better reserve ourselves from questioning committee members ourselves. We have our witnesses here, and the minister, from the Department of Housing and Public Works. I think we should refrain from directing questions to one another, as the committee, and direct our questions to the witnesses and the minister.

MR. CHAMBERS: Mr. Chairman, there's one area I mentioned that we didn't go into detail on that might be helpful. That's the structural problems we encountered, specifically with the units. I'd be happy, if the committee wishes, to provide more detail on that.

HON. MEMBERS: Agreed.

MR. CHAMBERS: I'd ask Mr. Earl to do that.

MR. EARL: Mr. Chairman, I think we've mentioned before that when we went into this project, it was very experimental. We hired an architect of native descent to deal with the needs of the native people, so one of the concepts of this approach was to design the houses around the people, to take their individual needs into account, and basically to custom-design each unit. When we started on this projects, we didn't have final working drawings completed and approved. These only came later on, as the project progressed.

But one of the main problems we encountered was that as we put the foundations in, the basements, and as we started to build, we had a partner in this whole exercise. That partner was Canada Mortgage and Housing Corporation. One of the requirements of this whole program was that every house had to meet CMHC standards in every regard. In this experimental project we were using logs; we wer not using conventional logs laid out on the flat, but in a stacked manner as cordwood. CMHC had never had experience with this, so as the project progressed we continually got lists of deficiencies that we were experiencing in building these units. There was no room for flexibility in many of these regards. This was at the time when new insulation standards were required. We had 18-inch logs with zonolite in between, and tests done to see whether they met insulation requirements.

Some of the requirements placed upon us as we started to build these units were: the foundation plans were to be engineer-designed and -stamped. I don't know whether any engineer in this province has ever designed a cordwood type of foundation. Weeping tile became mandatory. Concrete footings were to be anchored to the walls, after some of the walls had been put up. Roof insulation system was not acceptable. This resulted in a huge roof system. We had circular buildings, and the original idea was to put poles up, then to put a roof up and to insulate it. We ended up having three layers of two-by-sixes, two-by-eights, two-by-fours, or two-by-tens crisscrossed on the roofs. I think the roof cost more than the rest of the house put together. This was a CMHC requirement. The window design was not acceptable, and had to be totally redone. The crawl spaces had to be ventilated, and had to have access. The bedrooms were undersized.

So here was an architect trying to design buildings to meet the natives' needs, and here was another agency saying, we can't recognize those needs; bedrooms are undersized, storage is inadequate, windows are undersized, bedroom electrical outlets are overspanned, improper joists in the beams,

damp-proofing of wooden posts is required. And that was while it was being built. After the houses were built, we learned that most of the structure was underdesigned then. So a whole new structure had to be built around a structure. We built two houses there for every one we built.

MR. CHAMBERS: Mr. Chairman, I might add that CMHC, of course, recognized their participation in this. This national program was commenced in 1974, and CMHC were heavily involved and recognized this. Therefore, of course, they agreed to cover 75 per cent of the overrun.

While I have the opportunity, Mr. Chairman, I would like to point out one fact that I think the committee should recognize. As of July 1 this year, existing units -- we had built 467 rural and native, 443 mobile, 214 transitional and Metis, and 101 under the rural home program. That total is 1225. Planned or under construction as of July 31 were another 378, which is approximately 1600 units. The average persons housed in each of those units is five; therefore we're talking essentially about programs started since '74 housing 8,000 native people. There isn't any other province in this country that comes even close to what we've accomplished in this area. No other province is even in the ballpark.

Therefore I'd like to say, Mr. Chairman, sure we've had mistakes in areas. Hopefully we've learned from those mistakes. But at least we've been out there trying to house those people. Frankly, I'm proud of the achievement of the corporation and the department in what they've accomplished in housing native people, and look forward to doing more of it in the future.

MR. R. CLARK: Mr. Chairman, I have really two questions. I might put them together, and as far as I'm concerned we can let the matter rest, at least for this morning. I take it from the comments we've just heard that Central Mortgage and Housing really is responsible for quite a portion of what happened. I'll be pleased to follow up with Central Mortgage and Housing, and have had discussions with them very recently in that area.

My question, Mr. Minister, would be this: for now, if your department officials could supply to all members of the committee, or to the Chairman, a listing of all the extras which have been approved under the rural and native housing program since its inception, a very brief description of the company that got the extra, and the amount, then I think that would be helpful. The reason I ask the question, Mr. Minister, is that I'm continuing to get -- in fact, as recently as this morning -- calls from people involved in various aspects of the program, contractors who talk about the way in which extras were approved, and so on. So if you could give me a list of the extras, I'd simply drop the thing there, then I'd have the information.

MR. COOK: What extras?

MR. CHAMBERS: Mr. Chairman, we're happy to provide anything the committee wishes. I'd like a little further definition of "extras". For example, what I'm thinking of is: in the case of Grouard it wasn't a turn-key contract; it was done by project management. Therefore, under that situation one might have a bulldozer working on the ditch, then pull it over to work on this house or that house. So it would be extremely difficult to isolate to that degree when you're under project management, as compared to a clear-cut, turn-key operation. But we're happy to provide any information that is available. But I'd like a further definition of what's meant by "extra".

MR. R. CLARK: If I may, Mr. Chairman, and thank you, Mr. Minister. On all the projects where contracts were awarded under the rural and native housing program, where a fixed contract price was awarded by tender or by means of negotiation between officials of the corporation and companies or individuals, what I want to get, Mr. Minister, is a listing of all the extras which have been approved once a contract has been awarded. Okay?

Could I give you an example, without trying to get the committee in an awful tizzy. Let's say, extras that might have been approved for skirting under the mobile-home portion of the rural and native housing program. Let's say, the extras at Lac La Biche; I understand \$10,000 for skirting. Those kinds of extras, Mr. Minister, are the what I want to get at, the extras for any contract which was approved by the corporation under the rural and native housing program.

MR. CHAMBERS: Mr. Chairman, I'm consulting with my officials, not from the standpoint that we want to provide anything that -- but I'm trying to make sure we understand exactly what's being asked for, that's all.

Mr. Chairman, would it be acceptable if we did it just for rural and native -- the rural home is a much more difficult area in terms of the fact that we buy the units and hire a local contractor to go in and do the skirting, for example, perhaps on an hourly basis. I'm not sure we could readily dig that information out. I think it would be easier to do on the rural and native program than on the mobile, but whatever you wish.

MR. COOK: On a point of order, Mr. Chairman, wouldn't it be acceptable to the committee, then, simply to have the contract price that was agreed to -- I'm interpreting the question of the Leader of the Opposition to mean the base contract price, then the minister would provide this committee with the information relating to any extra charges that were agreed to by the department for further work not agreed to in the contract. Mr. Leader of the Opposition, is that what you are intending?

MR. R. CLARK: (Inaudible) just the amount and which company got the extra -- a thumbnail sketch of the extra.

MR. COOK: So it would only be for contracts?

MR. R. CLARK: Yes, I'm quite prepared to start there, and proceed with the matter from there, Mr. Chairman.

MR. CHAMBERS: It's my understanding, Mr. Chairman, that we're essentially talking about change-orders to contracts.

MR. R. CLARK: And extras.

MR. CHAMBERS: We'll endeavor to dig out that information and provide it to the committee, Mr. Chairman.

MR. R. CLARK: Mr. Chairman, just one last question. Did Bird Construction offer to build the units at Grouard for \$25,000 per unit, and was that offer in writing? Could the minister consider making a copy of that offer available to the committee?

MR. CHAMBERS: Mr. Chairman, to my knowledge we tendered for a project manager, not for tederling units. But I'm happy to go back through the files and identify as clearly as possible those terms of some years ago. But at least to my knowledge, we tendered to contract a project manager.

MR. R. CLARK: So I take it you'll check it out?

MR. CHAMBERS: We'll check it out.

MR. STROMBERG: Mr. Chairman, to the minister with regard to senior citizens' lodges. It would appear that perhaps we've reached the point where we now have capacity, that the occupancy rate in the senior citizens' lodges is dropping, that the average age is creeping up -- I have one lodge in my constituency where the average age is 89 -- that our senior citizens are staying more in their own homes, going to self-contained units, by-passing the lodge and going directly to a hospital. It would appear that there is a demand within these lodges that they go more and more into nursing home type of care. Has the department or Alberta Housing given consideration to a combination lodge/nursing home for these lodges with low occupancy and increasing age?

MR. CHAMBERS: Mr. Chairman, I think it's fair to say that the observation of the Member for Camrose with regard to age is correct; the average age of people in lodges is increasing, which I guess points out what a healthy province Alberta is to live in.

The occupancy of lodges in general is very high. We don't have that many vacancies. We attempt to build the lodges, of course, where they're required. In the self-contained program, I think there's no question that there are very many people who, years ago, would have gone to a lodge, who are now able and wish to live in a self-contained apartment rather than in a lodge situation. We attempt to assess that on an ongoing basis, and balance the lodges versus self-contained apartments. If I haven't answered the question fully, Mr. Chairman, I'd be happy to follow up.

MR. STROMBERG: The question was: do you foresee Alberta Housing going towards a trend where our senior citizens' lodges will become a combination of lodge/nursing home, or nursing home care in a senior citizens' lodge?

MR. CHAMBERS: Mr. Chairman, on that point, of course lodges are not really designed to be nursing homes. A nursing home is a different sort of institutional building, which of course is not under our department; that's Hospitals and Medical Care. The one area, though, that we are looking into is additional home care, if you like, to assist people to remain in them perhaps, where otherwise they would be required to go to a nursing home.

I would want to make it clear, though, that the lodge, as designed, is not really the same thing as a nursing home. I don't think it's even appropriate to convert a lodge to a nursing home, because of its structural aspects and design.

MR. STROMBERG: Supplementary. Is the corporation planning to build a type of what I'd call a total care centre? For instance in British Columbia, Vancouver, I believe, under one roof is your lodge, your self-contained units, and your nursing homes. If my information is correct, one is planned here in

Edmonton. I would like an indication if that is accurate, and if many more are planned.

MR. CHAMBERS: Mr. Chairman, the project the member is referring to in Edmonton is the one north of 137 Avenue. That is a multipurpose group of facilities, if you like, all the way from self-contained apartments through lodge through nursing home on one site. Again, the nursing home aspect is under Hospitals and Medical Care. But from a topography standpoint, that particular location -- and it is experimental -- would have the full range from self-contained apartments through lodge through nursing home.

MR. STROMBERG: Also, Mr. Chairman, my question wasn't answered. Do we plan to build more of these, or are you going to wait and see how the one in Edmonton works? Do you plan some for other centres in Alberta?

MR. CHAMBERS: Mr. Chairman, the one we've just discussed is the only one planned at this point in time. It will be interesting to see what the success of that project is.

MR. PAHL: Mr. Chairman, I felt it would be unfair -- at least it would bother me -- if I as a member of this committee didn't commend the department on its efforts in the area of innovative housing. You know, the only way you can avoid making mistakes is not to do anything.

The stackwall thing has some personal interest to me. I was responsible for building an 18 by 36-foot stackwall construction up in Fort McMurray.

MR. KNAAK: It's still standing.

MR. PAHL: I'm pleased to hear that it's still standing.

We made some mistakes. We called it research; it was under the auspices of a research program. I would hope that the program is not dropped. I think there's a learning curve. You sort of avoid getting with jurisdictions that have rules that are unrealistic to the need, to the area. But I would hope there would be continuing monitoring of those innovative housing projects, so that perhaps the good points can be brought forward.

There was another innovative housing project, I think, by the name of CHAP that we don't hear anything about in the Public Accounts Committee because it doesn't cost us very much money. Let's not . . . I think as a Public Accounts Committee be very concerned about the money being well spent and well accounted for, but by no means should we interpret our scrutiny to inhibit people's looking at the frontiers. In my view the problem of housing across Alberta and northern Canada is so absolutely critical that we have to keep making mistakes, if that's what it takes to learn.

Mr. Chairman, that's more of a point than a question, but I just feel compelled to make it. I think the Public Accounts Committee cannot put itself in a position of criticizing innovation and the learning curve, which means that there are some mistakes. So I commend the department and the minister for their innovation, and hope that they'll keep making mistakes, if that what it takes. Thank you.

MR. KNAAK: Mr. Chairman, my point relates to the possibility of the involvement with CMHC and Alberta Housing in increasing costs generally. I know that one of the real concerns of this government has been the conditional grants given by the federal government through CMHC to the Alberta government

through Alberta Housing, where in fact it's conditional not only to the point that if you do the program we will fund you, but as you pointed out, Mr. Minister, you have to design the actual house the way someone in Ottawa, or based in Alberta, decides it should be constructed. Now, I think it's reasonably clear, although it hasn't been spoken very often, that the matter of housing is basically a provincial jurisdiction. It's a historical development that CMHC has been involved in it, and it commenced after the Second World War with the necessity to generate more housing.

My question is, Mr. Minister: has an examination been made inside the department to make an assessment of the real costs to the public of the delays and the crisscrossing of advice in getting projects promoted and completed where the two agencies are involved? My point is this: I think you pointed out, and one of the officials clearly pointed out, the frustrations and the cost increases with the rural and native housing program. I think you pointed out, Mr. Minister, that the federal government, or CMHC, covered 75 per cent of the overrun. Well, I don't think that's much comfort to the public, who pay taxes to both the provincial government and the federal government. Clearly what we want to see, from the point of view of the public paying taxes, is that both governments, in a way, co-ordinate their efforts to minimize the cost of providing the service. I am certainly not criticizing the overrun, because I know how it comes about.

The question I have is: what steps are the minister and his department -- what position have they been taking with respect to eliminating the CMHC involvement on the project basis, the very detailed, conditional kind of funding that's now involved? If there is a position, is the department making progress in reducing the costs associated with this kind of overlap?

MR. CHAMBERS: That's a good question, Mr. Chairman. Perhaps it might be helpful if I pointed out that in February of 1978, Alberta hosted a provincial housing ministers' conference. At that time Alberta made a strong pitch for a global funding approach; in other words, disentanglement to the maximum extent possible. That was agreed to by the federal government of the day. We signed the global funding agreements on January 1, 1979. I think, which global agreements really do eliminate a significant amount of costly duplication, and in effect transfer a good part of the administrative responsibility, which previously had to be done on a both-involved basis, to the province. As a result of that global funding agreement, I think that there now is significant disentanglement, and that that will result in more favorable costs and more efficient operations in the future.

MR. KNAAX: Supplementary. Are there any programs left under this global funding formula where in fact CMHC architects and engineers are involved in the actual design of a building?

MR. CHAMBERS: I guess it would be fair to point out, Mr. Chairman, that of course we have to conform to -- you know, CMHC has its standards and maximum prices, guidelines. But other than that, no, the disentanglement really includes the province now -- whatever province it may be -- handling those aspects, the architectural, the design, the inspection as a province. That avoids the duplication, where previously we had to have that sort of inspection and so forth done by both parties. Now the global agreement clearly provides for that disentanglement.

MR. KNAAK: Supplementary. On the question of standards, Mr. Chairman. Are those national standards, or CMHC standards designed specifically for Alberta. I know there was a concern in the past that the national standards really seem to be too inflexible to meet local demands, and that in fact increased costs as well; or they were inapplicable, which gives you a building that's not properly designed for the particular area in Alberta. Is that a concern, or has there been sufficient discussion to eliminate that?

As a matter of comment, simply because CMHC funds -- I'm of the opinion that it's clearly a provincial jurisdiction, and a federal agency shouldn't be imposing standards on a province in its area of jurisdiction, simply because it's taxing Alberta taxpayers, taking the funds, and giving them back to us. But I would like a response on that question.

MR. CHAMBERS: Mr. Chairman, the CMHC standards are of course national standards. I suppose one could make the point that if you went back 30 or 50 years, prior to building standards being anywhere near as elaborate as they are today, there's no question that one could build a house much cheaper. On the other hand, because of standards I think we're getting the best housing and the best sort of construction available today in the world. There are two sides to it. I expect that the houses built according to national standards will look a lot better 50 years from now than perhaps some houses look today that were built 50 years ago under much lower standards. I think that standards are important, of course, and are contributing to the very high quality of housing we have in this country.

MR. CHAIRMAN: Possibly we could come back to your question.

MR. KNAAK: The question wasn't really addressed. I must not have asked my question clearly enough. Alberta Housing has its own standards under its own programs. My question was: are the national standards adaptable enough to meet Alberta needs, or do they increase costs without really responding to Alberta needs?

MR. CHAMBERS: Mr. Chairman, I'm not totally sure, yet, what the hon. member is asking. But we have an Alberta building code, and of course there's a national building code. They're quite close. Maybe the hon. member could elaborate further, because I'm not sure I understand the question.

MR. KNAAK: Well, I think the minister has answered the question sufficiently, thank you.

MRS. CRIPPS: When applying for loans from Alberta Home Mortgage Corporation, is there any rationale behind the necessity for the plans to be submitted in metric? The homes are built in metric, the materials aren't available in metric, yet the plans for loans have to be submitted in metric, and it's causing a hardship to home-buyers.

MR. CHAMBERS: I guess questions on metric should probably be answered by the hon. member across the way. But in general, obviously metric costs. Metric conversion and the transitional period of going through it cost money. Hopefully, a decade or two from now, people will look back and say, gee, I'm glad we did that, because metric is a better system and everything is a lot better today -- I'm talking about the future -- because we've gone metric.

But it is a difficult period. Perhaps Mr. Engleman might like to answer with regard to the detail on the specifications.

MR. ENGLEMAN: Yes. Mr. Chairman, I think we have to say that metric was imposed on us; it was a government decision. We are asking for plans in metric, exactly as indicated. But we haven't gone the final step of saying, we want these things in hard metric. All we're asking for is to convert the plans to metric dimensions; in other words, quote everything in metric. We know there are still houses being built to Imperial standards. It was a decision that was taken, and basically we converted all our standards to metric. Our guidelines are all converted to metric; therefore to avoid having two different numbers to work with all the time, we're asking for everything to come in on a metric basis.

MRS. CRIPPS: I don't think you answered the rationale behind the necessity for metric, when the homes aren't being built in metric. If someone goes out to inspect them, they can't even inspect them in metric because they're built in the other.

MR. CHAMBERS: Mr. Chairman, of course the conversion to metric -- we've gone through a number of metric statutes in this House over the last couple of years, so that when the occasion requires that a conversion to metric occur, we do it.

In actual fact, though, most contractors I've talked to aren't really too uptight about metric. Their carpenters pick it up surprisingly quickly. Even though a panel of wood may be available in Imperial size, it really isn't a significant handicap if the specification calls for centimetres rather than inches. The people out there in the building industry today are fairly used to that.

MR. STROMBERG: Mr. Chairman, because of the success of the self-contained units and the applications -- especially from my constituency; I believe we have half a dozen applications in -- I was wondering how many applications we have from towns, villages, and cities in Alberta for self-contained. And of that number, how many will be approved next year?

MR. CHAMBERS: Mr. Chairman, to get to the last first. Obviously I cannot divulge next year's budget, since I haven't had it approved yet, or even submitted it to my colleagues. But I can give you existing information. For '79-80, the total existing units for senior citizens' lodges are 6,533. Planned or under construction -- and that's including the '79-80 budget -- are another 648. Self-contained, the total is 6,704 existing. These numbers are as of July 31, 1979. Under construction, planned and in the '79-80 budget, another 3,801. Community housing, 5,520 existing, and another 1,418 in the planning and budgetary stage. I could go through all our programs, Mr. Chairman, but hopefully that answers the hon. member's question.

MR. WEISS: Mr. Chairman, my colleagues perhaps won't appreciate my question as much as the Leader of the Opposition would, and you're the only member of the opposition here, and unfortunately they're perhaps not going to agree with me. But, Mr. Minister, you have referred to the fact that CMHC has agreed to pick up 75 per cent of the overrun on the question as previously asked by the hon. Leader of the Opposition. I'm concerned then, Mr. Minister: 75 per cent of what? I think that should have been an obvious question, and I think the

Assembly should be entitled to an answer. Are they picking up 75 per cent of the difference after the \$25,000 figure that was first quoted, or the \$86,000 figure, or the \$101,000 figure? I'm quite concerned, because I'd then like to know: what is the net cost after the \$75,000? I'm asking it in all sincerity, because I think the hon. Leader of the Opposition will only come back with it at another time.

MR. CHAMBERS: Mr. Chairman, perhaps I can provide some enlightenment on that. The average selling price of the units, recognizing the variation in their sizes, is \$40,996. CMHC also recognized the additional infrastructure required, sewer and water, so they have agreed to participate in the total -- not only the houses but the extra infrastructure -- of \$101,907. Therefore, if you take the average selling price of \$40,996, Central -- Canada Mortgage and Housing Corporation, as it's now called, is writing off \$45,683 per unit. The Alberta Housing Corporation is writing off \$15,228.

I might add that Canada Mortgage and Housing Corporation, being a participant of course -- and I think the Member for Edmonton Mill Woods raised this earlier -- recognized the value of experimentation. Whether or not stackwall housing is used in another community in Alberta, it may well be used in another part of Canada. There are obviously areas where small timber exists, so it may well have application in other parts of this country as well as Alberta.

MR. WEISS: Thank you, Mr. Minister. And I would hope your answer would lay the matter to rest, because it certainly has cleared up, for this Assenbly and myself, all the pertinent questions and details on that subject.

MR. CHAIRMAN: Are there any further questions to the minister or his staff? If there aren't, then Mr. Minister and staff, on behalf of the committee members we want to thank you very much for attending our two meetings and bringing us all the information. I'm sure the committee has appreciated it very much. Mr. Minister, do you have any closing remarks? It's getting close to adjournment time.

MR. CHAMBERS: Nothing, other than to thank the committee members, Mr. Chairman. It's been a very interesting exercise, and I think worth while for us as well. I've enjoyed it.

MR. McCRAE: Mr. Chairman, could I just make one comment. I want to thank the minister and his people for coming to us and giving us a very candid explanation of what the rural and native housing program is all about, and some of the problem areas. But I did want to say that because of the high interest of the opposition in this question, we seem to have departed from the usual format of reviewing the Public Accounts for the period '77-78. I don't recall having the book open one time. I would just hope that we don't use this particular review as a precedent for the committee, and just roam far and wide without regard to years or times or whatever. We spent most of the day on policy, and I have no quarrel with that. It was an example of our co-operation with the Leader of the Opposition, and I'm sorry he's not here to express his appreciation for our co-operation.

I'm simply saying, in future meetings of the committee I hope we can apply ourselves a little more, not too rigidly but somewhat more closely, to a review of the Public Accounts period.

MR. CHAIRMAN: I appreciate your remarks, Mr. McCrae. I was going to have to make them myself, if you hadn't made them.

So, committee members, on airports we had the Minister of Transportation on stand-by. I'm sorry about that; I'm going to have to apologize to them. I didn't think it was going to take us as long as it did to complete our Housing questioning. However, due to the time, I think we will have to leave them till next week. Is it still the wish of the committee to call the airport witnesses and the minister in for our meeting next Wednesday?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: A motion to adjourn is in order.

MRS. OSTERMAN: I so move.

The meeting adjourned at 11:25 a.m.