

8:30 a.m.

Wednesday, May 4, 1994

[Chairman: Mrs. Abdurahman]

MADAM CHAIRMAN: I'd like to call the Standing Committee on Public Accounts to order. The first item of business is approval of the agenda. Moved by Debby Carlson. Any discussion? If not, all in favour, say aye. Any nays? It's carried unanimously.

Approval of the minutes of the April 27, 1994, committee meeting. Are there any errors or omissions? If not, could I have a motion to accept as circulated? Moved by Sine Chadi. All in favour, say aye. Any nays? It's carried unanimously. It sounds like you all had a really good night's sleep.

I'd like at this time to extend a warm welcome to the Hon. Tom Thurber, the Minister of Public Works, Supply and Services, and his staff and also once again to Mr. Wingate and Mr. Shandro of the Auditor General's department for being here this morning.

Hon. minister, if you'd like to introduce your staff at this time and make your opening comments, I'd appreciate it.

MR. THURBER: Thank you, Madam Chairman. I'll start with Ed McLellan, my deputy minister, on my immediate left. The next one over is Peter Kruselnicki, the ADM in charge of property management and air transportation. The next one over is Bob Smith, the ADM in charge of accommodation services, in the real estate end of it. Farther over is Brian Black, the ADM in charge of information technology and supply, and on my right is Ray Reshke, the ADM in charge of finance and administration.

MADAM CHAIRMAN: Thank you, hon. minister.

MR. THURBER: Do you want me to carry on?

MADAM CHAIRMAN: Yes, certainly.

MR. THURBER: I'll make a few opening remarks, if I might, Madam Chairman, just to give a general outline of what Public Works, Supply and Services has done in the fiscal year '92-93. In that year we were responsible for the provision of general purpose accommodation, whether by construction, purchase, or lease, for the government as a whole; project management assistance for the design and construction of hospitals, nursing homes, and health units; and major surface water development projects. We were in charge of the operation and maintenance of all government space, land acquisitions, transportation services, central purchasing and supply, information and telecommunication services for government departments and various boards, agencies, and commissions.

At that time we were also in charge of the funding of major exhibitions and fairs through the issue of capital grants, the Alberta Gaming Commission, and the Alberta Racing Commission. These goods and services were provided through the general revenue fund, the revolving fund, and the capital fund. As referenced in the '92-93 public accounts, PWSS was responsible for the control and development of horse racing, including the Alberta Racing Commission, vote 6; lotteries and financial assistance to major exhibitions and fairs, including the lottery fund, which was vote 7; gaming policy, licensing and control, including the Alberta Gaming Commission, which was vote 8 during 1992-93. Since that time, prior to the '93-94 fiscal year, these responsibilities have been transferred to the Department of Economic Development and Tourism and the Department of Justice. I would ask that if you have questions in those areas, you refer them to the appropriate minister when they appear in front of you.

Further, in December of 1992 Premier Klein announced a reduction in the size of his cabinet, as you're well aware, from 26 ministries to 17. As a result, the minister of public works, supply, and services at that time assumed the duties of Deputy Premier and Government House Leader and assumed responsibility for the Wild Rose Foundation, Access corporation, and the Public Affairs Bureau. Now, you should know that with the June 30 cabinet reorganization these responsibilities were again transferred to other departments.

In '92-93 PWSS spent a total of \$467 million for general revenue fund operations, including statutory appropriations but excluding votes 6, 7, and 8, which I referred to before. This includes \$458.9 million in expenditures for program operations and \$8.5 million in net expenditures for statutory appropriations. This expenditure was 7.2 percent below the estimates of that year, resulting in a savings of \$35.5 million in the general revenue fund.

Public works' statutory appropriation for land transactions was activated in December 1990 to account for noncash transactions associated with the gross-up of land trades and nominal sum dispositions. PWSS was able to absorb all '92-93 requirements for the statutory appropriation for land transactions within its spending guidelines.

The public works revolving fund was established to provide goods and services to government departments, boards, and agencies on a break-even basis. Each year the department conducts internal reviews and re-establishes fees and rates for its revolving fund operations which are intended to recover all the costs incurred in these. Some major improvements and innovations in service delivery were implemented in '92-93, and continue to be implemented, which resulted in a surplus of \$7.7 million for the revolving fund, \$10.5 million more than the budgeted net expenditure of \$2.8 million. I'd like to point out that as a result of such initiatives, public works was able to reduce its charge-back rates by 13 percent on April 1, 1993, and by another 20 percent in December.

In addition, a total of \$183.2 million was spent in '92-93 for capital fund projects. This represents a total expenditure savings of \$11.7 million or a 6 percent decrease from the approved estimates of \$194.9 million. In total the ministry had overall expenditure savings of \$41.5 million in '92-93, a 6 percent reduction from the '92-93 estimates. This overall expenditure savings was achieved as a result of proactive cost-cutting initiatives undertaken by this department.

I'm also pleased to point out that while the government has just recently embarked on a three-year plan to balance the budget, this department has been restructuring and streamlining over the last 10 years. You should know that from 1982 to 1992 the number of permanent positions was reduced by close to 1,400 with virtually no layoffs. Of these 1,400 positions, an estimated 60 percent of the work was outsourced to the private sector and the remaining 40 percent reduction was accomplished through organizational streamlining.

In '92-93 spending was restricted to the most essential requirements and to those issues involving health and safety or security concerns. Consistent with the government's expenditure restraint objectives, public works implemented additional measures such as staffing policies and expenditure control guidelines to help ensure that funds were spent only where necessary. All approved capital projects were reviewed to reconfirm the need and the scope, and many scope reductions or project deferrals were identified as a result.

For the '92-93 fiscal year, public works operated with a staff complement of just over 2,000 permanent positions. In reviewing the '92-93 public accounts, you will note unexpended manpower

budgets in every program, due primarily to the department's staffing guidelines and in many instances reduced salary expenses as a result of employee participation in the government's VSA program. We had over 230 employees participating in that program during the '92-93 fiscal year.

Public works provides everything from office space to institutional facilities such as correctional centres and hospitals, to computers, to cars, to the pens and pencils and the paper used in government.

I'd like to bring up just a few statistics, Madam Chairman, to indicate some of the things we've been responsible for. The department of public works was responsible for the operation and the maintenance in '92-93 of a multibillion dollar physical plant which includes approximately 2,500 owned facilities and 500 leased buildings. We co-ordinated and managed a significant number of capital construction projects on behalf of various government departments and agencies, which included 60 hospitals, two health units, and four reservoir projects. In addition, public works managed and directed the major expansion of the Pine Ridge Forest Nursery in Smoky Lake on behalf of the department of forestry, lands, and wildlife. This initiative was funded through the Alberta heritage trust fund. Grants in lieu of taxes totaling \$45.1 million were provided to approximately 200 Alberta communities in '92-93, with the city of Edmonton being the largest recipient of those.

My department is also responsible for purchasing lands for the department's program use and for the Edmonton-Calgary restricted development area. Public works continues to actively pursue the disposal of lands which are administered by my department and are surplus to program requirements of the province. For 1992-93 surplus land sales totaled over \$21.1 million, including \$4.9 million from the sale of surplus general revenue fund properties. For 1992-93 approximately 625,000 square metres of space was leased from the private sector for government departments and agencies at a total cost of just over \$88 million. The government occupied 2.3 million square metres of owned space, of which 600,000 square metres was property managed by the private sector on a contract basis while the remainder was managed in-house using departmental or private trade staff.

8:40

Public works operates one of the largest centralized data processing facilities in Canada on behalf of government departments and agencies. In '92-93 these services were delivered through four data centres in Edmonton and Calgary and consisted of seven computers serving over 14,000 computer terminals across the province. During '92-93 we owned close to 4,400 motor vehicles and a total of 12 aircraft for use by government departments and agencies. It should be noted that responsibility for the general fleet of vehicles was transferred to Transportation and Utilities effective April of 1993. Public Works acts as a general purchasing agency on behalf of all departments of government. Some examples of higher dollar volume purchases in '92-93 included \$40 million on road building materials, \$30 million on gas and oil and chemicals, and \$15 million on vehicles and heavy equipment. There have been significant decreases in dollar volume purchases since '92-93.

In 1992-93 capital fund expenditures included funding for 60 major hospital projects. Major initiatives included the construction of the Royal Alex hospital in Edmonton, including new material management, emergency, and diagnostic treatment facilities; the Border Counties general hospital in Milk River; the health care centre project in Hanna; and the completion of the Sturgeon general hospital in St. Albert. Total expenditures for health care

facilities construction were \$159.6 million for that year, representing a savings of \$15.6 million as compared to the '92-93 estimates.

Three major water development projects were undertaken in '92-93, including the Pine Coulee project in Stavely, the Little Bow project in Champion, and the completion of the Oldman dam project in Pincher Creek. Total expenditures for the construction of water development projects were \$22.6 million in 1992-93.

The capital fund expenditures also included funding for the completion of two museums: the Remington-Alberta Carriage Centre at Cardston, which accommodates 214 carriages donated from the Remington collection, and the Reynolds-Alberta Museum at Wetaskiwin, which houses a collection of motor-driven vehicles donated to the government by the Reynolds family in addition to farm transportation and aircraft acquired from several collections. In '92-93 expenditures for these two facilities totaled a little over \$1 million.

In addition to the points I've just outlined, there are a number of initiatives and projects on which I would like to update you. I won't waste a lot more of your time, Madam Chairman, but I want to make sure the information is available.

Following a national and international proposal call conducted under the auspices of a private-sector review committee, the Hon. Ken Kowalski, the then minister of public works, signed a development agreement and a lease agreement with the Prairie Land Corporation in January 1993 for the redevelopment of the federal building, which you know is just up the street from here. PLC is a corporation established by about 15 western Canada construction labour unions and is an Alberta-based company with offices in Edmonton and Calgary. The chairman of PLC, Mr. Bob Blakely, also heads the Alberta Building Trades Council. The lease is for a term of 50 years, and PLC is proposing to redevelop the building for residential accommodation. Although higher than anticipated tenders and a weaker rental market have delayed the start of construction, PLC has advised that they are still actively working on this project. In the meantime, all costs associated with the project, the maintenance, and the property taxes on the building are borne by the developer. We are realizing savings of about a half a million dollars annually because of that.

Another example of alternative funding of capital projects is a project in Lacombe where this department sold the existing agriculture centre to the Alberta Hail and Crop Insurance Corporation to meet their expansion requirements at the time resulting from a new gross revenue insurance program. Sale proceeds were used to construct a new smaller building for the remaining government space needs in Lacombe. We essentially built a new facility at no extra cost to the Alberta taxpayer and made a \$1 million one-time cash payment to the general revenue fund as well.

Madam Chairman, I should talk about the disposal of surplus properties for a minute or two. Public works is actively pursuing the disposal of lands which are administered by my department and are surplus to the program requirements of the province. Much of the surplus land is in the Edmonton and Calgary transportation and utility corridor resulting from reduction in the overall width of the corridor in 1989. For a number of years now my department has been actively pursuing the sale of surplus properties which totals in excess of \$100 million. This activity was enhanced with the signing of an agreement in February with the Alberta Real Estate Association which provided government with access to areas' multiple listing services and the marketing network of real estate firms across this province. This provides this department with a means of widely advertising the properties it has for sale to ensure it obtains the best possible price and provides an incentive to the real estate community to market these properties on our behalf. I'm pleased to say that this agreement reaffirms the commitment

of this government to use private-sector suppliers and services wherever possible. This has been a very positive initiative for both the government and the real estate industry.

The Canadian Council of Ministers of the Environment developed new air emission standards to improve the quality of air emissions from incinerators. Existing regional hospital incinerators are not capable of meeting these new standards without major upgrading and replacement estimated at close to \$2 million per site. Regional hospitals have been, and some still are, incinerating waste generated by other hospitals. If we are to meet these new CCME standards, this practice could not continue without expending significant amounts upgrading existing incinerators. To meet the requirement for biomedical waste disposal, a private-sector waste disposal facility was developed by Bovar Inc. in Beiseker, which provides a viable alternative to ensure these new environmental standards are met.

Cold storage facilities were provided to hospitals for temporary storage of biomedical waste material until it can be transported to the incineration facilities for disposal. Our capital budget proposes installation of cold storage units of various sizes at all active treatment hospitals and long-term care facilities over a three-year period which started in 1992 and '93. The government has played a key role in encouraging private-sector initiatives in biomedical waste management. Our private-sector biomedical waste policy has been communicated to hospitals and to the private sector. This reinforces our belief that the private sector should assume responsibility for providing disposal services for biomedical waste in a cost-effective and environmentally responsible manner.

Madam Chairman, the Oldman River dam was probably the most important water management project ever undertaken in the province of Alberta, and I just want to comment on that for a moment. Construction of the Oldman River dam near Pincher Creek began in 1986. The objective of this large undertaking was to ensure a dependable water supply to meet the present and future multipurpose water demands in the Oldman River dam basin and to permit substantial irrigation expansion. The dam is fully operational, and in the spring of 1992 the project was turned over to Environmental Protection for operation.

The overexpenditure in vote 5 of the public works capital fund resulted from negotiated settlements on outstanding construction claims for the Oldman River dam project which had not been expected to be resolved in that year. These claims were primarily required to address unforeseen conditions at the site, and issues were successfully resolved with the contractors without litigation. The design and construction of that dam as originally envisaged was completed within the budget of \$353.3 million, in 1986 dollars, including the negotiated settlements.

In '93 Alberta public works became the first government department in western Canada to adopt a set of environmental principles. The 11 principles were developed to guide the department's activities and acted as a blueprint for future environmental policies. It also provided an official mandate for ongoing changes in our practices. Along with the principles, we identified major environmental activities to be pursued which demonstrate our commitment and leadership in the area of environmental initiatives. We continue to lead by example and encourage other departments within government and private companies to adopt similar principles and activities. I'll just outline a couple of those, Madam Chairman, and then we'll be getting close to the end.

8:50

Internal office practices to do with environmental responsibility. Public works converted to the use of recycled paper back in 1990, and in early 1993 we began specifying vegetable-based ink for all

printing orders. Paper consumption has been reduced by using electronic communication wherever possible and by making more efficient use of paper such as two-sided copying. All office staff have been encouraged to conserve energy. Contractors are encouraged to use building material recycling services. Ceiling tiles have been successfully refinished and reused. Alberta Health and public works are encouraging the private sector to provide biomedical waste disposal services in an environmentally responsible and cost-effective manner. As noted earlier, an incinerator was built at Beiseker which recently began commercial operations. Public works is implementing policies and measures to eliminate the total use of CFCs as a refrigerant, and as we go through our restructuring, we're changing these on a daily basis. Public works has a proactive asbestos management program. I guess you can understand the extent of that when you have 3,000 buildings in the province that we maintain and operate. Private-sector operators of cafeterias in government buildings have been encouraged to switch to reusable dishes, encourage use of reusable mugs through differentiated pricing, and provide bulk condiments.

The Oldman dam project started an ongoing dialogue with surrounding communities and special interest groups about natural resources and how they should be preserved. Through a series of environmental programs, new steps were taken to minimize the impact of the project on fisheries, wildlife, recreation, and historical resources. Initiatives associated with this project include the construction camp. Any of you that have ever been there would notice right away that it was converted to a recreational vehicle camp rather than being dismantled. Solar panels were installed to power the submersible pumps at the recreation and wildlife mitigation projects. The waterworks interpretive centre which is being constructed at the damsite will focus on the story of water and challenge visitors to examine how water is used and how it can be conserved. The centre itself epitomizes state of the art conservation technology such as using cold water released from the bottom of the reservoir to become a cooling agent.

Grass clippings from the Neil Crawford centre were first composted in 1992 by this department. This project demonstrated the economic and practical feasibility of medium-scale yard waste composting. All of our facility managers were trained in waste auditing in 1992-93. As our waste management contracts come up for renewal, we now are reviewing them for opportunities to save money and implement additional recovery of materials. The surplus sales operation of public works markets all of the Alberta government's salvageable surplus material. This operation makes possible the reuse of items such as angle iron in hospital bed frames, electronic components from terminals, battery cores and acid, tire casings, furniture, appliances, and scrap metal. Annual proceeds from this operation run around \$4 million.

Interdepartmental mail delivery is part of our service. Public works supplies and uses reusable envelopes for interdepartmental mail. As well, a pilot project involving the use of compressed natural gas in seven courier vehicles has been conducted.

Information management. Significant quantities of obsolete government records are pulped annually and used in the manufacture of building products. There is somewhere in the neighbourhood of 1,200 tonnes that becomes surplus every year, and this is used in the manufacture of shingles and other products like that. Public works has made electronic mail service available to all departments to minimize paper usage.

In 1989 the four western provinces developed an electronic information system, the western purchasing information network, to exchange information on government tendering opportunities. The primary purpose of this system was to ensure that suppliers in each jurisdiction were aware of the \$700 million in western

provinces' opportunities. It was also hoped that this would set an example for the federal government to develop a national electronic procurement system. In 1992 the federal government did contract with Information Systems Management to electronically advertise and distribute federal procurement opportunities on the open bidding system, which we initiated here in Alberta as well. This is a user-pay system, and provision was made for the provinces to join at no cost. Using the open bidding service, Alberta suppliers can now electronically search for procurement opportunities of interest to them and can request corresponding bid packages. Over 2,000 Alberta suppliers currently subscribe to the OBS to obtain these government tenders. Suppliers have generally indicated that they like this new service and have proposed a number of improvements to it. Madam Chairman, my department has been a leader in government with respect to privatization or outsourcing services which really should be undertaken by the private sector.

I haven't got much more to go here, Madam Chairman, but I think it's important that you understand the workings of this department. Then we can get into questions, if you don't have a problem with that.

MADAM CHAIRMAN: That's fine.

MR. THURBER: In 1965 public works commenced outsourcing of all architectural and engineering services associated with the design of buildings, and today virtually one hundred percent of all architectural and engineering design services is outsourced to the private sector. Prior to 1965 building construction in this province was undertaken by a combination of in-house staff and the private sector. In '92-93 all construction was undertaken by private-sector construction firms. In 1983 all property management of government facilities was done in-house. Since then approximately 40 percent of the property management in government-owned buildings has been outsourced to the private sector.

As mentioned previously, we are actively disposing of surplus government property, using real estate firms. Commissions paid from the general revenue fund in 1992-93 amounted to \$165,000. In 1978 this department started to use auctioneering firms to dispose of surplus equipment. In 1988 we began to auction vehicles through the private sector. A pilot project in 1991 wherein specialty items were disposed of through auctioneering firms was very successful, and we continue to use the services of private auctioneers.

In addition to the above, the repair and maintenance of office equipment was totally outsourced in 1988. In 1984 we started to outsource printing services by eliminating one Quick Print centre in Calgary, and in 1991 the two Quick Print centres in Edmonton were amalgamated with the central duplicating plant. We outsourced the operation and maintenance of four water bombers in 1986 and close to \$7 million in computer processing and \$16 million in systems development. In 1985 and 1986 the warehousing and distribution of building supplies and furniture was outsourced through the use of standing offer agreements.

Madam Chairman, we will continue as a department to evaluate all services we provide, with a view to outsourcing those services which can be provided more efficiently and cost-effectively by the private sector. I hope that's given you some realization of the size of this department and what we do, so we'll leave it to questions.

MADAM CHAIRMAN: Thank you, hon. minister, for the detailed presentation.

MR. THURBER: Might I mention, Madam Chairman: when you're asking a question, could you give us the page and the source of where you're coming from so we can catch up with you here.

MADAM CHAIRMAN: Yes. Members are required to do that, hon. minister. Thank you.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, I'd like to be able to do that specifically, but in your comments you referred to the cold storage projects that were undertaken and referred to the Beiseker facility. Could you tell me exactly where the projects are lined up in here? I have been looking specifically to deal with the waste management issue and where on page 2.108, 2.109 it would fall. I want to pursue some questions with regards to waste management and the creation of a private monopoly.

MADAM CHAIRMAN: Is it possible to give that reference point, hon. minister?

MR. THURBER: If you go to 4.25, under 4.1, it's under capital upgrading and various. It would be included in that. Because these things vary, you know, depending on the size of the hospital and the location and a variety of other things.

9:00

DR. PERCY: My question, then, Mr. Minister: in terms of undertaking the investments in cold storage facilities, which department would be responsible for doing a cost/benefit analysis as to the entire costs of the transportation of this biomedical waste as opposed to incineration within the regional hospitals themselves?

MR. THURBER: Well, as I mentioned before, there were some rather large sums involved in trying to upgrade incinerators to meet the new environmental standards. That's what triggered this whole thing to start with. Then we asked the private sector to come forward with proposals for disposal of the biomedical waste. The hospitals right now are sorting – and there's only part of that – just the biomedical part that goes to the Beiseker unit. Yes, it was done. There was some – I don't know if you could call it a study, but certainly everybody looked at it from the hospitals' point of view, from Health's point of view, and from public works' point of view to see what was most viable bearing in the mind the fact that we had to get rid of these biomedical wastes with an environmentally sound method.

DR. PERCY: Did the provincial government put any funds whatsoever into the Beiseker biowaste facility?

MR. THURBER: Not to my knowledge. It was the private sector that came in there. There were other proposals, and it's still open to other proposals. Anybody that wants to get into that business, if they feel there's enough business in Alberta, certainly can set up their own business.

That's not to say that it can't be shipped someplace else too. They don't have to ship there. If it's economically feasible, they can ship it to North Dakota or out of the province if they wish.

DR. PERCY: Since this was looked at by a variety of departments or individuals, are there any documents available, then, that set out very clearly the benefits and costs of alternate ways of disposal of

this biomedical waste, the incineration versus the transfer to Beiseker?

MR. THURBER: I don't know if there's a formal document. I can't answer for that; I wasn't minister at that time. I'm not aware of a formal document. I think the benefit was mainly to make sure that wastes were disposed of in an environmentally sound manner, with some cost-effectiveness too.

MADAM CHAIRMAN: Thank you, hon. minister.
Ty Lund.

MR. LUND: Thank you, Madam Chairman, and good morning. Thanks for the very comprehensive overview. I first of all want to compliment the minister and the department. I see you've got one line of ink in the annual report of the Auditor General for '92-93, and I think that's pretty commendable. I want to congratulate you on that.

Turning to volume 2 of public accounts 1992-93, page 2.103, you did touch on this, Mr. Minister, in your comprehensive opening comments, about the underexpenditure of \$15,210,000 in vote 4, planning and implementation of construction projects. I would like a little more detail, though, as it relates to a couple of items there: multidepartmental services, solicitor general. I see in the case of the solicitor general \$4.33 million underexpended; in the case of multidepartmental services, \$6.7 million. Would you elaborate a little bit further on how those underexpenditures occurred?

MR. THURBER: You're talking about 4.20?

MR. LUND: Well, first of all, 4.16 and 4.20 on page 2.103 of volume 2, public accounts. The total there is \$15.21 million.

MR. THURBER: Okay. Thanks, Mr. Lund. On 4.16, the unexpended of 30.4 percent, that was brought about by favourable tenders for the remand centre project in Calgary. That was a prime responsibility for this surplus. The commissioning process was also more complex than initially expected, which resulted in a deferral of some of the postoccupancy activity.

The other one was 4.20. The unexpended amount there is largely the result of reduced repayment requirements as actual capital fund expenditures in both '91-92 and '92-93 were less than expected. Recoveries of this money advanced to boards on account of health care facility projects in prior years are used to reduce the amount of the capital fund principal repayments. This lapse also includes \$2.5 million of such recoveries. The \$1 million emergency contingency included in this subprogram was not required during that year. So that made the savings there.

MADAM CHAIRMAN: Supplementary, Ty.

MR. LUND: Thanks, Madam Chairman. In the second volume, page 2.108, and looking at vote 4.9.20, I see the Michener Centre in Red Deer overexpended by approximately \$300,000. I'm wondering: how did that occur. We have been downsizing Michener Centre, and I'm curious how that equates to the overall general thrust at Michener Centre.

MR. THURBER: Well, the work on essential functional upgrading was accelerated due to the bad conditions of that facility, resulting in the increased expenditures. As you know, it's a very old facility and there had to be a lot of work done there. A computer cabling project planned for completion in '91-92 was also carried

over into the '92-93 year, so it caused us to spend more money than anticipated there.

MADAM CHAIRMAN: Final supplementary, Ty.

MR. LUND: Thanks, Madam Chairman. You touched briefly on the Oldman dam \$200,000 overexpenditure, and you related that to some contract settlements. Could you be more specific? Exactly what are you talking about there? That's in vote 4.8.

MADAM CHAIRMAN: It's 4.8.10 on page 2.108, actually the same page you were on, hon. minister.

MR. THURBER: Okay. Thank you.

This project was established to conduct the environmental mitigation and the fisheries mitigation and monitoring over '92-93 and, in fact, into '93 and '94 and to bridge that transfer of responsibilities from public works to Alberta Environmental Protection. Environmental mitigation work proceeded more quickly than anticipated, and it resulted in us having to spend the money at that time instead of being able to lay it over the years when it should have been done. It just got caught up in the process. We had good weather, and they were able to do the job a lot quicker than we had planned.

MR. McLELLAN: I'd like to supplement the minister's comments on that particular item. The budget moneys for the Oldman River dam that year were to complete the work, and number two, there was a certain amount of money set aside to settle certain claims with the contractor. We anticipated the majority of the claims to be settled in the following year. However, discussions with the general contractor and the subcontractors led to settlement of all the contract claims we had with the contractor in '92-93, which forced the payment of additional moneys.

MADAM CHAIRMAN: Thank you, Mr. McLellan.

MR. THURBER: Just a small point on that. Rather than some of these claims going to court, they were successful in doing them out of court and settling them as quickly as possible. So that added to it. Thanks.

MADAM CHAIRMAN: Thank you. Thank you, Ty.
Sine Chadi.

MR. CHADI: Thank you, Madam Chairman, and good morning, Mr. Minister. I'm going to ask questions with respect to property management and in particular vote 3 on page 2.107 of volume 2. Now, I note that we expend an awful lot of money to manage, I would imagine, our properties, our buildings. In the southern region it's broken down to the expended amount of \$47 million and in the northern region - I would assume that's what it refers to - \$41.3 million. Then I look at contract management. Under property management that is contracted it appears there's \$19,650,000 expended. My question is: how do you determine which properties would go to private management from all the properties we have?

9:10

MR. THURBER: Well, perhaps I could ask the ADM in charge to give you a little bit of a rundown on that.

MR. KRUSELNICKI: The way it's determined – well, it has been in the past – is that we've contracted out various office-related buildings, general office space across the province in the contract management area, and we've handled the contracting out of that that's based with the private sector. For example, the building we're currently in, the Public Works, Supply and Services building, is contracted out to Bowlen & Young. It's basically been broken down into general purpose office space and special space where in-house staff and a combination of service contracts with the private sector manage facilities like correctional centres, fish hatcheries, remand centres, et cetera, and general purpose office space, provincial buildings, et cetera, have been contracted out throughout the province.

MR. CHADI: Were these contracts tendered out, and if they were, were there any identifiable cost savings that you could tell us from 1992-93?

MADAM CHAIRMAN: Sorry, Mr. McLellan. Did you want to supplement the first answer?

MR. McLELLAN: I'll follow up.

MADAM CHAIRMAN: Fine.

MR. McLELLAN In response to your question, the property management outsourcing commenced in 1983. In 1983 virtually all the property management or the operation and maintenance of buildings was undertaken in-house, and we had something in the order of 2,000 employees: plumbers, electricians, you name it. Starting in 1983 we made a concerted effort to get to the private sector, and we started with more simple buildings like office buildings as opposed to other types of buildings like courthouses and jails. We haven't moved to jails yet, but we certainly have moved to some courthouses. With respect to your question of whether there were any savings, initially – and we were going into a very attractive market – savings were in the order of 18 percent. Today we're running in the order of about 10 percent.

MR. CHADI: I also asked, Madam Chairman, whether they were tendered.

MR. McLELLAN Yes, they were all tendered.

MADAM CHAIRMAN: Final supplemental, Sine.

MR. CHADI: Yes. I'll take you once again to volume 2, page 2.103, under the expenditures of 3.5 and 3.6, property management and contract management. It appears that in the years 1992-93 we had \$29,265,000 estimated and yet we've underexpended by \$1.352 million. I'm all in favour of the fact that there was an underexpenditure, but a contract is one that has a set price. Why is it that we've underexpended?

MR. THURBER: Well, I may want Peter to supplement, but these savings generally are a result of early lease terminations, less than anticipated operating costs, and good negotiations by this department, which generally helps in how it comes about.

MR. CHADI: Or did you sell some properties or something?

MR. THURBER: No, there wouldn't be any sale of property in there. It would just be outsourcing.

Do you want to talk on that, Bob? Bob would like to augment that.

MR. SMITH: If I could just comment with respect to 3.6, that element provides for costs associated with leased space as opposed to the ownership of buildings. It's still a property management cost. There are two basic categories. One is that many of our leases require the province to reimburse actual increases of operating costs and taxes incurred by the landlord on a pro rata basis. That cost is included in that area. The second item is that any cost not covered by the lease but incurred by the province with respect to the management of leases is also covered in that area. As Mr. Thurber has indicated, savings are partly the result of terminations of leases and partly – I guess the best way to put it is that we have no control in terms of when landlords submit their invoices for operating costs and taxes. It's somewhat variable. That's the basic reason.

MADAM CHAIRMAN: Thank you, Mr. Smith. Thank you, hon. minister. Thanks, Sine.
Gary Friedel.

MR. FRIEDEL: Thank you, Madam Chairman. I'm in volume 2, page 2.103, vote 3.3, realty. I notice that in this section there was a transfer in of \$1.5 million. It doesn't particularly say though. I wonder if the minister would comment on what this transfer was for.

MR. THURBER: I believe that would be grants in lieu of taxes mainly. There was some negotiation that took place there for rent-free periods and very modest increases in office rental rates and lower than anticipated operating costs. There was a savings of almost \$3.4 million in that area, but grants in lieu of taxes were \$1.9 million less than budgeted, because we never know until we get a notice from the municipality as to what the taxes are going to be.

MADAM CHAIRMAN: Supplementary, Gary.

MR. FRIEDEL: Okay. Then a little further down on this same page, vote 3.5, property management, there was a transfer in of \$2 million, resulting in an overexpenditure of \$1.3 million.

MR. THURBER: That was primarily due to the VSA program, Gary, the voluntary separation allowance. There was a transfer from the accommodation planning, which is 3.2, and realty, 3.3, subprograms to accommodate this extensive employee participation in the VSA when it first came about.

MR. FRIEDEL: My final is a kind of extraordinary question. I can't find any reference to it in the public accounts, but I'm sure a lot of us would like to know. How do you change those light bulbs in the dome of the building?

MADAM CHAIRMAN: We all want that answer desperately, hon. minister.

MR. THURBER: I should comment on that, Madam Chairman, because I know a lot of the members in this House spend quite a bit of time looking to see if there are any light bulbs out. I hope you have noticed that in this session there is not one light bulb out. I spent four years counting them and there used to be quite a few, but with the advent of modern technology and good workmanship

from people in my department, you'll notice that none of them are out right now.

MR. FRIEDEL: The minister didn't answer my question though. How do you change the bulbs?

MR. THURBER: I'll ask Peter to comment on that. I think he has a balloon he climbs up there on.

MR. KRUSELNICKI: Actually, I think the Assembly is cleared out every two years. All the bulbs are changed once every two years. So it's quite an extensive . . .

AN HON. MEMBER: How?

MR. KRUSELNICKI: By scaffolding. It's quite an extensive job to get up there and do the work, but it's performed by our staff.

MADAM CHAIRMAN: Well, thank you for satisfying our curiosity. We appreciate it.
Debby Carlson.

MS CARLSON: Thank you, Madam Chairman. Good morning, gentlemen. My questions are around vote 5, central services and acquisition of supplies. The sale of our government helicopter fleet has raised questions on whether contracting this form of transportation would generate any savings at all. The reports I've seen have indicated that it will increase costs. Could you comment on that?

MR. THURBER: Yes. The sale of the helicopters came about for a couple of reasons, as I mentioned in the House the other day. Primarily their usage, or their utilization, was going down, and they only provided as government helicopters a very small portion of the helicopter use by Environmental Protection and forestry. With the advent of more private companies in Alberta that are helicopter companies, we felt it would be better to go to the private sector totally as opposed to the 87 percent which was out there anyway and let the companies compete for the work. We've found in recent years that there's been a very competitive market out there. At one point in time there weren't that many helicopter companies in Alberta, and the government of the day felt it was the proper thing to do to own some of these helicopters.

9:20

The other thing that led us to put them up for sale and sell them was the fact that they were getting quite old. One of them I believe we bought in 1974. Am I correct on that, Peter? They were getting to the point where they were going to need about \$5 million worth of repairs and replacements, and in fact we would have had to buy some new ones. With lower utilization of them and the increased competition out there we felt that in the long term the department of environment and forestry would be better off to go to the private sector. I think that will prove out, although in a transition like this you never know for a little while. But our best estimate is that they will save some money in the long term.

MADAM CHAIRMAN: Before a supplementary I just want to acknowledge and welcome visitors in the members' gallery and also in the public gallery. We're the Standing Committee on Public Accounts. Appearing before the Public Accounts Committee is the Hon. Tom Thurber, minister of public works, and also two staff members of the Auditor General's department, the acting

Auditor General, Mr. Wingate, and Mr. Nick Shandro. Welcome to the Assembly. Thank you.

A supplementary?

MS CARLSON: Yes. Is there an actual study on this issue, and if there is, would you be prepared to table it for this committee?

MR. THURBER: Well, I'm not sure that this is the appropriate forum to talk about that. We're trying to deal with the '92-93 fiscal year. While I don't mind talking about that, I don't think it's the proper forum here to be dealing with that. We could certainly deal with it at length in a letter or in questions in the House if you'd wish. But with your permission, Madam Chairman, I think we should stick to the '92-93 fiscal year.

MADAM CHAIRMAN: Point well made.

MS CARLSON: Okay.

MADAM CHAIRMAN: If you wish to substitute your supplementary, you can certainly do that, but keep to the '92-93 public accounts, please.

MS CARLSON: Okay. Then I'd like to address the issue of the government cars versus private automobiles, with specific regard to the year in question here. It's always been a question in this House whether mileage at a reasonable cost should be the way members are reimbursed or whether in fact government cars are a better use of the taxpayers' dollars. Could you comment on that?

MR. THURBER: I guess, Madam Chairman, it would be an opinion more than anything else, because it varies so much depending on where a government car is being used and where private mileage is being charged. As you are well aware, if you lived in the city of Edmonton and were to charge mileage, it's not going to cost the taxpayer very much, and it may be more viable to pay mileage in those instances than it would be to have a government-owned vehicle. But if you get into some of the further out areas where some of the ministers put a lot of miles on a vehicle, you're probably better off for the government to own the vehicle or lease the vehicle and supply that vehicle. So it's a kind of catch-22, and that's just a personal opinion. In some cases you can save money by the government owning a vehicle, and in some cases you can save money by paying mileage. We've looked at that. The Premier downsized the use of government vehicles by some 25 percent in '92-93, and in every department there's been an ongoing audit in the last two or three years to make sure they don't have any more vehicles than they actually need for the purposes of their program delivery. The other thing, of course, coupled with that is the turnover of these vehicles. My department found there was a certain period of time when you sold these vehicles that you did very well on them and got the maximum dollar back for the taxpayer at that particular time. That's always a controversy, and it's a matter of opinion as to whether you're doing the best thing or not for the taxpayers.

MADAM CHAIRMAN: Final supplementary, Debby.

MS CARLSON: Yes. As you said, this is a fairly controversial topic for most people. It would seem to me that in that case your department would be very accurately recording costs versus benefits in these instances. Specifically, we see what seems to me to be double-dipping in some instances, where you get a mileage

cost and also your gas paid for. Do you have some specific studies you could table for us that would let us review this matter?

MR. THURBER: I don't know if we have one. I don't know if there is. It's been a policy decision of the government over the years as to who has access to government cars. As I said, it does change very drastically depending on the particular circumstances of that minister or that person that's allocated a car. I'm sure these policies will be looked at in the next year or two by the Members' Services Committee. I know they're looking at them on a consistent basis.

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

David Coutts.

MR. COUTTS: Thank you, Madam Chairman. Good morning, Mr. Minister and gentlemen. I'm referring to page 2.104 in volume 2 of the '92-93 public accounts. It was an item you had mentioned in your opening remarks, Mr. Minister, about the statutory appropriations. It shows a rather large overexpenditure of about \$16.1 million under the Department of Public Works, Supply and Services Act. I'm just wondering if you could explain the reason for that overexpenditure.

MR. THURBER: Well, yes, I can. It's a rather a lengthy answer, but it is kind of a complicated process we get involved in. Following a Treasury Board decision on December 7, 1990, the public works statutory appropriation for land transactions was activated to account for noncash transactions associated with the gross-up of land trades and nominal sum dispositions. If we get into a land trade where we have the opportunity to trade some land for some other property, we have to gross up the difference in value to Treasury from our budget. When the Spending Control Act was passed, it did not specifically address the statutory appropriation and whether it would be subject to the spending control guidelines. However, the Provincial Treasurer directed us to absorb all 1992-93 requirements for the statutory appropriation within its guideline. There was a \$1,800,000 land trade gross-up for the transfer of the ag centre in Lacombe to the Alberta Hail and Crop Insurance Corporation in exchange for a new facility constructed on the Lacombe courthouse site for Alberta agriculture. This coupled with other miscellaneous land trades in 1992 and '93 is what made up the difference. I could go into them in greater detail if you wish.

MR. COUTTS: My first supplementary then. Proceeds from the disposal of capital assets were \$5.7 million more than was budgeted for in 1993. Could you provide this committee with the reasons for the accelerated disposal of these capital assets?

MR. THURBER: Perhaps you want to deal with that, Ray.

MR. RESHKE: I'm not quite sure what element you're referring to. Is it revenue scheduling?

MADAM CHAIRMAN: Have you been able to locate it?

MR. RESHKE: You said \$7 million; didn't you?

MR. COUTTS: It was \$5.7 million.

MR. RESHKE: No, I guess I haven't found it. Sorry.

MADAM CHAIRMAN: Could you be a bit more explicit? I haven't actually found it myself, Dave.

MR. COUTTS: Okay. I'll have to go looking for it again then. Do you want to put me back on the list and go on to another?

MADAM CHAIRMAN: Certainly, if you don't mind.

MR. COUTTS: Yeah, that's fine. I'll come back.

MADAM CHAIRMAN: I'll be right back to you after I've acknowledged Alice Hanson.

Alice.

9:30

MS HANSON: Thank you, Madam Chairman. Good morning, Mr. Minister. I would like to ask some questions in regard to control and development of horse racing, page 2.109, vote 6. I was curious about the \$7.58 million that was spent in the grant to the Alberta Racing Commission; that's 6.0.1. I would like to know what it was for basically.

MR. THURBER: Well, I have to apologize to you. That's been transferred to a different minister, so I haven't had any opportunity to even go back and deal with that. As I mentioned in my opening remarks, I would ask you to refer that to the minister when they're here. I believe that was transferred to the Deputy Premier along with his other duties that went from this department at that time. Unless one of you would like to try it, I think that's the only way I could answer that, and I apologize.

MS HANSON: Okay. I was curious – and perhaps you could answer this one – about whether or not there was any cost recovery in that since horse racing makes money.

MR. THURBER: I apologize again. I can't answer that question.

MADAM CHAIRMAN: Hon. minister, so I understand, you would prefer us, then, to refer that question to the minister who was responsible at that time.

MR. THURBER: The minister that's responsible now.

MR. CHADI: With respect, Madam Chairman, once we were in a situation like this and it wasn't answered by the respective minister. I would suggest that if the hon. minister would undertake to bring forward that information because it was within his department, that would be acceptable.

MADAM CHAIRMAN: Mr. Chadi's quite correct. We would prefer, hon. minister, if you could access that information and send it to our administrative assistant, Corinne. Then it will be circulated to the members of the committee.

MR. THURBER: Okay. We'll do that very quickly.

MADAM CHAIRMAN: Thank you.
David, are you by any chance . . .

MR. COUTTS: No. I'm not ready yet. Sorry.

MADAM CHAIRMAN: You're not? Okay.
Alice, do you have something else you want to pursue at this time?

MS HANSON: I just want to ask the minister if he would include the information about cost recovery or ask the other minister if he would do that.

MR. THURBER: Yes. We'll do that.

MADAM CHAIRMAN: Is that your two supplementaries now?

MS HANSON: Yeah, that's okay.

MADAM CHAIRMAN: Okay. Thank you.
Barry.

MR. McFARLAND: Thank you, Madam Chairman, and welcome minister and staff. I have a question that pertains to page 4.26, under the Alberta capital fund. Being from southern Alberta, naturally I'll be asking a question about a couple of very important projects that, if and when they're ever built, will ensure an adequate water supply for many of the communities. Those are the Pine Coulee and Little Bow projects that are listed under 5.01 and 5.04. Now, I know that in the case of the Little Bow, this project has been under review and has been worked on since 1980, and the purpose is to make sure some of the communities have an adequate supply of municipal water. But I also notice, Mr. Minister, that although there was about \$12 million estimated for these projects, only \$2.5 million was actually spent on the Little Bow and the Pine Coulee project at Stavely. Would you advise this committee, if you could, what this perceived holdup is or what the future is on these two different projects? There appears to have been \$5 million estimated for expenditure on the Little Bow and only \$771,000 was spent, and on Pine Coulee there was a similar expenditure of \$1.88 million, yet there was a \$7 million estimate.

MR. THURBER: Yes. On both these projects the system and the process they have to go through has changed over the years because of environmental regulations and processes they have to go through to have these approved. I believe most of the money so far has gone into the planning and design and the purchasing of land in the area that has come up for sale on a natural basis. I'd ask Ed to further elaborate on that if he would, please.

MADAM CHAIRMAN: Ed McLellan.

MR. McLELLAN: Thank you. In addition to what the minister commented on, a significant portion of the moneys spent was in preparation for the environmental assessment study and gearing up to get before the Natural Resources Conservation Board where it will be publicly reviewed. My understanding is to give you an update on where we're at on that particular project. The draft EIA is currently being prepared. It will be available for review by the public and, hopefully, will be before the NRCB before this year is out. If all goes well on the regulatory review by the NRCB, we'll hopefully be in construction by the fall of 1995.

MADAM CHAIRMAN: Mr. Wingate.

MR. WINGATE: Thank you, Madam Chairman. I'd like to get back to the question that was asked previously about the grant to the Alberta Racing Commission.

MADAM CHAIRMAN: Mr. Wingate, could we finish Mr. McFarland's question, and then I'll come back to you at that point in time.

MR. WINGATE: Certainly. Fine.

MADAM CHAIRMAN: Supplementary, Barry.

MR. McFARLAND: Thank you, Madam Chairman, and thanks for the answer.

I want to know if I could move the focus now to a hospital project on page 4.25, volume 2. I'm referring to vote 4.2.12, the Royal Alexandra hospital. I notice that although \$39 million was estimated, there was an overexpenditure of \$8 million. I'm not contradicting or making a bad statement. I understand many of these projects run over budget for various reasons, but could you explain why this particular project would have been over a fair percentage of money?

MADAM CHAIRMAN: Hon. minister.

MR. THURBER: Thank you, Madam Chairman. In the instance of the Royal Alex, there was a very favourable contract and there were very favourable construction conditions for one reason or another. We had planned on that project going into the next year. As a result of good work on the part of the contractors, the construction process was completed a lot quicker than we had anticipated. We had to bring that money forward to pay for it in that year.

MR. McFARLAND: The final supplementary – I'm bouncing all over the place here on subject items, Madam Minister – is at the very bottom of that same page, vote 4.4.57. I guess the reason I'm asking it is that I was involved on a hospital board at one time as well where one of the questions was disposal of hospital waste. I'm just wondering if you could explain the \$2.4 million that was estimated and the very small amount of \$1,498 that was actually expended, or is it tied to the previous question I heard earlier on overall capital expenditures?

MR. THURBER: Madam Chairman, that's a good question. As I mentioned before, this surplus was realized when the review took place to reassess the size of the waste management refrigerators and freezers and stuff like that needed in each facility. I believe originally the intent was to have a standard size go to all hospitals. Then an extensive review was undertaken because the same size wasn't needed in each hospital. That allowed the hospitals to say: well, we only need one this big, or we need one this size. As a result, hospital boards came forward with different ideas and there were some expenditure savings there. It also delayed the implementation of the total project or the total program for some time, so other expenditures took place in the following year.

MADAM CHAIRMAN: Thank you, hon. minister.

I'd like to acknowledge the Acting Auditor General, Mr. Wingate, at this time.

MR. WINGATE: Thank you, Madam Chairman. I wanted to go back to the question that was asked previously about the grant to the Alberta Racing Commission and what it was. That was on page 2.109, vote 6.01. That grant appears as revenue in volume 3, page 1.176, in the financial statements of the Alberta Racing Commission. There are two statements in fact, one for operations and one for development. If you take the revenue for operations, the first line under revenue, contribution by the province of Alberta, and then take the first line of the revenue under development, contribution by province of Alberta, and add the two together you get, believe it or not, \$7,580,000. So that's where the

two revenues appear, and the expenditure explains what the money was spent on.

9:40

MADAM CHAIRMAN: Thank you, Mr. Wingate.

MS HANSON: Thank you very much.

MADAM CHAIRMAN: David, have you found your . . .

MR. COUTTS: Yes, I've found it. Mr. Minister and gentlemen, it's on page 3.31; it's in the revolving funds. Under operating activities, losses on disposable capital assets, that's a net loss of \$977,000. On the capital asset disposals, I'm wondering if we could have a little bit more detail on that, or was that included in your answer regarding the Lacombe agricultural centre and the provincial building?

MR. RESHKE: The loss of the capital assets was a write-down of some of our computer equipment which had become obsolete. I thought you were referring in your previous question to the line under investment activities called proceeds from disposal of capital assets, where you showed a \$2 million surplus.

MR. COUTTS: My final supplementary then. We'll go back to page 2.107, vote 3. I understand the department leases a great deal of space for use by government departments and agencies throughout the province. This, of course, results in some government expenditure, which according to the public accounts is just over \$88 million. I notice under vote 3.32 that we have spent approximately \$5 million less than the original \$93 million estimate. Could the minister explain why we have a variance there?

MR. THURBER: Again I have to brag about this department a little bit, because some very successful negotiations took place, successful negotiation strategies, and that resulted in some rent-free periods during the '92-93 fiscal year. There were very modest increases in office rental rates and less than anticipated increases in operating costs and property taxes. So things have kind of gone on a more level playing field, and the escalation was not nearly as steep as it had been in previous years. It resulted in a surplus. Just good management.

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

Sine Chadi.

MR. CHADI: Thank you, Madam Chairman. Mr. Minister, in your opening comments you referred to the procurement under vote 5, and you mentioned OBS tendering. Could you explain that to us?

MR. THURBER: Yes, I can but in a very general way. I would ask Brian Black to probably take the lead on this because it's in his department. In just a general way, it's the ability to access bid sheets and contract forms on a computer at home or in your local area as opposed to having a paper flow back and forth, because we issue a lot of bid sheets and a lot of times they're not used. Some people will ask for 30 or 40 copies during the year and they never use them. This way they can pull it right off the computer if they wish. Brian, would you comment on that further, please?

MR. BLACK: Thank you. The OBS system is one that was established by the federal government working with the provinces.

The idea there was to assist in interprovincial trade barrier reduction. The people felt that if everyone put their requirements on an electronic system, there would be less chance of provinces tendering their opportunities within the province and not opening it up to suppliers across Canada. The Alberta government felt that would be a good opportunity to get suppliers across the province familiar with opportunities within not only the Alberta government but other provinces as well. So we spurred the interest and in fact were the first province to join the OBS system. What it is, as the minister said: we along with the four western provinces put every one of our purchasing tenders for all our departments up on the system, and suppliers who register with ISM can access those tenders electronically and access or request a bid package that way.

MADAM CHAIRMAN: Supplementary, Sine.

MR. CHADI: Yes. I'm curious. In the contracted services under procurement, we expended slightly more than we estimated. That is 5.2.3 on page 2.109. Were these contracted services ones that were tendered out then? I noticed purchasing just above it, the expenditure of \$1.7 million and then the contracted part. So the purchasing part must be the area where we just went to the local garage and bought a light bulb, for example, or a sealed beam. Then the contracted services part is the stuff that was tendered out? Am I correct?

MR. THURBER: Yes. The purchasing, of course, could have been through a lot of the multitude of standing offers we have out there for purchasing everything from light bulbs, as you mentioned, to sealed beams or paper clips or whatever. The contracted services – do you want to talk about that, Brian, just a little bit?

MR. BLACK: The breakdown between purchasing and contracted services is an organizational function within my area. The purchasing branch itself purchases all general supplies, everything from roadways to paper to pencils. The contracted services branch, on the other hand, is restricted to a primary area, and that's the acquisition of EDP supplies. They buy microcomputers, mainframe computers, and the big expenditure area there is computer consulting services. In both areas all the requirements are tendered, and those two different branches deal with the issues. The contracted services, as I said, is strictly computer areas.

MR. CHADI: I have a constituent who has a contract and was awarded the tender from public works. He tells me that what is happening with this – and I'm wondering if this was the practice in this fiscal year, 1992-93, and if it still is a practice, why are we doing it? – is that the tender process is one that the person would give the suggested retail price less a discount, versus what the city of Edmonton does. And I know how they do it. They just ask for a certain product and "What's the best price you can give us?" That's how it's asked for in the tender. Is it still the practice that we go with the suggested retail price? Was that the practice here, less a discount? Have we moved from that, or are we considering it?

MR. THURBER: Can you handle that, Brian, or comment on that?

MR. BLACK: It's difficult to answer the question without knowing the specific product and the specific area that's being dealt with here. For one example, if there is a copyright or a particular firm has a specific license, the only way the province can get any discount is by volume. So what we'll ask is, "What

is the specific price for that commodity that's supplied by only one supplier?" and then say, "Because we're going to buy X amount of volume, what kind of discount will you give us?" But that's primarily related to one-only supplier situations. Now, I could be wrong depending on the particular case of your constituent. I'm just not sure.

MADAM CHAIRMAN: Thank you, hon. minister.
Yvonne Fritz.

9:50

MRS. FRITZ: Thank you Madam Chairman. Good morning, Mr. Minister. I see we're almost done, so I'm just going to ask a brief question. I looked through volume 2 and couldn't find what I'm going to ask you about. I wondered if you'd help me with that. What I'm interested in is: if the department as a landlord has homeowners adjacent to a piece of property, if there were problems between the two, where would it be located in the budget? How would that be handled?

MR. THURBER: I'm not absolutely sure . . .

MRS. FRITZ: If the department has lands – I assume you'd work hand in hand with public lands as well, and I didn't know if there's a joint budget for it or not. If the department has lands the adjacent homeowners are complaining about – we know, being landlords, that we need to go out and look at that because there's been either neglect on the land or activity taking place that isn't appropriate, et cetera – where would it be located in the budget that we handle those kinds of issues?

MADAM CHAIRMAN: Hon. minister, I think we're looking at: is it a complaints division, and is there a budget attached?

MR. THURBER: If I'm understanding the question correctly, Madam Chairman, there would be a variety of ways that would be handled, probably through a variety of places within vote 2 or vote 3.

MRS. FRITZ: Mr. Minister, I should clarify that the land would be leased land.

MR. THURBER: Leased land that we have leased or that we have leased out?

MRS. FRITZ: We own it and lease it out, and then the person on the leased land is negligent. Where when we get those kinds of complaints . . .

MR. THURBER: Bob, do you want comment on the process we go through, because there is a variety there.

MR. SMITH: There might be two different areas within the budget that would cover it. It's essentially a property management issue. The management of lands in the restricted development areas of Edmonton and Calgary are covered under vote 2, land assembly. The other properties owned by the province are generally covered under management of properties, vote 3. In either situation I think it would just be a matter of advising the minister's office as to what the specific issue is, and we can deal with it. But essentially it would fall under either my or Mr. Kruselnicki's jurisdiction.

MR. THURBER: In conjunction with that, Madam Chairman, in some instances if we're talking predominantly about rural type land, whether it's a weed problem or it's being neglected or it's somehow become contaminated with one substance or another, we deal with it in many different ways. We may get a notice from a weed inspector that there are weeds on our land that we're leasing out. Then Bob's people or Peter's people would have to go out and deal with that particular lessee and either have him clean it up or we would have to go in and clean it up ourselves and charge back some way to solve that problem.

MADAM CHAIRMAN: Supplementary, Yvonne.

MRS. FRITZ: Thank you. Is there any provision for adjacent landowners to be compensated in any way? For example, if the tenant lights a fire on their land and burns the fences adjacent to it by clearing – you know, when they light the little fires to clear.

MR. THURBER: The tenant is certainly responsible for that damage.

MRS. FRITZ: So the tenant is responsible.

MR. THURBER: Absolutely. Anybody that lights a fire is responsible for where it goes.

MADAM CHAIRMAN: Final supplementary.

MRS. FRITZ: Thank you. Is there any responsibility back to the department as the landlord in those areas?

MR. THURBER: I wouldn't think on setting a fire. In most parts of Alberta you have to have a permit before you can light a fire, if you're burning grass or burning trees or whatever. That responsibility would go directly to the lessee. I guess if it became a very serious matter we would have to look seriously at whether we still wanted that lessee on that property.

MRS. FRITZ: So that would follow through, then, to sanitation, like if it's unsanitary, or all the issues that sometimes one tenant can have?

MR. THURBER: Yes.

MRS. FRITZ: Thank you, Madam Chairman.

MADAM CHAIRMAN: Thank you.
Debby Carlson.

MS CARLSON: Thank you. On vote 2, land assembly, there was a large discrepancy in terms of what was budgeted and what was eventually expended. Can you tell us what the decisions were around reducing expenditures by over \$2 million?

MR. THURBER: Could you give me the particulars?

MS CARLSON: Page 2.107, volume 2, vote 2, land assembly.

MR. THURBER: Can you give me the particular reference number in there?

MS CARLSON: I was looking at the total expended in land assembly, which is vote 2.

MADAM CHAIRMAN: Total expenditure, hon. minister. I think we have to speak up a little bit more.

MR. THURBER: That's a rather difficult one to answer because it depended on a multitude of different happenings that took place. In one case in particular, a proposed acquisition of land out at Minburn did not proceed; something fell apart in the deal or the department or whoever wanted the land changed their mind, so we had budgeted for it and didn't expend that money. So there would be a multitude of different scenarios that underexpended that. Besides that, we've got out of land buying as much as possible, and in some cases the price of the land has gone down as well. Markets have indicated not as much money needed to be expended.

MADAM CHAIRMAN: Mr. Kruselnicki. Sorry. It's not quite as bad as Beiseker or Abdurahman, but it's getting close to it.

MR. McLELLAN: Just to add to what the minister informed on, I think the major dollars unexpended on that particular area were associated with the dam projects in both Pine Coulee and Little Bow. I think there was a delay. We budgeted for it, but there was a delay in those purchases.

MADAM CHAIRMAN: Thank you, Mr. Kruselnicki.

MS CARLSON: When you say delay, is there some point in the future when those moneys will be budgeted for to proceed in those areas?

MR. THURBER: Particularly in the water reservoir area, yes, that will be. It's just that the process has slowed down because of the different environmental procedures we have to go through. It's a case of a totally different scenario out there when you do something like that as opposed to what it was 10 years ago. It takes a little more time. Sometimes negotiations to purchase the land take a little longer than you think. Yes, they will proceed but at a slower pace.

MADAM CHAIRMAN: Thank you.

For the record, I should correct that it was Mr. Ed McLellan that was speaking previously. My attempt at saying the other name was to no avail, and I apologize for that.

Because of the hour, I would like at this time to extend sincere appreciation to the hon. minister, Mr. Tom Thurber, for his very detailed opening comments and also for the answers to the questions. We also look forward to any areas that have not been covered being given in written form.

I would also like to bring to the attention of members our next two meetings. May 11 is the Hon. Pat Black for energy, and May 18 is the Hon. Stockwell Day on labour.

If there's no other business, I would announce that we stand adjourned.

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