

8:30 a.m.

Wednesday, March 16, 1994

[Deputy Chairman: Mr. Friedel]

MR. DEPUTY CHAIRMAN: We might as well call the meeting to order.

First of all, on the agenda, if we could have a mover to approve the agenda. Moved by Mike. All in favour?

HON. MEMBERS: Aye.

MR. DEPUTY CHAIRMAN: The motion is carried.

Okay. Item 3 is Approval of Minutes of March 9, 1994, Committee Meeting. We could have a mover to that. Yvonne Fritz. Any discussion? All in favour?

HON. MEMBERS: Agreed.

MR. DEPUTY CHAIRMAN: The motion is carried.

The purpose of this morning's Standing Committee on Public Accounts is to meet with the Hon. Peter Trynchy, Minister of Transportation and Utilities. Before we do that, I'd like to introduce - I think everyone here knows them - from the Auditor General's office Andrew Wingate and Nick Shandro.

Peter, if you would take a moment perhaps and introduce your staff.

MR. TRYNCHY: Very good. Thank you, Mr. Chairman. Harvey Alton, deputy minister; David McKay, EA; and Mark Egner, manager of Alberta public safety services.

MR. DEPUTY CHAIRMAN: Okay.

We may as well get right to it then. Peter, do you have any opening comments you wish to make?

MR. TRYNCHY: No. It's your meeting.

MR. DEPUTY CHAIRMAN: You just want to get right at it down and dirty, eh?

The first speaker we have is Mike Percy.

DR. PERCY: Mr. Minister, my question relates to the issue of priorities when we look at the expenditures in 1992-93. One issue that has come up often is how priorities for construction and repaving are undertaken by the department. The minister has been very forthright in saying that basically it's in large part driven by technical considerations with regard to repaving and the underlay of roads. Could the minister make available to us or outline the list of priority projects that were in place at the beginning of fiscal year '92 and the extent to which those priorities in fact were met at the end of the fiscal year in terms of paving and construction?

MR. TRYNCHY: Yes, we can do that, Mr. Chairman. I know it's a question that's been asked a number of times: how do we arrive at what roads in the province should have overlay? I've explained it a number of times and it doesn't seem to sink in for some people. What I'd like to do is have it said once again so it's on the record. But I'll ask Harvey Alton, the deputy minister, to go through it, because it is quite a scientific procedure we use, a computerized mechanism that we use on all highways in the province. Once those highways are designated as needing an overlay, that's being done. We can provide the answer to the question in regards to which ones were on the table for '92-93 and

which ones we were able to complete because of, say, funding or weather or whatever.

Harvey, would you go through it once again extensively so we know exactly what happens.

MR. ALTON: Well, when it comes to the rehabilitation or resurfacing of existing paved highways, we have a pavement management system which has been developed by the department. In fact, that system is now being used by cities, other provinces, and some American states in terms of managing their pavements. That system is a computerized system which compiles all the engineering data related to those pavements. It has all the records of existing pavement thicknesses and strengths. We undertake measurements of the roughness, the amount of rutting. We have Benkelman beam testing machines that go over all the highways in the province and measure the deflection under load so that weak pavements, those in danger of failing due to loading, are measured. The road bans and that that are required in the spring are a factor. Some pavements where there are weak sections showing up need to be overlaid, otherwise we have to put bans on, which have a major impact on the movement of goods. All of those measurements and factors are compiled in the computer program, and from that engineers in the department recommend an overlay program. That program is a result of those recommendations. It's not due to factors of who would like which road done. I think you need to clearly separate rehabilitation and resurfacing from new work. For new work, of course, priorities are established in a different way. When it comes to the rehabilitation of existing pavements, it's all undertaken by an engineering evaluation.

MR. TRYNCHY: I might add that I think I know what the member's question is all about. It's Highway 22. Last night when I came back from the House at 11 o'clock I had a call from four truckers that are hauling on Highway 22, the section that needs an overlay. It's so rough that they can hardly stay in their cabs. I'd like the opposition members to write this phone number down, because they might want to call this gentleman and find out for themselves just how difficult it is to drive this road when it's so rough. The gentleman's name is Donald Bussche, and his phone number is 785-3259. Maybe they can get firsthand information on why that road needs to be overlaid in addition to the way we do it.

DR. PERCY: My supplementary . . .

MR. CHADI: Point of order, Mr. Chairman. We are dealing with the estimates of the 1992-93 public accounts. We're not dealing with anything to do with what's happening today. Bear in mind something, Mr. Chairman, so the minister can understand: what happened in the House yesterday or last night or this morning bears no significance on what happens and is discussed here in the House today. We are here to discuss the public accounts. In some opening remarks the transportation minister made it perfectly clear that we would be dealing with certain items that are happening within this year. That is not the case, and please let there be no misunderstanding about that. I don't think those remarks should be continued.

MR. TRYNCHY: Mr. Chairman, the gentleman is right. I should not have got into that that deeply, but I just felt I should leave it on the record. If you want to strike it off the record you can. I just thought everybody should know how we do it and what we'll do in the future and how we tracked all that. If it's a burr under their saddle, I'll take it back.

MR. DEPUTY CHAIRMAN: I don't believe we can strike it from the record because it is on the record, but I think the point is taken. We'll attempt to stay with the public accounts and . . .

MR. TRYNCHY: The gentleman is right. We shouldn't be talking about things other than the public accounts. I'll temper my comments from now on to refer strictly to the public accounts of '92-93.

DR. PERCY: My supplemental, Mr. Minister. You and your staff have laid out very clearly that it's a very straightforward exercise for you to come forward with a priority listing of projects that need repaving and rehabilitation. Since it is so straightforward – it's generated by a computer, and you can pull it off just by pressing a button – why isn't that part of last year's estimates? That just says: this is the priority listing; this is the money; this is the cutoff. It would seem to be that simple. Or am I missing something?

MR. TRYNCHY: I think you are missing something. It's quite simple to know which highways need overlay, but in our secondary road system we have the counties, the MDs, and the IDs cost sharing, and sometimes they might balk at their cost-sharing portion. So we have to go back and discuss these things with local governments, and once we have their approval, it's put on our agenda. To say in our public accounts or in our estimates that we're going to do this road or that road and it doesn't get done because of weather – we move these jobs around within the year, so if we tender a job where we can't get it done because of weather, we might do something else with those funds. So it's not quite that simple. We want the flexibility to be able to move around to spend the dollars in that year. That's why we don't tie it down to precisely this project, because if we don't do it, why didn't you do it, or if we need more funds, why do you ask for more funds? So I think the way we're going at it is very, very successful. It's been accepted by the MDs and counties and the people of Alberta for years, and I don't see that a change would improve it.

8:40

DR. PERCY: My final supplemental. If such a list were provided and had been provided for '92-93, municipalities and MDs would see how they fit in any priority listing and would then view the department of transportation as providing a service to all of Alberta. They would be able to see how they fit relative to other MDs in terms of just the needs or requirements for paving and rehabilitation and might be willing to make those trade-offs, saying "In light of the fact that in terms of the technical condition of our road we're down here on any reasonable priority listing, whereas other areas perhaps in northern Alberta are up here." It would be far easier to effect, you know, going down the priority list in terms of need.

MR. TRYNCHY: Mr. Chairman, it isn't that simple, because what we do as a department is try to provide funding to every county, every municipality on their priorities. If we have 40 counties putting in their priorities, all of them have their priority as number one, not one to 40. So what we do is work with the counties, the MDs, local governments. We meet with them every spring and go over their priorities along with our priorities. So we have very good dialogue in regards to where we're going, but to suggest that one county will say, "Go ahead; you take it this year, and we won't take any" – that doesn't work, because they're very, very jealous of the dollars that come to them, and they don't pass

it on that easily. So I don't want to complicate matters by going the route that's being suggested. I believe the route we're going now is very successful, and unless we have some difficulties, I would be reluctant to change it.

MR. DEPUTY CHAIRMAN: Okay.

The next questioner is Barry McFarland.

MR. McFARLAND: Thank you, Mr. Chairman, and welcome, Mr. Minister. I know from past experience in county and municipal work that perhaps Dr. Percy and some of his colleagues, who may not have had county or municipal experience locally, don't totally appreciate the work transportation's done in helping on this overlay and gravel surpluses and so on. Maybe it's just the fact that a lot of them have to put up with some terrible roads in the city of Edmonton which you folks don't build.

The question I have this morning deals with some of the gravel surpluses. [interjections] Do you want me to hurry, Alice?

MS HANSON: No. I want you to stop being so mean.

MR. McFARLAND: Oh, I'm not trying to be mean. I'm just trying to point out that I think the counties and MDs have done a remarkable job in identifying their own priorities. They submit, as we did in the county I was with, a list of five or six priorities they have based on need and travel and transportation. I admire what the department's done in responding to the needs of all the counties and MDs in the province, because there isn't enough money to overlay all the roads in any one given year.

Anyway, the Auditor General, Mr. Minister, in 1991-92 recommended that the department identify the need behind its gravel supplies. On page 160 in the Auditor General's report in 1992-93, the Auditor General again indicated that you had complied with his request and identified that there was, I believe, \$3.6 million in surplus gravel that you had on hand as of July 1993. Would you give an indication what the department is doing with all this surplus gravel you have on hand?

MR. TRYNCHY: Thank you. Mr. Chairman, is it proper to provide to the table our pavement overlay rehabilitation programming? We've just got a sheet here. I thought I'd be asked that question. I wouldn't mind providing that to all members here so they could see just what Mr. Alton talked about.

MR. DEPUTY CHAIRMAN: Give it to Corinne, and she can pass it out.

MR. TRYNCHY: Firstly, to Mr. McFarland's question: yes, he is quite right, and I want to go back to priorities. We were asked to set priorities as government. We don't do that. We set priorities with the local governments. That's the way it's always happened, and it will continue to happen that way because they know best what road they need in their area instead of having government say heavy-handedly, "Here's what you're going to do."

In regards to the last question in regards to surplus gravel, any gravel we have left over from a project is generally either kept for the department's use or sold to local municipalities at prevailing market value. If the counties, the MDs, the villages, the towns, the hamlets wish to have the gravel, we will sell it to them at our cost. We've done that over the years, and it's about as fair as you can get. We don't add a profit to it. If it costs us \$6 a cubic metre, that's what we sell it at. So we make it available to local governments.

MR. DEPUTY CHAIRMAN: Thank you.
Supplementary?

MR. McFARLAND: You bet. I gather some of the improvement districts who are considering a change to municipalities or MDs will assume authority for their own roads once they make the transition from improvement district status to municipal district status. Would any of the gravel currently stockpiled be available to them, or do you have intentions to transfer any of the gravel to the improvement districts who'll now have a new responsibility on their own road authority?

MR. TRYNCHY: Yes, Mr. Chairman. I believe we have five or six local improvement districts which have now taken over their own MD status, and we have a number of additional local improvement districts that will be taking over road authority in this coming year. As a matter of fact, if we can work it out, we'll have all the local improvement districts having road authority by, say, a year from now. We'd like to turn that all over to them. In our transition from IDs to MDs or from IDs to road authority, we will transfer gravel, we will transfer gravel pits, we'll work out a deal. This coming year – and we shouldn't get into that – we'll provide them with X number of dollars to work out the transition. For every ID that's moved to MD status, we've had transitional funding set out for them so they'll know where they're going, as we have with Yellowhead '94: we've taken a gravel pit that we've owned and are now going to share it with them on a 50-50 basis. So we do those kind of things.

MR. McFARLAND: Okay. I apologize. Mr. Chadi didn't want me to get into the future or the present and I didn't mean to, but I do have one ID that has considered changing to municipal status. Depending on what's happened in the past, I think they have to make their decisions based on what your department has done in previous years so they know what they can expect. I apologize for that.

Has it been cheaper, in your opinion, to stockpile this gravel that you presently have in the way of surplus? Has it been more cost-effective to do it that way rather than to purchase on demand?

MR. TRYNCHY: Oh, definitely. When we stockpile gravel, we always get as much done as we can at the lowest possible price. We may only use a tenth of it or a half of it or 90 percent of it, but we take the best offer we can get. You'd chastise the department or the minister if we didn't do that. When we go to tender, we make sure that tendering of a gravel-crushing project is sufficient to provide a good balance for the crusher and a good balance for the department. It's like paving a chunk of road. You wouldn't just pave six kilometres when you should pave 20 kilometres. It makes it more economical, so you would do that the same way. We do the best we can for both sides: the contractor and also the people of Alberta that provide the funds.

MR. DEPUTY CHAIRMAN: Thank you.

Before we go on to our next question, as the prerogative of the chair, I'm going to publicly admire your tie, Mr. Chadi. It even overshadows the colourful one of the minister. The minister only gets second place this morning for ties.

8:50

MR. CHADI: This isn't my question, Mr. Chairman, but is there any prize that I win for this effort today?

MR. DEPUTY CHAIRMAN: Just the acknowledgement you just received.

MR. CHADI: Thank you, Mr. Chairman, and good morning, Mr. Minister and staff.

My questions this morning are going to relate to the public accounts, volume 3, and in particular the Alberta Resources Railway Corporation that's on page 1.185 and subsequent pages. On page 1.187 and particularly note 4, we note that the Swan Landing-Grande Prairie railway in 1991 had a total cost attached to it of \$113,726,000. In 1992, that fiscal year, we see almost \$4 million apparently expended extra with respect to that stretch of railway. Again, in the interest of understanding this corporation for all members of the Public Accounts Committee, could you explain the expenditures that took place within that year?

MR. TRYNCHY: Well, I'm going to have Mr. Alton add to my comment, but I believe those, Mr. Chairman, are debt charges.

MR. ALTON: Under the agreement the province has with CNR – CNR operates the rail line – there are some capital improvements which are cost shared between CNR and the province. There also are debt charges on the debt related to the original construction of the rail line. That increase in the accumulated cost includes all those improvements of a capital nature as well.

AN HON. MEMBER: Probably they'd all have a designer tie.

MR. CHADI: I'm sure most conductors would like to wear one of these ties. Maybe that's where some of that extra money had gone, Mr. Chairman.

Again, for understanding the accounting here, Mr. Minister – perhaps you would even consider passing it on to the Auditor General's department – I see again in note 4 it says "Less accumulated write down," \$146 million in 1992. It would appear that the previous year, 1991, the accumulated write-down was \$138 million. Once these funds were expended, even though it was debt charges or whatever the case may be, it appears that it's gone up. What are the practices that take place to write down almost the entire amount that was the accumulated cost of this corporation?

MR. ALTON: The corporation is operated with a sinking fund, so as the debt charges have been paid off that accumulated write-down increases. In fact, the debt will be fully discharged in 1993, so this is the end of the debt charges for the original construction which occurred under an agreement that was made in 1965.

MR. DEPUTY CHAIRMAN: Another supplemental?

MR. CHADI: Yes. Mr. Minister, if that's the case, it would appear that the Alberta taxpayers have invested a total of \$146 million since the inception of the railway to December 31, 1992. It also appears that they've recovered a very small portion of that original investment. It would appear that Albertans are out in the range of \$140 million, \$142 million as at the end of 1992. In that context, I'm having difficulty finding out why we could write down this when we don't have any revenues that are coming in that pay down this debt.

MR. ALTON: Well, the rail line is generating revenue, you know, fairly substantial revenue annually. The province receives revenues from all the freight that is transported over that rail line.

MR. DEPUTY CHAIRMAN: Okay.

The next question, Harry Sohal.

MR. SOHAL: Thank you, Mr. Chairman. My question is to the minister. On page 2.114, statement 2.17.3, votes 2.1.6 to 2.1.9 . . . [interjections] Let's do it step by step. Page 2.114, volume 2, statement 2.17.3. The question will be easier, I think. All these votes are dealing with engineering costs. How much of this work is done by department engineers and how much is contracted out?

MR. TRYNCHY: Harvey will try to give you the specifics. What we're doing: we're moving more and more each year to less in-house engineering as our people retire or take early retirement or through attrition. We're moving more and more toward the private sector. To get the right percentage, I'll just see if Harvey has that for us.

MR. ALTON: Well, in the 1992-93 fiscal year a total of 118 different consulting engineering firms were employed directly by the department on its projects, and an additional 82 other firms were employed in undertaking work by municipalities that we fund. The total billings that were undertaken by engineering consultants amounted to about \$24 million.

MR. TRYNCHY: I might add – and maybe I shouldn't – that effective this year all secondary roads will be done by local governments in engineering. So we've moved that far. I just want to throw that in there as our movement toward getting out of the system and letting the private sector do it.

MR. SOHAL: My supplementary. Mr. Minister, could the funds be spent more efficiently by contracting out engineering services?

MR. TRYNCHY: Well, I don't think so. We keep a pretty good tab on what it costs in-house engineering and what the private sector does, and I don't know if there's that much difference. We're moving to the private sector because I believe in free enterprise, but whether there's a great saving by going to the private sector is debatable.

Harvey.

MR. ALTON: Well, the department believes it must maintain sufficient engineering expertise to manage and operate all the private engineering that is undertaken. So our objective is to maintain a minimum amount of in-house engineering expertise and use the private sector to undertake the vast majority of our engineering services.

MR. SOHAL: On the same page, vote 2.4.1, engineering assistance. Do we subsidize rural areas by providing engineers on a less than cost recovery basis?

MR. ALTON: No. The costs are all recovered. The actual costs of engineering are charged against the municipalities.

9:00

MR. DEPUTY CHAIRMAN: Thank you.

The next question, Leo Vasseur.

MR. VASSEUR: Thank you, Mr. Chairman. On page 161 of the Auditor General's report, recommendation 46, it was recommended to the department at that time that "the full cost of its rural gas distribution program" be incorporated into the charge to the

customers. I'm just wondering: what is the department doing in regards to that particular recommendation?

MR. TRYNCHY: Yes, I'm quite familiar with it. The recommendation is to charge the full cost of the rural gas distribution program. I guess they're referring to the gas pipelines, because Gas Alberta runs the selling and buying of gas and that's fully charged back to the rural gas co-ops.

It would be difficult for the government to charge back a distribution line to the co-op, to charge it back to the whole system, if you have a line that goes out and it costs \$15,000 or \$20,000 to serve one or two people. We as government, whether it's right or wrong, have developed grant policies for the gas co-ops, and that's over and above the cost of gas. We've never asked for this to be put into the gas system, and I don't think you could sell it to the rural gas co-ops that you would charge back to the gas co-ops the cost of the total line which started from day one 20-some years ago.

MR. VASSEUR: The total cost in '92-93 that was recovered is about \$29 million. The additional cost of \$9 million is incurred in the grants and the amortization and the interest and the administration costs and so on which would represent close to a 30 or 33 percent increment in the cost to the consumer. Wouldn't it be in order, Mr. Minister, to incorporate those costs; even though we are going to subsidize it as a government, to know exactly what the subsidy is? I think the recommendation here is to determine the exact cost that is attributed to the cost of distribution so Albertans would know exactly what it would cost to subsidize that particular service. Is that the intent of the department?

MR. TRYNCHY: Well, I don't know if I got the full intent of the question, but every gas co-op knows exactly what it costs for extensions of the gas pipeline within their system. Now, I guess the message I'm getting is that we could group it together all across the province and put out a sheet that says, "Here's what all additions have cost the people of Alberta through grants." I don't know. Harvey, do you want to comment on that?

MR. ALTON: We provide grants to various municipalities, including the cities, for a variety of capital construction. We do not recover the cost of those grants from any of those municipalities. So the grants we provide to the city of Edmonton for road construction – we don't attempt to recover those costs. When we provide grants to the gas co-ops for the construction of new gas facilities, we don't attempt to recover those costs.

We do have a component of our gas program called Gas Alberta where we buy all the gas that is required for all the gas co-ops in the province, and all the costs of buying that gas, all the costs of administering the purchase and sale of that gas are charged back to the gas co-ops in terms of the price they pay for the gas. So they pay 100 percent of the costs of that operation, but we do not attempt to recover capital grants for capital construction. We don't recover capital grants in any of our programs. If we did, then you might as well abolish the grants, because if you're recovering all the costs, they don't become a grant any longer.

MR. VASSEUR: It's fair to assume, then, if you'd follow the recommendations in the report here, that the only thing that would happen is you'd determine the exact costs of supplying that service and the difference would be the subsidy from Albertans. We wouldn't have to ask that question if we knew that figure.

MR. TRYNCHY: Well, sure, you could do that, but let's go back to grants we provided to the cities for years of \$70 per capita, \$40 per capita. Now they're \$25 per capita. They're a grant, and we don't show the recovery of it. We don't get a recovery of it.

Yes, you could do all those things. You know, I'm not going to take issue with the Auditor General's people in the department, but would it tell us any more than the people know? What would it tell us more than the people know today? When you have a pipeline being built and we provide through gas co-op A a \$30,000 grant, we don't expect to recover it, so what are we going to tell the people?

MR. SHANDRO: Mr. Chairman, this is a gas utility, and our comment strictly relates to the information necessary to price the delivery of energy, which is a bit of information that is being used by most gas utilities delivering gas. They need to know what their delivery costs are, and capital costs and other administrative costs should be factored into the outputs, the delivery, of these products.

Our recommendation is not geared to asking that the subsidy levels be changed as such. It's strictly to get the information to determine what the costs are. Another way of saying the same thing is that we need some benchmarks.

MR. DEPUTY CHAIRMAN: Ty Lund.

MR. LUND: Thanks, Mr. Chairman, and good morning. I just want to follow up a little bit on this gas co-op and the recommendations in the Auditor General's report. Dealing with the paragraph at the bottom of page 160, it says: "These costs include grants to gas co-operatives for construction of pipelines." I'm wondering. There are some that are owned by private utilities. They also get a grant. Why are just the co-ops mentioned? They get the same grant as the co-ops, yet they're not mentioned here. I guess it's more appropriate as a question to the Auditor General's representatives as opposed to the department.

MR. WINGATE: I think we're talking about the grants for the pipelines which carry the gas of the Gas Alberta operating fund. I think that's what we're referring to.

MR. LUND: So this whole recommendation, then, is not dealing with the distribution by the co-ops to the consumer?

MR. WINGATE: I think our point is restricted to the Gas Alberta operating fund. What we're saying is that the consumer isn't seeing the full cost of the gas that is delivered through that fund. Whether or not it's subsidized is another question, but the full cost of providing that service isn't being reflected in the Gas Alberta operating fund.

MR. LUND: Will you acknowledge, then, that the utility companies that are in the business do get a grant similar to the gas co-ops?

MR. SHANDRO: We haven't looked at the utility companies outside of the Gas Alberta operating fund.

MR. ALTON: But the utilities who supply services to rural Albertans also receive grants for capital construction, as Mr. Lund has outlined. It is our view that it would be inappropriate to recover the grants from the fund, because that would result in co-op consumers subsidizing the utility consumers. That is another reason why it would not be appropriate to try to recover those

costs from the co-ops, because we do supply grants to the utilities as well.

MR. SHANDRO: Our point was not about recovering costs. Our point was about determining what the costs were.

9:10

MR. DEPUTY CHAIRMAN: Okay. Final supplementary? None?

Debby Carlson.

MS CARLSON: Thank you, Mr. Chairman, and good morning, gentlemen.

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.

Mr. Minister, will you undertake to release to this committee the management letters prepared by the Auditor General and provided to your department?

MR. TRYNCHY: I don't know if . . . What page of public accounts is that on?

MR. DEPUTY CHAIRMAN: This item has been discussed before, and management and working documents are not released by the Auditor General's department.

MS CARLSON: I'd like to supplement that. That makes us one of only two provinces in this country who are not prepared to release those documents, and in fact one of the ministers in this government has undertaken to do so. [interjections]

MR. DEPUTY CHAIRMAN: Order.

MR. LUND: Mr. Chairman, in every public accounts meeting we seem to go through this nonsense, this rhetoric, and I wonder when it is going to come to an end. I hear the hon. members complaining about the fact that they don't have enough opportunity to question the minister and they don't have enough opportunity to question the Auditor General; they want to meet out of session. Every meeting we go through this nonsense, and I want to see it stopped. I've got some very important questions to ask, and now we've listened to this rhetoric once again.

MR. DEPUTY CHAIRMAN: I believe the point is taken. We have discussed it in the past. These documents are not brought to public accounts. I think it is only the mandate of the Legislative Assembly to determine the authority of the Public Accounts Committee, and we should refrain from questions on working papers.

MS CARLSON: I'd like to respond to that. In fact, the mandate of this committee can be legislated and guided by the Guidelines for Public Accounts Committees in Canada, and we cannot begin to undertake our mandate or in fact determine the depth we need to go into some of these accounts without complying with these guidelines. I would respectfully ask this committee to reconsider their position on this.

MR. DEPUTY CHAIRMAN: I don't think we want to get into a debate on this. I would like to suggest that we do not have the authority to change our mandate. We can only recommend to the

Legislature to change it, and any debate continuing on this would just be a waste of time.

MS CARLSON: So you are suggesting that we cannot comply with the guidelines.

MR. DEPUTY CHAIRMAN: The guidelines of the federal association do not bind the provincial Public Accounts Committee.

MR. LUND: Good ruling, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Dave Coutts.

MR. COUTTS: Thank you, Mr. Chairman. Good morning, Mr. Minister. I hope you've marked the page that Mr. Sohal made you search for extensively, because I'm going to refer to that same page, 2.114, under the financial assistance for rural transportation program. It's in volume 2. At the bottom of the page, vote 2.4.2, grants to counties and municipal districts shows an overexpenditure of almost \$2.5 million. I'm wondering if you or your department could explain what may have caused this unexpected and maybe even unforeseen expense.

MR. TRYNCHY: Well, Mr. Chairman, what this does: the element includes grants in kind, and this includes bridge construction and maintenance. Bridge funding was overexpended due to the high number of bridges within counties and municipal districts that required urgent maintenance which was unforeseen when we did the estimates. When we find ourselves in a position where a bridge needs repairing and we haven't allowed for it, we continue to repair that bridge as quickly as possible so we won't have any accidents on it. So that's what happens. We move the funds over and do the priorities we have to have done for the safety of the traveling public.

MR. COUTTS: My supplementary then. In this same vein, I'd like to move to vote 2.5.3, at the top right hand of the line there, where we go to primary highway connectors grants. I suppose my supplementary might involve two things. I'd like to get an idea of what a primary highway connector grant really is. In view of the fact that none was put into the estimates, you expended \$4.75 million on a primary highway connector grant. Could you explain both of those please?

MR. TRYNCHY: Yes, Mr. Chairman. When we put in our budget, we anticipated that no work would be required under these primary highway connectors. However, we've encountered some emergency situations. I'll just give you examples of the projects we have: \$2.5 million was advanced to the city of Edmonton for the Yellowhead Trail/Capilano drive interchange, which was unforeseen; and a special \$2.3 million grant was provided to the city of Grande Prairie to assist in replacing a critical bridge that came upon us as necessary to do. As I said at the outset, we do these kinds of things when we see an emergent need for the safety of the traveling public. So even though we've budgeted no funds for this, when things come up, we have to move our funds around to take care of emergent needs, whatever the project is. In this case it was the city of Edmonton for \$2.5 million and the city of Grande Prairie for \$2.3 million.

MR. COUTTS: Thank you, Mr. Minister. If we could go back to the left-hand side of that page, vote 2.2.5, the construction and the improvement of resource roads was also overspent by close to \$3 million last year. I have a number of resource roads in my area

that I am sure may have fallen into this category, and I would like the minister to explain why this overexpenditure also occurred.

MR. TRYNCHY: Well, what happens when we move into resource roads – and most of these roads are in remote areas. In this case we found we could do more work during the winter while the muskeg was frozen, so we moved our funding forward from other projects to cover the muskeg while we had the chance to do it and save dollars in the long run. So we move these funds around to get the best value for what we're doing in that area. In this case, it was conditions of muskeg in the remote areas. We put up more funds so we could complete the job instead of stopping halfway through and coming back the following year, which would have cost us more.

MR. DEPUTY CHAIRMAN: Thank you very much.
Alice Hanson.

MS HANSON: Thank you, Mr. Chairman. Mr. Minister, earlier you described very well how you test for the maintenance of roads, how you determine if they're going to need work in the future, and I wonder if you could tell us the cost for the tests in 1992-93. That would include man-hours, equipment, and that kind of thing.

9:20

MR. TRYNCHY: I don't know if we'd have that. We'll check in *Hansard* and we can provide it, but that's quite detailed. I don't think it's spelled out specifically. The question you asked is very specific. It would be in the global funding. We wouldn't have those figures for you today, but if it's important to you, I assure you we'll try to break it out and get it to you.

MS HANSON: Well, that's all right. I would like to know if it's not too much hassle. Can you tell me what section it's under? Is it under road maintenance? It's in that global budget for road maintenance?

MR. TRYNCHY: Highway maintenance, and it's a big global amount of dollars.

MS HANSON: Yeah. Sure. I would like to know that. Thank you.

MR. TRYNCHY: We'll do the best we can for you.

MS HANSON: Okay.

The supplementary. I believe in the past you have said that generally after 15 or 20 years roads need to be replaced. I wonder if you consider that reasonable, that you're getting good value for the taxpayers' money. Also, I wonder if you could provide figures in regard to the replacement of roads that show us it is good value, that 15 or 20 years is reasonable for replacement.

MR. ALTON: It's not replacement. It's a resurfacing.

MS HANSON: For resurfacing. I'm sorry. That's what I meant.

MR. ALTON: The existing roadway is still there and still in use. It's just that it needs a new asphalt surface. I think we are on average now a little better than 16 years between resurfacing, and that's certainly consistent with averages that exist throughout North America.

MS HANSON: Okay. Thank you.

MR. TRYNCHY: I guess we can provide you with the total dollars for rehab overlay in any particular year, but to break it down . . . Like I say, we test the highways and some have to have an overlay in, say, 14 years; some might go 22 years depending on traffic and depending on the topping of the road. So there's no magic number. You do it when you have to.

MS HANSON: Yeah. I guess my question was relative to whether or not, depending on the quality and the kind of work done, it's possible for them to last longer. Or is this, as you say, an average across North America given the climatic conditions and the traffic on the road and stuff? I'm just wondering how you can judge whether we're getting value for it.

MR. ALTON: It's certainly increasing. With improved technology and improved construction methods, we're getting longer life from our pavements than we were 10 or 15 years ago.

MS HANSON: Thank you.

MR. DEPUTY CHAIRMAN: The next question, Moe Amery.

MR. AMERY: Thank you, Mr. Chairman. Good morning, Mr. Minister. My question deals with the revolving fund revenue. On page 3.39, under the heading statement of operations and surplus revenue, we can see that the largest revenue items for the transportation revolving fund are fleet operations, stores operations, and gravel operations. Each of those revenues decreased substantially in 1992-93 from previous years. Does that imply that the revolving fund is playing less of a role in the department's activities?

MR. TRYNCHY: The decrease in that fund would be the result of a reduction in the total size of our fleet. Just recently this department took over all the government fleet of trucks, and soon we'll take over the total government fleet of vehicles. But this has been a decrease where we've asked every department to have a look at what they're doing, and over the years all departments have been decreasing their fleet. We've had a reduction in the total size of the fleet. We've cut back in program funding, and in some cases we've privatized functions such as painting of lines on highways. So that fleet is gone. We've privatized the painting of lines, so we don't need those trucks and equipment. That's a decrease.

MR. DEPUTY CHAIRMAN: Supplementary?

MR. AMERY: Yes, thank you. I note in the Auditor General's report, recommendation 47 on page 162, that he had a concern about how effectively the transportation revolving fund is providing a procurement service for the department. Would the minister like to describe the fund's procurement activities and whether he sees its role changing?

MR. TRYNCHY: Harvey, I'll let you take that.

MR. ALTON: Well, we're moving toward a greater use of contractor supply of materials in contracts, and that is resulting in our therefore reducing the inventory of materials we maintain as a department. So instead of the department, for example, buying culverts that would be required for the year's construction, we're including the supply of those culverts in the contractors' tenders. The contractors are therefore buying and supplying those as part of their bid prices. So that has resulted in our being able to

substantially reduce the inventory of materials the department maintains.

MR. AMERY: My final supplementary is on page 3.41, note 4. The financial statement for the transportation revolving fund shows the net book value of capital assets increased by \$4.1 million in fiscal 1992-93. Could you tell me what accounted for the increasing capital assets?

MR. ALTON: Basically, the increase is due to the increased value of equipment. When we replace an old snowplow with a newer one at a higher capital cost, that increases the book value of the fleet. It's not an increase in the amount of equipment; it's an increase in the value of the equipment that is in the fleet.

MR. DEPUTY CHAIRMAN: Debby Carlson.

MS CARLSON: On page 2.115 of volume 2, with regard to the Gas Alberta operating fund: there were dollars allocated to this, but a substantial amount of money was spent. Can you give us some background on what happened there?

MR. TRYNCHY: On Gas Alberta?

MS CARLSON: Page 2.115, volume 2.

MR. TRYNCHY: Where are we?

MS CARLSON: Right under the transportation revolving fund in statutory appropriations.

MR. TRYNCHY: If I could find it here. You're talking about Gas Alberta. Gas Alberta operates as a broker for the gas co-ops. It buys the gas from the suppliers and sells it to the local consumers. It's on a break-even method. If it costs \$4 million to buy the gas, it's sold for \$4 million plus the costs of the operation of Gas Alberta. So maybe I didn't get your full question. What . . .

MS CARLSON: My question was with regard to why there was no money allocated in the estimates, yet in fact there was \$3.5 million expended. Do you see it there under the statutory . . .

MR. TRYNCHY: Yes, I see it now. What has happened there is that a \$3.4 million deficit was caused by rising gas prices for the winter of '92-93 while the unit selling price was fixed for one year starting in November. What has happened: a deficit was recovered over the 12-year period after the price was readjusted in November of 1993.

MS CARLSON: Okay; very good. Thank you very much.

MR. TRYNCHY: That's been recovered through an adjustment.

MR. ALTON: At the beginning of the year we set a gas price based on the projected volumes and costs. That price we maintain; we don't adjust it during the year. So if gas prices increase or there's a greater volume because of a cold winter and so on, the fund may run a deficit or a surplus. We then adjust the gas price for the next year and either recover the loss or reduce the gain. So we balance it after every year by setting a new price for the following year. It's a revolving fund that we want to end up with zero. We don't want to make any money; we don't want to lose any money. That's why there are always these adjustments, because you're projecting what may occur during the year.

MR. DEPUTY CHAIRMAN: Supplementary?

9:30

MS CARLSON: Yes. With regard to the transportation revolving fund, I'd like just a little bit more information than what Moe gleaned from his question. The Auditor General indicated that the purpose of the revolving fund's purchasing and inventory functions was not clear. Could you tell us what the purpose of the fund is?

MR. ALTON: The purpose of the transportation revolving fund is to provide funding to the department to enable us to acquire land, gravel, and other construction materials in the most economic manner and then charge those back to the construction projects as they occur. For example, we may require in an area a large quantity of gravel for a variety of construction jobs. The most economic way of acquiring that gravel is to let one contract crush that gravel in one large project and then charge it against each individual project as it's used during the year or two years that may follow. Consequently, you need money to make those purchases until you pay them back out of your normal department budget. So it's really an advance in capital to enable us to buy materials and land and equipment in the most economic manner.

MR. DEPUTY CHAIRMAN: A final supplemental?

MS CARLSON: Yes. The Auditor General had a concern with the cost effectiveness of doing this by the time you factor in labour and handling charges and storage costs. Could you address that concern?

MR. ALTON: Yes. We've addressed that, I think, by looking very critically at every item we purchase to determine if we can acquire that in a different manner. Certainly, moving to more contractor supply, where we have the contractors purchase the materials and supply them as part of their contract prices, has resulted in our requiring less funds from the revolving fund. But I think you can appreciate that that is not always economic. If a contractor goes out and buys the culverts for one small project, his unit prices may be higher than if you bought a large quantity for several projects. So there are economics in bulk buying to still maintain purchases by the department and maintain a revolving fund.

I think the key with the revolving fund is that it always balances. Whatever we purchase and whatever the costs are must be paid back to the fund so it always balances. There's no accumulated profit or loss, and every year we make adjustments to the prices to ensure that it balances.

MR. DEPUTY CHAIRMAN: Thank you.
Barry McFarland.

MR. McFARLAND: Thank you, Mr. Chairman. Mr. Minister, in volume 2, 4.5, rural water development, I notice that both in the area of support services and farm water grants there was an estimated amount of expenditure dollars but the actual expended amount was substantially less - well, not substantially; percentage-wise it was significant anyway. I know that these were very, very worthwhile and valuable programs in rural Alberta that helped people get a limited amount but an assured supply of potable water for their homes. Could you explain: if the program, in my understanding, was wound down, why was it underspent, or was that simply a wind-down of the program?

MR. ALTON: Well, under the farm water program, farmers could apply for assistance in terms of the supply of water. The budget

was put together based on the applications that were received. Not all of those projects were completed in the fiscal year, and some of those funds were required in a future fiscal year to pay for the projects. The program was terminated and completed, and no new applications were received after a specific date. The reason not all the money was expended is simply that some of those farmers did not complete their systems in order to be able to submit their billings.

MR. McFARLAND: Mr. Chairman, back to 2.3, maintenance of highway systems. Could the minister comment. With the move to privatization and contracting out some of the services in terms of maintenance, have there been savings? I noticed that in fact in one area there was a slight overexpenditure. Has this system worked where you have contracted out such functions as grass cutting and weed control and some of those things under the maintenance of highways?

MR. TRYNCHY: Yes, Mr. Chairman. When we privatize grass cutting, line painting, guard rail replacement, and issues such as that, we have a very good idea of what it has been costing us by doing it in-house. So when we let those contracts go, we do our best to make sure that the figures we get back from our tendered bids are equal or less than what we had done in the past. We move that way. As I've said before, you can privatize a lot, but you have to watch, too, that once you privatize everything the private sector might take advantage of you. That's why we have the engineering firms in-house: to make sure we have value for money; so we can compare apples to apples. But you're right. Yes, we watch that very closely.

MR. McFARLAND: The final, Mr. Chairman. I'm not sure if it deals with 2.1.2 under research and development or if it deals with 2.1.6, design engineering. I know that you assist municipalities in the design work for new roads or extensions. I'm not sure if you would be working in conjunction with the city of Edmonton, but I noticed where 107th Street comes down to the Leg. Annex - I think it's 9707. Was there anticipation of an extension of 107th to the Leg. Annex? I notice there has been traffic up there. Do you know if this was a request that had been put in for design work or research?

MR. TRYNCHY: Well, I understand we've had some traffic go through spots they shouldn't go through, but I don't find it in the estimates, so I won't comment on it.

MR. DEPUTY CHAIRMAN: I believe we're pushing Public Accounts' rules to the limit on that one.
The next question, Sine Chadi.

MR. CHADI: Thank you, Mr. Chairman. My questions relate once again to the Alberta Resources Railway Corporation and in particular page 1.187, note 4. Again in that note, Mr. Minister, it says with respect to the Swan Landing-Grande Prairie railway that the

railway assets, except land not required for the operation of the railway, are leased to the . . . CNR under the terms of an agreement dated [back to] 1965.

The agreement states:

The payment of a tonnage rental to the Corporation based on the amount of freight [and] the lease was in effect until January 1, 1990. It allowed for renewals after that on an annual basis.

The agreement also provided CNR with an option to purchase the . . . assets at approximately \$180 million.

My question is: how was the figure of \$180 million for this railway determined? How did the department or the corporation come up with this number?

MR. TRYNCHY: I believe that when the original contract was signed in 1965, that was included. After 25 years they would have an option to purchase it back at a certain figure, if I'm not mistaken. I'll have Harvey answer it. The option is there every year, but the option has never been picked up. So after 25 years it's on a yearly renewal, and there's always an option. CNR has never picked up that option.

Harvey, would you want to add to that?

MR. ALTON: Well, the government of the day, which at that time was the Social Credit government, entered into this agreement with the CNR. In the discussions between the CNR and the government they arrived at an option figure of \$180 million. The CNR could take over ownership of the rail line by paying that amount, and the government would have to accept it. The CNR has never offered to pick up that option. In fact, they have not offered any amount for that railroad until recently.

9:40

MR. CHADI: Thank you. It's clear in the note that the agreement provided CN with the option to purchase the railway at \$180 million up to and including December 31, 1992. Now, my experience of options is that there's usually a consideration paid to have that opportunity to own that option to purchase. If there was a consideration paid – and according to the minister's comments from my first question, Mr. Chairman, he mentioned that there was a renewal of the option. Now, is it clear that there was a renewal of the option, and if there was a renewal of the option at \$180 million, was there a consideration paid?

MR. TRYNCHY: There was no renewal, and there were no option-to-purchase funds paid by CNR. In the agreement they had an option to purchase at \$180 million on December 31, '92, but there were no funds to be transmitted to the government for that option.

MR. CHADI: No consideration paid.

MR. TRYNCHY: No consideration.

MR. CHADI: All right.

MR. DEPUTY CHAIRMAN: Final supplementary?

MR. CHADI: Yes. In 1965 and subsequent years, particularly until December 31, 1992, the option sat at \$180 million. Was there any indication at all, Mr. Minister, that until December 31, 1992, the figure of \$180 million or the amount this corporation was worth at the time – was the railway in particular, the asset, worth any less than \$180 million? Was there any indication?

MR. ALTON: There's never been any suggestion that the railroad was worth \$180 million.

MR. TRYNCHY: And the CN never offered us anything for the railroad until, since this report, we finally agreed to have a selling price. The CN never considered any figures for the railroad at any time until just recently.

MR. DEPUTY CHAIRMAN: Pearl Calahasen.

MS CALAHASEN: Thank you very much, Mr. Chairman. In the Auditor General's report, page 160, there was a recommendation:

In a management letter to the Deputy Minister . . . it was recommended that the Department improve its systems to manage its land holdings.

Could the minister indicate what he has planned to be able to improve those systems?

MR. ALTON: Well, the department has acquired considerable lands for the construction of highways and transportation facilities over the years, and all of those lands have been held under manual types of systems. The department recently implemented a computer-based system as a first step to deal with the recommendations of the Auditor General. That system will enable us to effectively manage all that land without a lot of work required to go through the records to find details for each land. That computer system is now in the process of being implemented and will enable us to more effectively manage the department lands.

MS CALAHASEN: Mr. Chairman, then on page 2.116, volume 2, statement 2.17.4, if you look at other revenue and the sale of assets, from 1992 to 1993 there has been a considerable jump in land sales. Could you indicate to me why there was such an increase?

MR. TRYNCHY: Well, what happens when we purchase land for highways – and let me give you an example. If it's just as effective to purchase 160 acres at the same price you'd have to pay for, say, 20 acres to go through that parcel of land to build a highway, we would buy the whole quarter section. Once we ascertain the acreage we'd need, we would then sell off the rest of the land. That's where we would have the extra funds, the revenues from the sale of lands. We've done that where we don't need additional land for future use and we dispose of it. In many cases this has been where we have bought a parcel of land, developed the highway, and sold the remaining land for as much as or more than we paid for it originally.

MS CALAHASEN: Is there any surplus land that we have, and do you know what its value would be?

MR. TRYNCHY: We have a lot of surplus land. If I'm not mistaken, there are close to between 2,500 and 3,000 separate parcels of land here and there that have been left over from our purchases after road construction. I would hesitate to put a figure on it, but at market value it's a considerable amount of dollars. We have a lot of small parcels of land throughout the province that were bought in previous years and now are surplus to our needs. Over the years, as we move along, we will dispose of these lands at the best effective price for the cost we paid and the effective price back to the people of Alberta.

MS CALAHASEN: Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Leo Vasseur?

MR. VASSEUR: Yes. Just following up on the last question that sort of scooped the area I was going to talk about, it identifies in the Auditor's report that "the Department lacks information on the land it administers." We were just talking about this. It goes on to the next page, right on top of page 160, with a recommendation that the department should "improve its systems to manage its land holdings." Following that recommendation, Mr. Minister, has the department taken some real action here to do just that?

MR. TRYNCHY: We have. I think Mr. Alton just mentioned that, but I'll let him do it again.

MR. ALTON: In our view, we have records of all the land we hold. The difficulty is that those records have not been computerized. It is difficult to obtain the information on any land without a fair amount of research and a fair amount of effort. We know all the lands that we have and we have title to. The problem is that the system has not enabled us easy access. The Auditor General has quite correctly pointed out that there certainly is merit in having a better system. We are developing a computer system now that will have all those lands on that system so they can be readily accessed and information readily provided. That certainly will allow us to more effectively manage them. That system is now virtually complete, and we will be able to much more effectively manage the lands.

The management of lands consists of a number of things in addition, of course, to the sale of surplus lands. Those lands which we must retain for future requirements we can lease to adjacent farmers or landowners and recover some additional moneys in those ways. Again, a computer system will enable us to more effectively manage all those resources. That is certainly now being implemented.

MR. VASSEUR: What kind of time frame are we looking at?

MR. ALTON: Well, most of the lands are now on the system, so basically as far as implementation, we can say it is now implemented. We have a computer system and can produce a computer printout of the department lands.

MR. VASSEUR: Can I change the subject entirely, or do I have to wait for my turn again?

MR. DEPUTY CHAIRMAN: I think you have to follow the general lines of the original question.

Ty Lund.

9:50

MR. LUND: Thank you, Mr. Chairman. I'm sorry; I wasn't quite ready. I want to ask a question relative to the heating fuel grants on page 2.1.1, volume 2, vote 4.4. I see we budgeted for \$1.528 million but spent only \$350,042. What happened to the program? How come such an underexpenditure?

MR. TRYNCHY: I would imagine that bills to be sent back to the department by consumers in remote areas that qualify for these grants did not arrive in time to put into the budget but carried over the following year. We have difficulty sometimes in getting all the people that use this to apply for their grants in the year we have the funds appropriated for, so it carries over the following year.

MR. LUND: Since I'm not that familiar with this program, how much time do they have to send in their bills?

MR. TRYNCHY: I think it's three years. Well, we're quite flexible. I know I've had extended discussions with some people that have missed a deadline by a few days. You have to use some consideration and be flexible and allow this to happen. A lot of people just mislay their bill and forget to send it in and then find out that they have to. So it's a sort of human relations thing. You try to be as flexible as you can.

MR. LUND: But I'm surprised that in fact it wouldn't be an ongoing thing so that you wouldn't in one year miss by \$1.1 million. If people are late, I would tend to think maybe it would be a process that would happen every year. So in fact you wouldn't have such a blip as we've got in this one.

MR. TRYNCHY: You're right, but there are other factors too. We take into consideration those people that might apply for the remote heating grant and then during the course of the year 10 or 20 percent of that area is served with natural gas, unbeknownst to us. That would reduce it dramatically. In some cases that has happened: rural gas co-ops have moved in and taken away the customers that would have applied had they not had the natural gas system. So that happens too.

When we budget ahead of time, we don't know within our budget this year what will happen within fields this coming summer. If we don't have the funds in there, we're chastised for not having them, and now we're being chastised for having too much.

MR. LUND: It wasn't meant to be chastising.

MR. DEPUTY CHAIRMAN: Go ahead, Sine.

MR. CHADI: Thank you very much, Mr. Chairman. Mr. Minister, again my questions are going to relate to the Alberta Resources Railway Corporation, this time with respect to the Peace River Daishowa railway. In note 4, 1991, the cost of this railway appears, \$28,940,000, and then in 1992 the figure is unchanged at \$28,940,000. My understanding of that particular stretch of railway is that it was substantially completed in July of '89, and there was an understanding between the corporation and CN that CN would have the right to occupy and operate that railway trackage pending transfer of the railway trackage to CN. This transfer was expected to be completed sometime after the completion date of '89. The agreement provides for CN to receive railway trackage revenues and to pay for maintenance costs, operating costs, and this sort of thing. My question to you is: what revenues, if any, were accruing to the province since the completion of this railway?

MR. ALTON: No revenues.

MR. CHADI: None whatsoever?

MR. ALTON: None whatsoever.

MR. CHADI: Okay.

The agreement then provides for the transfer of this stretch to CN. Is it to be transferred at cost? Is that part of the agreement? Or will it be transferred at no cost?

MR. TRYNCHY: This railroad was constructed through economic development as the government's contribution to the plant site, and the transfer was to take place, I think, several years ago. I'm not sure if it has taken place, but it was to be transferred at no return to the province.

MR. CHADI: I would imagine the \$28,940,000 had not changed from 1991 to '92. Were we paying any interest on that sum of money? We didn't borrow any of that money and weren't paying any interest on it either to the GRF or to any other fund?

MR. TRYNCHY: I expect that it would have come out of the budget just like we spent \$28 million for roads. It was infrastructure funding that went toward that project, and as far as I know, there was no interest charged or paid.

MR. CHADI: My question, Mr. Minister, was in the context of 1991-92 as shown in note 4. Inasmuch as there was no change whatsoever there in the cost, I was wondering if interest was not added or included in there. Or had we not paid any? That's why I asked it.

MR. TRYNCHY: I believe probably you're right on both questions. None was added, none was included, and none was paid.

MR. ALTON: It's strictly a capital cost.

MR. TRYNCHY: It's strictly a capital cost, which was paid for and turned over to CN to operate and maintain.

MR. DEPUTY CHAIRMAN: Nick, you wanted to comment?

MR. SHANDRO: Yes. The railway was financed largely through debentures, although there were some grants given. Interest does not generally capitalize except during construction, but in this case there's no capitalization of interest after a railroad is constructed. The accounting policy – that's note 2(a) – states quite clearly, I think, how the railway is written off as well.

MR. CHADI: Mr. Chairman, in light of supplementing the minister's answer, I'm wondering if the minister, who previously told me there was no interest paid, would want to maybe change that and look into the fact that there may have been some interest paid on certain debentures, as the Auditor General's department has mentioned.

MR. SHANDRO: You'll notice that there is interest expense on the financial statements.

MR. CHADI: I'm asking in relation to the Peace River Daishowa railway, and that has not been written down.

MR. DEPUTY CHAIRMAN: Might I suggest that since this is obviously not information that's readily available, you might take it up directly with the minister's office. It seems there's more of a technical thing involved here.

MR. TRYNCHY: Let's make it clear. This was handled through economic development, so I don't have that. If I said that no interest was paid or was called for, you know, I could be in error. To my knowledge, what I said is correct, but I can't be positive because economic development was in charge of the funding toward this railroad. So I might be asking economic development.

MR. DEPUTY CHAIRMAN: Okay. It looks like we've effectively run ourselves out of time. I would ask the minister: there was one question from Ms Hanson, and you were going to give a written reply. Might I suggest that you do it through the chair, through Corinne, and she will see to it that all members of the committee receive a copy of the reply.

The date of the next meeting is next Wednesday, March 23. The Minister of Education, the Hon. Halvar Jonson, will be our guest at the time.

I would like to thank the minister and his staff and the members of the Auditor General's staff for attending this morning.

MR. CHADI: I move we adjourn.

[The committee adjourned at 10 a.m.]

