

8:31 a.m.

Wednesday, March 2, 1994

[Chairman: Mrs. Abdurahman]

MRS. ABDURAHMAN: I'd like to call us to order, please. Could I have approval of the agenda circulated? Debby has moved. Any discussion? If not, all in favour say aye. Nays? It's been carried.

Approval of the minutes of the February 23, 1994, committee meeting. Could I have a motion to accept them as circulated? Debby. Any discussion? If not, I'll call the question. All in favour say aye. Any nays? Carried.

I'd like at this time to extend a warm welcome to Public Accounts to the Hon. Dr. Steven West, the Minister of Municipal Affairs. I'd ask if at this time you'd like to introduce your staff.

DR. WEST: Yes. Jack Davis, deputy minister, and Bob Leitch, assistant deputy minister.

MRS. ABDURAHMAN: Thank you.

Once again, to Mr. Salmon, the Auditor General, if you'd also like to introduce the staff member with you this morning.

MR. SALMON: Nick Shandro, Assistant Auditor General, is here with me today.

MRS. ABDURAHMAN: Thank you.

I'd ask Dr. West if he'd like to make some opening comments at this time before we get into the questioning.

DR. WEST: Well, thank you very much, Madam Chairman. It's a beautiful spring morning to get at such detailed questions and answers. At any rate, we'll try to make it as pleasant as possible.

I'd like to do just a bit of an overview before I look at your questions. I see we're going to deal specifically with the information from the '92-93 annual report of the Auditor General and 1992-93 public accounts statements. We'll deal specifically with the Department of Municipal Affairs, dealing with that portion of consumer affairs that has come over, Alberta registries, and Alberta Mortgage and Housing. The Alberta Mortgage and Housing financial statements include the operations of Municipal Affairs Sales Ltd., previously known as Mortgage Properties Inc.

I note that the Auditor General had no specific comments from his audits on the operation of either Municipal Affairs or consumer services. The motor vehicles systems component of Alberta registries was referred to by the Auditor General in his review of Justice. The systems area of Alberta registries is being outsourced and the concerns of the Auditor General are being addressed in the outsourcing agreement.

Alberta registries was established on February 11, 1993, and brought together the following registry functions, for some clarity here: from Alberta Health, vital statistics; from Alberta Treasury, corporate registry; from Alberta Justice, land titles and personal property registry; from Alberta Justice, the motor vehicles division; from Alberta Environmental Protection, forestry, lands, and wildlife revolving fund, the land information system. The new model of registries is based on a one-stop shopping concept with the private-sector delivery of services. To date we have over 200 delivering this model of full one-stop shopping. I think we have on-line now upwards of 100.

There will be increased emphasis on improving the access to information and services. We're looking at outsourcing the total data processing function and concentrating on feeding the informa-

tion into a central location that will serve Albertans in their needs but protect their information at the same time.

Now some comments about Municipal Affairs Sales Ltd., the successor of MPI, as I said, or Mortgage Properties Inc. This subsidiary was established in 1991 to dispose of the non social housing assets of Alberta Mortgage and Housing Corporation. Mortgage Properties Inc. was a wholly owned subsidiary of Alberta Mortgage and Housing Corporation. It reported to an independent board made up of outside board members and one government representative. It operated on a private-sector basis. Its sales activities from January 1, 1991, to March 31, 1993 - between mortgages, real estate, and land, its total sales were \$507,880,240. Of those, they had a net book value of \$456,120,580. The original loan amount was \$574,631,773, and the total realized losses in that period of time were \$66,751,533. I give you that overview to give you an idea of the dimension of sales and operations MPI was involved in in that period of time.

In May 1992 concerns were raised by the former president of MPI with respect to possible conflicts of interest and tendering irregularities. The former minister ordered a review, and the former president was asked to substantiate his allegations. The president responded by indicating that he had no direct evidence to support the allegations and his concern was related primarily to the perception of impropriety. Based on a review, as well as the president's response, it was concluded there was no basis to the allegations. The minister at the time directed that measures be implemented to guard against any future perception of impropriety. These measures included clarification of the roles of the board of directors and MPI management, introduction of strength and conflict of interest policies, a complete review of financial controls including tendering practices, and improved reporting between MPI and the Alberta Mortgage and Housing board of directors.

In late 1992, in addition to their regular audit work in respect to MPI, the Auditor General undertook a review of the transactions and corporate actions referred to by the former president. Reference to this review is on page 136 of the Auditor General's 1991-92 report. The conclusion of the Auditor General was that there was no evidence of fraud, noncompliance with statutory requirements, or irregularities in tendering procedures. I accepted all recommendations provided by the Auditor General to improve procedures, and these have been implemented. These recommendations are listed in his 1992-93 report.

By the end of the 1992-93 fiscal year a significant portion of inventory had been sold, and the government had announced that wherever possible boards and agencies would be consolidated. On March 31, 1993, the board of directors at MPI was wound down and business functions and staff of MPI transferred to Municipal Affairs Sales Ltd. Its mandate was to accelerate the sale of the remaining assets. Therefore, from January 31, 1994, the 1993-94 sales have been as follows. In that period of time we sold approximately \$183 million in mortgages, real estate, and land with a net book value of approximately \$162 million. The original amount was around \$239 million, and we had a net realized loss of \$56 million. That's in the period of January 1, 1994, the '93-94 sales. I bring that to you because I had given you those figures previously on sales before that by MPI.

Municipal sales is now winding down, and we anticipate the asset sales will be essentially completed in the '94-95 year. Again, we are looking at this. Now, I've just told you what we sold last year. What was left to sell is \$387 million in net book value, approximate market value that we're talking about. The original loan amount - the amount remaining now is \$568 million, and we are projecting realized losses of about \$181 million in the '94-95 year coming up. I'm just giving you that as

a background of what the organization had as a challenge starting back when MPI was first formed in '91.

I'm going to stop there. I've given you an overview of those issues because I think they were pertinent for the day of these reports. Now I'll answer your questions to the best of my ability.

MADAM CHAIRMAN: Thank you, hon. minister.

Mike and Ty and then Gary.

8:41

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, you tantalized us by giving us material for the current period when we're constrained in this committee to the '92-93 public accounts, so as much as I would like to ask you questions related to the more current period, I'm going to focus solely on the material in the public accounts.

My first question relates to MPI, and the motivation is really the need to ensure there are mechanisms in place to ensure the effectiveness of government programs. Can the minister comment on why the professional consulting and other fees incurred by MPI in the 1992-93 period – there was \$140,580 – exceeded estimates by \$28,780 and were 113 percent higher than those incurred in '91-92? This is in public accounts, volume 3, page 1.171.

DR. WEST: My information basis here is looking it up quickly. All I can say is that MPI was working on a private-sector basis, and as sales were challenged in the marketplace and the utilization of certain components to get information for those sales was done, consultant fees were paid out on an ongoing basis. I would have to say that during different periods of time those sums paid out would vary depending on the activity of Mortgage Properties Inc. But specifically . . .

MADAM CHAIRMAN: Do you need some? We have some copies.

DR. WEST: No, we're okay.

MADAM CHAIRMAN: You're okay.

DR. WEST: Any one we can't specifically answer here we'll take as a matter of notice and bring you those answers in due course.

DR. PERCY: Okay.

In his management letter of March 15, 1993, the Auditor General pointed out that there were instances where external consultants were employed by MPI without comparing them to other consultants, and this could potentially result in hiring consultants who charge less than competitive rates. That was a message that came through the management letter. The Auditor General also noted that MPI had improved its system for the allocation of legal work. Can the minister indicate what steps were taken to improve the system of hiring consultants by MPI between May 1992 and March 31, 1993? Was there shortlisting? Was there a board, or was it tendering? What was the process?

DR. WEST: Jack, would you answer that.

MR. DAVIS: Yeah. Essentially when MPI was restructured into MASL, a tendering process was put in place that involved putting together lists of both legal firms and other consultants that are interested and appropriate to the kind of work MASL required. We reduced arbitrarily the fees paid to lawyers, so we weren't looking for competitive bids from lawyers. We were essentially

telling them that we would pay them less than the Department of Justice tariff, and if they did any kind of volume of work, there were further reductions. With respect to other consultants, again it was on a rotational basis. We had some rather unique problems with some of the buildings we were trying to sell around post tensioning difficulties with the reinforcing rods that go through the concrete in some of the buildings, so we were dealing with a rather select group of consultants that could assist us in that area. But essentially it was a rotational basis.

MADAM CHAIRMAN: Final supplementary.

DR. PERCY: Could the minister provide any details on the amount that was expended by MPI to hire a consultant to prepare a proposed annual report for MPI in 1992-93? It's mentioned in the public accounts, volume 3, page 1.171.

MR. DAVIS: I believe that expenditure was under \$10,000. Shortly after that came to our attention, the minister directed that there would be no separate annual report for MPI – it would be part of the AMHC annual report, which in turn is part of the department's – in order to save those funds in the future.

MADAM CHAIRMAN: Thank you, Mr. Davis.  
Ty.

MR. LUND: Thank you, Madam Chairman. I'm looking in public accounts, volume 2. On page 2.101, under vote 7, I see 7.4.5, seniors' independent living program, an estimate of \$24,300,00 yet an expenditure of \$15,406,00, a difference of about \$8.9 million. I'm wondering how come the expenditure was that much below the estimate.

MR. DAVIS: Well, that's a rather unique program in the sense that when the individual is approved for the program, they have up to four years to draw down the funds to expand on the upgrades to their home. It's always a bit of a guesstimate as to what the drawdown will be in any given year. We know what the drawdown will be over the four years, because we're basically certain that once the individual has been approved for the program they'll draw down the full amount, which I believe is \$4,000. So we're guessing on any given year what the drawdown will be, and we guessed high that particular year.

DR. WEST: May I supplement that? You're aware that they are eligible for \$4,000. They went to their bank and set up an account, and then if somebody came along and said, "I'll do a sidewalk for you and the bill is \$1,200," they drew \$1,200. They had that number of years to pull it down, or they might do it all in that year. They might do the roof and the eavestroughs and spend \$4,000. We have absolutely no control over what they spend of the \$4,000, whether they spend it all on the first contract or dribble it over the length of the term on three or four contracts to do the sidewalk out front and replace some carpets or whatever they do in the house. Therefore in an estimate, depending on last year's activity or the year before, you might estimate that it was \$24 million, and indeed when you came to it, that set of seniors that were accessing it and coming on line or had previously accessed it stopped their activity.

So it's an absolutely uncontrollable program in trying to target what money you need. But of course if you didn't target what you needed in your budget properly, you'd be going back to what we used to do, which was a special warrant. If you had said it was

only \$12 million, you'd be coming back for \$12 million more if it was \$24 million.

MR. LUND: Well, thank you.

I noticed the Alberta family first-home program. There, too, we have a fairly substantial amount, about \$5.3 million. Those numbers are 30 percent of the estimate, 30 percent underexpended. What's unique about that program that we're out that much?

DR. WEST: This is one where they either paid the interest at the bank or gave them a \$4,000 interest free loan. Again, I would surmise that activity bases these, depending on who. When you announce a program, you don't go out and say that 10,000 Albertans must buy their first home this year so we can fit this into our budget. Lower interest rates will also have an impact as you move through the program depending on what period of time different loans were accessed.

MADAM CHAIRMAN: Thank you.  
A supplementary, Ty?

MR. LUND: Okay. Thanks, Madam Chairman. Turning back to page 2.99, I see under Special Warrants a \$51 million special warrant. Going through this, I can't seem to locate where that came from. Could you explain that, please?

DR. WEST: The special warrant for \$51 million was for the losses on Alberta Mortgage and Housing sales. The projected losses as written into the budget that year were \$1.9 million. Indeed, the total losses for that year were much greater than that, so at the end of the year we had to come forward and find \$51 million in order to pay back the amount owing to the Alberta heritage savings trust fund.

MADAM CHAIRMAN: Thank you, Dr. West. Thank you, Ty.  
Sine?

MR. CHADI: Thank you, Madam Chairman, and good morning to you, Mr. Minister. I feel that my job on this Public Accounts Committee would not be complete if I didn't firstly express my concern over the memo that was sent by the former president of MPI, Stephen Kent, and the fact that the allegations made by Stephen Kent were, in the eyes of the investigators, unsubstantiated claims and therefore swept under the rug. I just think it was rather cute to take MPI and transfer it over to Municipal Affairs Sales Ltd. It was a wise move and a good one just to wipe out MPI and all allegations that went along with it. I think there was some corruption there. I feel that you feel that as well, Mr. Minister.

8:51

MADAM CHAIRMAN: Will you get to the point, Sine.

MR. CHADI: I will get to my question, Madam Chairman.

MR. LUND: Madam Chairman, where is the hon. member finding this information? I don't seem to be privileged to what it is he's discussing, and I would like to know where it's coming from.

MADAM CHAIRMAN: Would you like to use a reference point, please, if you have one?

MR. CHADI: It's in the Auditor General's report as well, Madam Chairman. We are discussing everything with respect to the

Auditor General as tied into public accounts. But my questions don't relate specifically to that. I just wanted to make those comments, because I feel that . . .

MADAM CHAIRMAN: Would you reference the page for the benefit of members?

MR. CHADI: Well, Madam Chairman, the minister himself earlier in his opening remarks commented about it, and I just responded.

MADAM CHAIRMAN: I'm trying to assist the members who are not aware of where the reference point is in the Auditor General's – could you help us, Mr. Salmon?

MR. CHADI: Perhaps the minister could reference it, because he mentioned it first.

MADAM CHAIRMAN: Mr. Salmon has the floor, please.

MR. SALMON: Page 153, first paragraph, possibly, although he said more than what's in the first paragraph.

MADAM CHAIRMAN: Okay. Just the reference point. Thank you.

If you could get to the question, please, I'd appreciate it, Sine.

MR. CHADI: Most certainly, Madam Chairman. With respect to MPI and particularly the 1992-93 Public Accounts, volume 3, page 1.171 – I hope that satisfies Ty – can the minister comment on why MPI board expenses in that year were \$16,000 or 14 percent higher than budgeted?

MR. DAVIS: The board of MPI had passed a resolution which allowed board members to do work on specific projects for which they were paid a per diem. That was one of the features that pushed the costs up. Another feature was: when the president, Mr. Kent, left, Mr. Roy Wilson, the chairman of the board, had additional duties for a period of time until the new president was hired.

MADAM CHAIRMAN: Supplementary, Sine.

MR. CHADI: Thank you. What sort of outcomes – were they gauged in terms of what was achieved by the \$16,000 in board expenses that were paid extra? Is it because you just had to do it, or did we achieve something in all of this?

MR. DAVIS: Well, what I would point out is that the sales for MPI were over \$500 million, and if we had been paying straight commission on those sales, the costs associated with the disposition would have been much, much higher. The total board expenses of \$136,000, when you look at the overall volume of sales that were managed through that period, really do not seem unreasonable.

MADAM CHAIRMAN: Final supplementary.

MR. CHADI: My question is to the fellow that just answered.

MADAM CHAIRMAN: Well, it's through the minister. If the hon. minister wishes that Mr. Davis reply, that's fine.

MR. CHADI: Okay; fair enough. Are you suggesting, then, that there were no commissions paid by MPI?

MR. DAVIS: There were some commissions paid by MPI, but they were on a much more limited basis than if the inventory simply had been handled through the standard MLS process. In addition, a large part of the volume of MPI related to the rework of mortgages and subsequent sale of these mortgages to financial institutions, and commissions were not paid by MPI on those.

MADAM CHAIRMAN: Thank you.

DR. WEST: May I just supplement?

MADAM CHAIRMAN: Certainly.

DR. WEST: In the introduction to this there was an allegation made that something had been done illegally by MPI. I don't think that should be left to rest on this floor, because by all due investigation, there was nothing found – and it was stated so by the Auditor General – that would indicate there was anything. I stated it before in relationship to anything fraudulent or noncompliance with statutory requirements or irregularities. You made an allegation here. If you have any information whatsoever to substantiate such an accusation, you should bring it forth immediately, because that is the severest accusation I have heard. If you have any information personally or otherwise or know where it lies – and I'm sure the Auditor General sitting here today, who did that investigation, would like it – then you must bring it forward.

MR. CHADI: Can I respond?

MADAM CHAIRMAN: Because of the seriousness, yes, if you wish to comment back to the minister.

MR. CHADI: Thank you. Madam Chairman, the minister and I had this conversation before. The reason I said in my comments earlier that I felt the minister himself felt there were some irregularities that apparently were unsubstantiated – he felt himself, in our previous conversations, that indeed . . .

MADAM CHAIRMAN: I don't want a debate unless you have something new to add.

MR. CHADI: Well, there's nothing new to add other than the fact that if I have something . . . I think the minister knows and has a good gut feeling that there was something more in all of this.

DR. L. TAYLOR: Point of order. We're supposed to be dealing with the estimates here, not what's being discussed right now or previous conversations and gut feelings. It's really quite foolish.

MADAM CHAIRMAN: Unless you've anything new to add other than getting into debate, I'll have to move on to the next question.  
Gary.

MR. FRIEDEL: Thank you. I'm looking at volume 2, page 2.97, vote 7.3. I notice that in program delivery for northern Alberta there was a transfer of \$2.59 million. I'm wondering if the minister could explain what this transfer was and why it was necessary.

MR. LEITCH: Madam Chairman, perhaps I'll just answer that one myself. That was a transfer out of vote 7.3. We moved that money down to the mortgage corporation that year to use those funds to offset part of the realized losses.

MR. FRIEDEL: In spite of that transfer, there was still an overexpenditure in the vote of \$241,000. Do you want to comment on that?

MR. LEITCH: Yes. We made that transfer fairly early in the year. We were trying to get a jump on these movements rather than leave it until March 31. Subsequent to year-end we made further adjustments, which would in effect even those out. You'll notice as well in a few other locations in the votes where we had either underestimated or overestimated the amount of funds that were available for transfer.

MR. FRIEDEL: Just moving back to vote 7.2, there was a similar transfer from program delivery – southern Alberta. Would the same circumstance apply as to my first question?

MR. LEITCH: That's correct. Those funds were also used to offset losses arising from sales in the corporation.

MADAM CHAIRMAN: Thank you.  
Debby.

MS CARLSON: Thank you, Madam Chairman. Mr. Minister, I also have concerns with regard to the operations of MPI. I refer you to page 1.173 in volume 3, specifically note 6(b)(ii). Four hundred and eighty-seven thousand dollars was paid in legal services during that time period to a firm of barristers and solicitors with which one MPI board member was associated. Can you tell me how you eliminated any potential conflict of interest in a situation like that?

MR. DAVIS: The individual in question excused himself from any discussions of the allocation of legal work when the board was considering it. Notwithstanding that, the minister did direct us to look at a more broadly based allocation of legal work to different firms. Since then we've not only reduced, at the minister's direction, the fee we pay our lawyers, but we've also spread it out amongst a larger number of firms that do this type of work. Part of the difficulty here was that a number of these files have long histories. Specific lawyers and legal firms have been working with the files over a number of years, and that was carried on by the board, but certainly at this point we have a much wider distribution of our work.

9:01

MS CARLSON: So given those comments, would you agree that during that time period, with regard to that specific amount of money, there was in fact a conflict of interest?

MR. DAVIS: No, I wouldn't, because the particular board member in question was not involved in the allocation of the legal work. He'd excused himself when the issue was discussed.

MS CARLSON: But you would agree that that legal work during that time period did not go out to tender or was not offered to other legal firms.

MR. DAVIS: Largely because that particular firm had worked with those files over a number of years, so for continuity's sake

they just carried on. Notwithstanding that, because of the perception issue, we're farming that work around to different firms at this point. In government you must do things differently than in the private sector.

DR. WEST: I think this gets back to the previous member's comments and allegations. It's a perception of impropriety when you get right down to the final analysis again. The comments made by the deputy minister certainly follow through with what was found by the Auditor General, but somebody said I had made comments. I myself thought the perception of impropriety, as you get those large bills paid to specific firms, could be dealt with if we used a broader section and a list of lawyers that we rotated and brought into the picture.

Your question is targeted to exactly what came out of the Auditor General's report: although there was nothing done directly, there was a perception that the direction of certain contracts and that sort of thing could be spread wider throughout the business world. In following up, all our directions from that point on were to mute any conflict or any perception of those things that came in the future. Your question isn't unfounded relevant to the target of that large sum of money to those firms, although those sums were justified in a historic nature because of the activity on those accounts and mortgages. But again, we took steps to correct that in the future if there was any perception of impropriety.

MADAM CHAIRMAN: Thank you, Mr. Minister.  
David.

MR. COUTTS: Thank you very much, Madam Chairman. Mr. Minister, under the elements, specifically 3.3.1, property tax reduction grants accounted for \$103,198, with an overexpenditure of \$3,598. Why are property tax reduction grants higher than previously estimated?

DR. WEST: Well, the obvious answer is more seniors every year as your numbers coming in. There are variables in here that are built in, because on a traditional basis about \$3 million plus, give or take, whatever it was, used to come in late. People used to apply and we used to always give a year's extension. The direct answer to you is that in any given year the seniors keep growing in numbers, and the numbers accessing these accounts are very variable.

MR. COUTTS: In vote 6.0.1 you also show that the Assessment Appeal Board overspent its budget by almost \$100,000. How are these two expenditures related then?

MR. DAVIS: I believe that was related to the high volume of general assessment appeals coming out of Calgary and Edmonton which resulted in quite a backlog that the board is trying to address and has been addressing over the last couple of years.

MR. COUTTS: The minimum benefit claims, also under vote 3, are overexpended. What does this expenditure entail, and why was it underestimated?

MR. DAVIS: That's the property tax reduction program that's paid to seniors. Again, every year we try to anticipate the volume growth, whether it's 2, 3, or 4 percent, in the number of seniors that will apply for these benefits.

MADAM CHAIRMAN: Do you wish to add anything, hon. minister?

DR. WEST: No. I just hope I don't get there too fast. I seem to be aging every day in here.

MADAM CHAIRMAN: Don't mention it, please.  
Leo.

MR. VASSEUR: Thank you, Madam Chairman.

On page 2.101, volume 2, vote 8, there's an amount of \$163.9 million in housing and mortgage assistance for Albertans. Can the minister confirm if the provision for loss and disposable of AMHC foreclosure properties and landholdings is included in that figure, and in what amount?

MR. DAVIS: The provision that particular year was essentially to be dealt with by a special warrant. That was the government's position at that time. There's a small amount of money, as the minister indicated, a million plus, that was dedicated for the administration of the disposition of assets, but because the figure was uncertain, the government of the day didn't know how much was going to be sold and what the realized losses would be. The decision at that point was to see what the sales would be and what the realized losses would be and come back by a special warrant. As the minister indicated earlier, that was approximately \$50 million. The realized losses that year were about 70, and the department was able to offset some of the losses through a lapse in spending.

MR. VASSEUR: But that realized loss we discussed previously, approximately \$50 million: was that mostly the disposal of undeveloped land, or was it land that was developed with some improvements on it?

MR. DAVIS: It's actually a mix of mortgages, some housing units, and land. Mortgages would be the bulk.

MADAM CHAIRMAN: Final supplementary.

MR. VASSEUR: On October 15, 1992, there is Order in Council 586. The government guaranteed an additional \$100 million to Alberta Housing mortgages purchased by the private sector with respect to any losses, expenses, or liabilities incurred by those purchasers arising out of default.

MADAM CHAIRMAN: Does that tie in to your previous . . .

MR. VASSEUR: Yes, it does.

MADAM CHAIRMAN: Okay.

MR. VASSEUR: As of March 31, 1993, there's a contingency liability of \$520 million for Alberta taxpayers. Given the large contingency on this, can the minister provide some further details of status of these guarantees as of March 31, 1993?

MR. DAVIS: Again, essentially what's happening here is that we're taking mortgages Alberta Mortgage and Housing Corporation held. We're restructuring those mortgages so they're commercially viable and then selling those mortgages to private institutions. As we sell them to private institutions, we need to attach a government guarantee to them. The guarantee has fall-away provisions which reduce the amount of the guarantee quite quickly as time goes on. I believe we're down to a current outstanding guarantee balance of about \$370 million, but we are able at least to sell the mortgage and move the mortgage from

Alberta Mortgage and Housing into the private sector with these fall-away provisions.

MADAM CHAIRMAN: Hon. minister.

9:11

DR. WEST: As you ask these questions, of course, the underlying question on the question is: why are we sustaining these losses, and how come you can't target them on a better projection basis on these accounts? If you go back to 1982, remember that one of the bookkeeping scenarios this province got into was that we wrote off a lot of these properties to the tune of about \$882 million. We wrote a book loss, but as the Auditor General knows, it was done in a different manner in those days.

We're trying now to pick up through these various sales those losses that are untargetable depending on the market value and the interest rates and all the workouts we're doing. For many years nobody targeted high; they always put in \$1.7 million or \$20 million losses, and then if the losses were \$60 million or \$70 million, you just went through and got a special warrant. Remember, many of these are the mortgages that were done on a cash flow basis in the 1970s to 1982 on what we call the CHIP and MAP programs, modest apartments and the core housing incentive program, in which a program was brought in to get private developers to build like Highlands centre downtown here. Highlands centre then had a built-in formula based on the interest rate of the day plus the occupancy on cash flow and rentals to meet the mortgage payments; almost a guarantee was put on the mortgage at a certain trip level if the occupancy fell below a level. We probably lost \$29 million in Highlands centre when we finally took it to market value when the mortgage could no longer be serviced. In fact, we did lose about \$29 million.

West Edmonton Village was one we just recently sold, but it was held in there, was under the same program. Again, the mortgages were done on an operating cash flow to occupancy basis. When the mortgages became unserviceable, they were taken back under the guarantee by the province. And again we go to the market value of the day. If we had sold West Edmonton Village, you know, three or four years ago, we probably would have got \$40 million for it. We just finished a sale of it that brought \$50 million, but it was a realized loss of \$10 million. As we go into writing up the accounts each year trying to project the losses, now we run in a projected sales and put very high figures to the projected losses, because on track record back through the years, the very year you're talking about, we can see what types of realized losses were based on certain interest rates and sales projections and appraised values and can come more accurately to the amount of money we will lose on the sale of these mortgages.

The largest losses are in the mortgages by far, three to one on the dollars we have on net losses, because the cost of these projects in one of the highest economic times in this province in the late '70s - high interest rates, high construction costs, high property costs, inflated. In no way could the future 10 years ever get rid of these properties with a declining occupancy, because the boom was over. In no way could we realize the cost of these buildings under the formula we had set up. We ended up with these mortgages back in the province's lap. The sale of them will be historic in this province. It may be a lesson we shall not repeat.

MADAM CHAIRMAN: Thank you, Mr. Minister.  
Moe.

MR. AMERY: Thank you, Madam Chairman. Mr. Minister, referring to page 2.100 of public accounts, vote 1.0.2, the deputy minister's office underexpended its office budget by approximately \$150,000. Can you tell us what accounts for this underexpenditure?

MR. DAVIS: What happened was that there was fairly substantial staff associated with the deputy's office at that time, and there was a change in deputies and the decision to downsize the office and move some people out. That's what happened.

MR. AMERY: Mr. Minister, you overexpended your ministerial office budget by \$5,000. Was this overexpenditure due to the changes within the deputy minister's office?

DR. WEST: This is no defence, but I have to stand up for something. I was the minister in this year you're talking about for only four months, and the previous minister had overspent his budget by \$5,000. Depending on costs involved in operations of your office, I cannot give you an answer why it was over \$5,000, but I will certainly demonstrate in future public accounts how my office isn't over \$5,000.

MR. AMERY: Supplies and services under vote 1 was also overspent by \$535,000. Can you please tell us what this amount was spent on?

MR. LEITCH: If I may, Madam Chairman. We had set aside manpower funds to pay out voluntary early separation allowances in the anticipation it would come out of our manpower funds. In fact, a decision was later made by Treasury that those separation payments would come out of supply and services. So you see that the supply and service funds were up, but our actual manpower expenditures were down, which offset it.

MADAM CHAIRMAN: Alice.

MS HANSON: Thank you, Madam Chairman. Mr. Minister, I wanted to continue with note 17 on page 1.168, volume 3. This is in regard to the \$520 million guarantees on private-sector institutions. Can you indicate the provision for loss that the government had made on that \$520 million in guarantees?

MR. DAVIS: We wouldn't put a provision for loss against the guarantees, because the guarantees are fall-away in nature. The provision for loss relates to the difference between the outstanding loan amount when loans were taken back in the late '70s and early '80s to finance these housing programs versus what is called net book value, which is what we think we can sell it for today. So those are the provisions for losses. The 800 million plus dollars the minister referred to actually was booked as a loss against the AMHC accounts. What's happening now is that we sell these properties; the loss is being transferred. The general revenue fund is funding the loss even though it was booked and doesn't really impact the bottom line of the province. When we sell these properties with the guarantees associated with them, the guarantees are a contingent liability for as long as they're there. So they show as a liability against the books, but there's no specific loss provision.

MS HANSON: Thank you very much.

This is volume 3 again, page 1.162. This is under selling expenditures. Can the minister provide some explanation for the

\$2.752 million in selling expenses that were incurred by AMHC in 1992-93?

DR. WEST: Those were the administration costs of MPI. As we brought Municipal Sales Inc. into Municipal Affairs on an arm's-length basis, the administration costs certainly came down. At the time, MPI had a staff of probably about 60. Also, on the workout of many of the mortgages and properties and that sort of thing, these were the costs incurred as that happened, the buildings they were involved in in leases and rental and all the types of costs that went into that. We now are down to a dozen people from those days when they had 60-some people working for it. I can't pass comment. I can look back in time on judgment and say that they were dealing with a huge portfolio at that time. They were spread out. They had to get these properties out and advertise them and find markets for them. As we have gotten the package down and sold off land and mortgages and worked them out, we have a more streamlined administrative cost today.

That is where that \$2.7 million came in at the time. In retrospect, it's not a lot in comparison to the size of the portfolio, but certainly when you talk of it in total administration, it's a large sum of money. We have downsized that tremendously as the sales have got into a smaller nature.

MADAM CHAIRMAN: Final supplementary.

MS HANSON: Thank you, Madam Chairman. Mr. Minister, are real estate commissions included?

DR. WEST: No, not in that.

MS HANSON: They were on top of that.

MADAM CHAIRMAN: Thank you.  
Barry.

9:21

MR. McFARLAND: Thank you, Madam Chairman. Welcome and good morning to the minister and his staff. First of all, Mr. Minister, I'm talking about '92-93 public accounts, volume 2, page 2.99. I noticed a number of transfers between the votes throughout the pages that are documented here, and what my specific question deals with is under the grants portion of housing and mortgage assistance for Albertans. Would you explain why 18 and a half million dollars was transferred to housing and mortgage assistance under vote 8?

MR. DAVIS: What we were trying to do there was anticipate the volume of sales and corresponding realized losses and get the money in the right place in order to address that. That's really what was happening there. Now, our sales were not quite at the level we anticipated, so in retrospect we didn't need that full transfer.

MADAM CHAIRMAN: Barry, a supplementary.

MR. McFARLAND: It may partially answer my supplementary, Madam Chairman, but although you transferred \$18.519 million, it appears you actually only spent in the neighbourhood of \$3.2 million. I just wonder why there would be \$15.353 million that was left unexpended.

MR. DAVIS: We were hoping to have the sale of one of our major properties complete that year. That didn't happen. That

subsequently has been sold, but we couldn't get the sale completed by March 31.

MADAM CHAIRMAN: Final, Barry.

MR. McFARLAND: Thank you. I understand that AMHC receives direct funding, and I want to know where these funds are utilized. Perhaps I could reword it. What does AMHC receive in terms of direct funding, and how is it utilized?

MR. DAVIS: When you say "direct funding," you're talking not about funding from government but funding from — essentially AMHC receives funds from three sources: from the government of Alberta, from the government of Canada through cost-shared agreements with Canada Mortgage and Housing Corporation, and through rental payments by tenants in our various housing projects. There is a small amount of municipal money that comes in through some cost-sharing agreements as well. Essentially the bulk of the funds from AMHC is used to pay debentures against our social housing portfolio, which includes seniors' lodges, seniors' apartments, and community housing. There are some operational costs associated with the housing to do with the rental subsidies and that type of thing that apply to these housing projects as well, most of which are cost shared with the federal government. For seniors' lodges there's some cost sharing, of course, with municipalities.

MADAM CHAIRMAN: Thank you, Barry.  
Debby.

MS CARLSON: Mr. Minister, recommendation 22 of the Guidelines for Public Accounts Committees in Canada states that the Public Accounts Committee shall have the right of access to all financial information and other documents as it determines necessary. Given that, Mr. Minister, will you release the working papers prepared by the Auditor General with regard to this department?

DR. WEST: Maybe the question's not directed to the right individual sitting at this table. I don't have the working papers of the Auditor General's department.

MADAM CHAIRMAN: Supplementary.

MS CARLSON: No, that's fine.  
To the Auditor General then: will you provide them?

MR. SALMON: Madam Chairman, we've been through this before. There's a section of the Auditor General Act that the working papers of the Auditor General cannot be tabled in the Legislature or in a committee. The reason for that is that all information pertaining to any audit we do is public information by the financial statements we've given an opinion on, or the information is included in the Auditor General's report. Therefore, there's no real reason for individual working papers based on an Auditor's judgment and the testing we do to be made public. Such information is not made public in the private sector either, and I don't really see any value in that kind of information being sought by the Legislature when we have the full opinions as well as the Auditor General's report before the committee.

MS CARLSON: Yes. Well, the management letters are public property within your department. Would you release those, Mr. Minister?

DR. WEST: We have.

MS CARLSON: All of them?

DR. WEST: Yes.

MADAM CHAIRMAN: Moving on, then, to Pearl.

MS CALAHASEN: Thank you very much, Madam Chairman. I was wondering if you'd forgotten about me, but that's fine, thank you.

To the minister. I have a question which is close to home, and it's regarding AMHC. On page 2.99 in volume 2, when you look at vote 8.0.1, statement 2.15.3, there's information about housing programs and social housing programs. I was wondering how much money goes to social housing programs from this vote.

MR. DAVIS: In the vicinity of \$100 million. It's approximately \$100 million.

MS CALAHASEN: A hundred million dollars out of the amount that was \$163.9 million?

MR. DAVIS: You'll recall that a portion of that money went to pay the realized losses as well.

MS CALAHASEN: Well, the department is disposing of the non social housing assets in this portfolio. Am I right? That's what we're doing at the moment? Do you see that the mandate of AMHC is being a provider of only social housing programs?

DR. WEST: That hasn't been the history, because of course the senior programs that are involved, depending on how you'd label those – traditionally over the years they haven't been labeled as directly into social housing, but the mandate of Alberta Mortgage and Housing in those days was to address the needs of a growing society. From that basis, that's correct, but on the sideline were those programs also involved in special housing and in seniors' housing, in lodges and manors, seniors' apartments, and other types of models.

MS CALAHASEN: Of the \$100 million that's being spent, what type of social housing is going on with this money?

DR. WEST: Well, over the years there were various models brought in in working with policies brought out by Canada Mortgage and Housing also. They might range from the ones I just mentioned right through to rural and native housing in the north. I'll just go down the list here. Community housing directly: different housing projects were done within cities and other communities. Special housing: different types of housing that we had on a special basis; it might be for the disabled or the Autism Society or battered women's shelters. Senior citizens' self-contained housing: we have about 15,000 units of those in seniors' apartments, as I said, or manors or fourplexes. The seniors' lodge program: there are 7,000 units there. Rural and native housing was 1,800 units. Rent supplement programs: a certain amount of those moneys was directed toward rent supplement for individuals that needed to access housing on a low level of income.

MADAM CHAIRMAN: Thank you, hon. minister.  
Sine.

MR. CHADI: Thank you, Madam Chairman. Mr. Minister, my question is with regard to volume 2 in vote 5.5.1 with respect to assessment operations. I note that there was a \$550,000 or thereabouts cost overrun from the budgeted amount of \$10.9 million in the assessment operations. Can you explain the discrepancy there or the overrun?

9:31

DR. WEST: Well, the general direction of assessment division did have some variables that were perhaps not as controllable in budget targeting as could have been. That has to do with general assessments throughout the province that were triggered in that year, perhaps in the city of Calgary and the city of Edmonton. You will recall that they were allowed to extend the seven-year deadline by ministerial authorization; you could leave your assessments for a seven- to eight-year period and then get an extension. In fact, we had municipalities in the province that had extended their assessment even up to 14 years. As a result, when they finally decided to do that assessment or trigger it, the costs incurred in that would come back on the assessment division. Only 30 percent of those costs are recovered from the municipalities.

Where we're going today is much different. We have said: no more extensions; you will bring your assessments up to a current level by '96-97 and from then on we will never go more than a two-year variable in updating assessments on current data. At that time you will be able to target the cost of assessments within, I would think, a very fine line.

Then, of course, the other trigger that came up here today was the cost to the LAB. When you go on variables like that and do an assessment like St. Albert did a couple of years ago – they got 17,000 appeals, because they were so far behind that when they brought in the new assessment based on the fair market value of the day the people and the landowners just went berserk. There the LAB and the assessment division were a long way behind. They have to pick those up and deal with them. So those costs go up and down in the present-day system. I believe that by the turn of the century we will find that we have a system much more reactive to real costs and we'll be able to project the budget better.

MADAM CHAIRMAN: A supplementary, Sine?

MR. CHADI: Yeah. In your response, Mr. Minister, you mentioned something about cost recovery to the tune of 30 percent. My question is: how do you feel about costs or the reduction of costs going to a full recovery or a cost-recovery basis?

DR. WEST: Well, exactly. Of course, our policy at that time was only about a 30 percent cost recovery on the administrative work behind it plus the assessors. That's all we extracted from the municipalities for the use of our assessment division. Now, in this three-year plan we've just announced, we will be going to full cost recovery, which means we will be gradually bringing the cost per hour of our assessors up to the market value as well as putting in the full cost recovery of secretarial and administrative work behind it. If you want to call it a subsidy of the day to the municipalities, you can, but we're at about a 30 percent level at this time on incurred costs versus what we brought back in.

MADAM CHAIRMAN: Final supplementary.

MR. CHADI: Thank you. I'm interested in what types of outcome measures were in place within the department in 1992-93

to gauge effectiveness, if you will, of delivering a service to the municipalities. Were there benchmarks, that sort of thing?

MR. DAVIS: No, there weren't, but that's something we're certainly working on now. Although, as the minister says, with assessment services we'll be moving to full cost recovery and the municipality will then have the option to purchase the service from us or provide it themselves or buy it from the private sector.

MADAM CHAIRMAN: Thank you.  
Harry.

MR. SOHAL: Thank you, Madam Chairman. Mr. Minister, in volume 3 of public accounts, page 1.162, Alberta Mortgage and Housing Corporation budgeted for \$150,900 in sales. The actual amount of revenue attributed to sales was \$63,524. Does this difference reflect a lack of sales for Alberta Mortgage and Housing Corporation properties, or is it attributed to reduced prices received for the properties?

MR. DAVIS: That again is not getting the sales volume we anticipated. There is a fixed amount in terms of the total package of realized losses. We don't have that number at our fingertips, but we know the total amount of realized losses. What we're struggling with is how much we budget every year over the three- or four-year period when we're selling off all these assets. To some extent it's a bit of a guesstimate because we can't always anticipate what large projects will sell or not sell or what large mortgage packages will sell or not sell. So we have not been entirely accurate year by year even though we very definitely know the total cost of the realized losses.

MR. SOHAL: My supplementary is in the same vein. Alberta Mortgage and Housing Corporation's cost of sales is also less than estimated by \$69,239. What makes up the cost of sales, and is it related specifically to the number or values of the sales made?

MR. DAVIS: There is a relationship, but there are some fixed costs associated with MPI and with Municipal Affairs Sales. There's also a cost related to volume, whether it's, you know, consultants or legal fees or whatever. So part of that is related to the decreased volume. Part of it, I think, is also related to trying to ratchet down the administrative costs around MPI and MASL.

MADAM CHAIRMAN: Final supplementary, Harry?

MR. SOHAL: No.

MADAM CHAIRMAN: Fine.

Before we move to the next question, I'd like to extend a warm welcome to the young adults who are in the gallery. I'm going to ask my colleague from Bonnyville to extend our sincere welcome. I am bilingual, but it's not in French. So at this time, I'd like to ask the Member for Bonnyville, Leo Vasseur, to extend a welcome. These students are from a Fort Saskatchewan exchange program with the province of Quebec. Leo.

MR. VASSEUR: Thank you, Madam Chairman. Like you said, these students are from the Rudolph Hennig school in Fort Saskatchewan. There are 18 students with their teacher from Quebec on an exchange program.

J'aimerais vous souhaiter la bienvenue à la province de l'Alberta, Mme Beaudoin, et à vos étudiants. À présent on discute les fonds publiques, les dépenses en '92-93 du département des

affaires municipales. J'aimerais prendre l'occasion de vous adresser à M. Salmon, l'Auditeur Général de la province de l'Alberta, et à Dr. West, le Ministre des Affaires Municipales de la province. Encore une fois, bienvenue à la province de l'Alberta.

MADAM CHAIRMAN: Thank you, Leo. I'm going to honestly admit I'm not quite sure what he said, but I want to extend the sincerest welcome to each and every one of you in the gallery. Thank you.

Moving on then, you're next, Mike.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, I'd like to focus some questions on ALCB, questions of record. Could the minister indicate the estimated market value of capital assets held by ALCB as of January 5, 1993, by component; that is, land, buildings, furniture and equipment, leasehold improvements, vehicles, and computer software?

DR. WEST: With all due respect, you have to take some of these under advisement, but the capital assets at the end of '92 had a net book value of approximately \$117 million. By the end of '93 that was about \$114 million, as I recall. I haven't got that annual report directly in front of me, but I am looking directly at the '92 annual report, and land, buildings, furniture, equipment, leasehold improvements, vehicles, and computerware had a net book value of approximately \$117,834. Because of the flat line amortization and the depreciation we used, that had gone down to \$114 million by the end of '93. Of that in the books, we had approximately \$38 million in the warehouse. The rest, of course, was involved in the other buildings throughout the province, at which time we had about 210 stores.

9:41

DR. PERCY: With respect, Mr. Minister, I was hoping for an estimate of the market value as opposed to the book value in light of the assessments that might have gone on for the then to proceed privatization. Public accounts has the estimates of the book value, but the market value would be of interest.

DR. WEST: Yes. It would be nice if everybody, before they went to the market, could do an appraise value - what you want is an appraise value - but the market test has just been done. As I say, the last stores of the ALCB will be closed this weekend. Out of the 204 stores - and we're in the process of moving out the warehouse - we are over market value by several millions of dollars even on the leases at the present time. But I will make a full report. There was no market appraisal done in the middle of this '92-93 year that we're discussing today, but certainly now the true market test has been done because we went to the marketplace and sold them.

MADAM CHAIRMAN: Final supplementary.

DR. PERCY: Could the minister indicate the number of buildings which were not in use as of January 5, 1993, falling under lease commitments? Was there excess or unused capacity at the time the public accounts were prepared?

DR. WEST: Was there excess capacity?

DR. PERCY: On unused lease commitments, leases which were not occupied by operating . . .

DR. WEST: Not that I'm aware of. They were fully utilized at that time.

MADAM CHAIRMAN: Jocelyn. I know you've got a bad cold.

MRS. BURGNER: I'm going to ask my question. I hope you can just understand what I say. I know I have some problem with credibility, but this time it's just a cold.

Mr. Minister, I'm not sure exactly where it would be in the votes, but I know the government went through a white paper on assessment and changing the concept and bringing assessment within the province to fair market value. One of the recommendations in that white paper was that the province would house the assessment within government and keep track of it, and then they moved away from that position. I don't know where to find it in the votes. Was there a financial implication as to why they stepped away from that?

DR. WEST: I think the discussion you're talking about revolved around an assessment corporation versus the assessment division and the types of situations we have throughout the province for the city of Calgary and the others, those over 10,000, to do their own assessments. It wasn't directly financial, but it had to do with maintaining standards and fair equity throughout the province in various areas. I see somebody shaking their head over here, but there were other implications to the review that was done. Discussion on full market value and fair market value and where we're going today all came up during that assessment paper. Until you bring your assessments up to a current level, the decision was not to go to full market value because of some of the tremendous variations we would find and the criticism other jurisdictions had found in going to full market value versus current fair market values. I think that when you get your assessments current and work within a time frame of one to two years, we can address many of the concerns brought out by that white paper.

MRS. BURGNER: Then my question would be to the Auditor General: whether he's satisfied now that the province is moving in an appropriate direction on that assessment that is current, and whether Albertans are going to feel comfortable that once we take this sort of catch-up phase we will have a reasonable amount of assessment that's not going to be overwhelming. I think there's a responsibility on the part of government to maintain an assessment people can actually afford, but if they let it sit for a long time . . . Maybe just a comment on whether the process now in place is appropriate.

MR. SALMON: Madam Chairman, that's a matter of policy. From the audit perspective, we would be interested in the actual approach to what the policy is and what the legislation indicates and whether or not they are following all the due procedures. That will take place in our normal work involved with the department.

MADAM CHAIRMAN: Final supplementary?

MRS. BURGNER: No, that's fine. Thank you.

MADAM CHAIRMAN: Debby.

MS CARLSON: Mr. Minister, I still have some concerns with regard to conflict of interest with the directors of MPI. Could you explain in greater detail the nature of the related party transactions with the directors of MPI, particularly the \$10,500 in fees paid to

certain directors over and above their entitlement? I refer you to volume 3, page 1.173.

MR. DAVIS: As I indicated earlier, it was the practice of the MPI board to assign some project work to board members. That procedure was criticized by the Auditor General. As a result of that criticism and through the restructuring of MPI to Municipal Affairs Sales, that process no longer takes place. I wasn't present when the MPI board was in full operation, but I think when the board was recruited by the minister two ministers ago, it was recruited with the idea that there would be specific real estate expertise on that board and the board would become active in some of the sales processes. Simply what was happening here was: when they spent time on specific projects, they were paid a per diem to do that.

MS CARLSON: Could you expand on exactly what kinds of benefits were received, because they did receive an entitlement. In particular, this \$10,500 was paid for land situated in Canmore. Can you give us some more specifics as to what benefits were received for that?

MR. DAVIS: I would have to check to see the exact amounts. Essentially the board was paid a per diem for the days it sat on board matters, and if individuals were working on projects above and beyond the days they sat as board members, they got paid for those days.

MS CARLSON: You say "working on projects." Could you provide some detail as to what that work would entail and what kind of time period we'd be looking at?

MR. DAVIS: In general, I think what they were doing was assessing properties for their marketability, doing some of the marketing, some of the liaison with the municipality on preparing the property for sale, whether a subdivision was required and those types of things.

MADAM CHAIRMAN: Alice.

MS HANSON: Sorry; I changed my mind.

MADAM CHAIRMAN: I acknowledge Mike, and then Barry.

DR. PERCY: Mr. Minister, 1992-93 was sort of the calm before the storm of privatization as swept into Municipal Affairs. My question regards background work that would have been undertaken in 1992-93, assessing the cost-effectiveness of moves to outsource, to privatize. In terms of the public accounts in volume 2 that set out the expenditures of Municipal Affairs, where in there would I find expenditures undertaken on background studies, consultant reports, or any form of study assessing the cost-effectiveness of privatization?

9:51

DR. WEST: Well, it's in the votes and operations of Municipal Affairs. I guess you're coming up to the tail end. I came into the operation in December of 1992, I guess it was. We don't use a lot of outside consultants. When I came into Municipal Affairs there was a tremendous amount of operational expertise within the department, and of course the facts and figures are lying there before us, so it would be included within the normal operations of Municipal Affairs. You would find those funds in the dollars in administration and what have you. You're looking for sums that

went directly to a targeted area of the budget, but on an ongoing basis that's the administration of a department and you'll find it in that vote.

DR. PERCY: My supplementary, then, is: then it would have been within the department itself that studies would have been undertaken regarding the cost effectiveness of privatizing corporate registries, outsourcing the assessment functions in the ministry and the privatization of ALCB? That would have been done internally by the staff of Municipal Affairs without recourse to outside consultants?

DR. WEST: That is correct. Their information base would come from outside as they targeted different areas that had done some privatization before. On outsourcing, we did have a contract – it will come up in this year's budget, I think – that was done both on outsourcing of Municipal Affairs computer services as well as the registries. There is a contract there because we believe you need that expertise to liaison between the department and put out the prospectus and bring in the people to work on outsourcing. So that one we did do. The involvement of bringing together the registries was done internally between the five departments and focused on a model we had already involved in motor vehicles. We did have outsourcing, if you like, not outsourcing but privatization since the '70s in part of the registries called motor vehicles division. It was the AMA plus 149 private-sector operators already in place.

ALCB was an ongoing study within the ALCB corporation, and a report will be forthcoming on how the studies were done. But if you want to know one thing, why would you ask somebody else to give you information you already know? I have been amazed at the contracts in this government of consultation when all you did was get somebody for \$20,000 or \$30,000 to take the information you already knew, regurgitate it, and give it back to you in book form. I think the taxpayers of this province should question some of the consulting we've done in the past, because all you're asking yourself is what you've got in your own books when you have hired expertise sitting right on your own panels. You're asking to take the information they have, give it to somebody else, regurgitate it, and give it back to you.

DR. PERCY: Sometimes the definition of a consultant is telling you what you want to hear.

My final supplementary. Since the minister has acknowledged that studies were undertaken within the Department of Municipal Affairs – particularly with regard to motor vehicles, and there are comparisons, then, between the delivery of those services, the cost of delivering those services in the privatized form as opposed to those provided by government – will those studies will be available and tabled in the House so all members of the Legislature can see the background material leading to these types of decisions?

DR. WEST: The question you ask came up, of course, because you had it on the Order Paper the other day. Under the Standing Orders and *Beauchesne* at the present time, working documents and those that are within a memorandum between departments and that sort of thing are not deliverable to the Assembly. I don't know what the freedom of information Act and other things will demand of certain working papers, but there is documentation that goes on during brainstorming and planning within departments. The end result – you can be given those reports, but working documents in between, my own personal memorandums and discussions and telephone conversations and meetings, would not be documentable.

MADAM CHAIRMAN: Barry.

MR. McFARLAND: Thank you, Madam Chairman. I just wanted to know if you need the final time to wind up the meeting and talk about the next one.

MADAM CHAIRMAN: If you have a question and the minister can't give the full answer, we can get it in writing, so do feel free to go ahead with the first question.

MR. McFARLAND: Well, Mr. Minister, my question. I guess on an overall basis I appreciate now how you had to transfer moneys through certain different program areas; for instance, the seniors' independent program where you can't second-guess how many people are going to apply. I think I understand now why, under vote 7 on page 2.97 in public accounts, perhaps you would have an overexpenditure, it appears anyway, of \$118,000 when in fact again you have to guess how much program you're going to offer. Is that basically a confirmation of what you said before on why you'd have a transfer in and suddenly, at the end of the day, have an actual overexpenditure?

DR. WEST: Yes, essentially that's true. Any time you budget and project a budget that's fixed at a certain date, where your budget is dependent on utilization, those variables are tremendously hard in a budgeting process. Of course, the way we're budgeting now and the fact that we can't go over by more than 2 or 2 and a half percent makes us eat ourselves from the inside if we've misjudged utilization in health care or the amount seniors will draw down or the number of seniors that will be coming forward in a set year. Previously we'd come forth in special warrants. Now you must target your budget, and if you've missed the target on your budget from utilization, you must go within your budget and find it someplace else.

So to answer your question for this year: yes, that's true; there are variables. You try to project the utilization of a program, whether it be first home owners or whether it be the seniors' living allowance, the \$4,000 for their accommodation. If you miss that, you're either short or you've put too much in it and have got a leftover. In today's way of budgeting and the way we are targeting the utilization of dollars, not only must we fine-tune our pencil, but based on the way we used to do accounting I think is much more accurate. I think the Auditor General would say that, that the process today does not allow for the vast variables we had in what we budgeted and what we needed. We used to come in with special warrants beyond your imagination. Anybody running a business would say that wasn't proper utilization or targeting of accounting principles.

I'm not here to judge the past. I only know that we're running government today a little more like a business has to on money in and money out in a given year.

MADAM CHAIRMAN: Thank you, hon. minister. We're coming close to adjournment time. I'd like at this time to acknowledge that you didn't get your two supplementaries.

Hon. minister and your staff, thank you for making yourself available this morning, and once again, thank you to the Auditor General and staff.

The next meeting of Public Accounts on March 9 is the hon. Minister of Health. I would also invite the minister – we'd appreciate it if we could have in writing as expeditiously as possible questions that were not fully addressed.

We stand adjourned. Thank you.

[The committee adjourned at 9:59 a.m.]

