

8:32 a.m.

Wednesday, June 1, 1994

[Chairman: Mrs. Abdurahman]

MADAM CHAIRMAN: Please feel free to help yourself to coffee while I call the meeting to order.

Could I have a motion for approval of the agenda, please? Moved by Harry Sohal. Everyone in favour, say aye.

HON. MEMBERS: Aye.

MADAM CHAIRMAN: Any nays? Carried unanimously.

Approval of the minutes of the minutes of the May 11, 1994, committee meeting. Are there any errors or omissions? If not, could I have a motion to accept them as circulated? All in favour, say aye.

HON. MEMBERS: Aye.

MADAM CHAIRMAN: Any nays? Carried unanimously.

At this time I'd like to extend a sincere welcome to the Hon. Stockwell Day, Minister of Labour, and his staff. I wonder, Mr. Minister, if Corinne could get a list . . .

MRS. DACYSHYN: Oh, I have it.

MADAM CHAIRMAN: You have it already. For the record, if someone other than yourself is speaking for the first time, if they could just state their name for *Hansard*, hon. minister . . .

MR. DAY: Sure. Actually they can introduce themselves right now and their area of responsibility, if that would be fine with you, Madam Chairman.

MADAM CHAIRMAN: That certainly will. Yes.

MR. DAY: We can start right here with Shelley.

MS EWART-JOHNSON: Shelley Ewart-Johnson, assistant deputy minister of issues management.

MR. WOYTOWICH: Don Woytowich, executive director of finance and administration.

MR. FORD: Robin Ford, deputy minister.

MR. MUNRO: Barry Munro, assistant deputy minister, occupational health and safety.

MADAM CHAIRMAN: Thank you very much. Also, Mr. Andrew Wingate is here once again.

I'd ask you, hon. minister, if you'd like to make your opening comments at this time.

MR. DAY: Well, the timely issuing of the Alberta Labour annual report, which I hope you have copies of, reflects the breadth of what the department covers. I don't want to take your valuable time in terms of questions you may have, but the degree to which this department touches Albertans in so many different areas is significant. One of the first things you notice when you look at the department and the breakdown of dollars spent and employees is that it's a very highly focused, people-oriented operation. The significant administrative changes and amalgamations that have taken place since January of a year ago kicked in in an administra-

tive way largely around April 1, so some of that significant amalgamation that has taken place isn't directly reflected here. As this is the report for '92-93 and I assumed responsibility late in '92, I'll take full responsibility for 25 percent of all the problems and of course will assume 100 percent for any successes.

It's a challenging department because you're dealing constantly with the challenge of safety and regulations. Some of us have a natural aversion to regulations, yet you realize at the same time that they're absolutely necessary. So the department – and I can't take all the credit for this – increasingly has striven over the last few years to be consumer-oriented, client-oriented, yet with that mandate of maintaining the safety and regulations network that a province has to have to be effective and competitive. There is a direct relationship between regulation and competition and competitive ability. I'll use the area of boilers and pressure vessels as an example. We have significant international recognition and even sales coming from Alberta product partly as a result of the very good regulatory network that's there. Some of the input and recognition even into areas like China is because of that, because they recognize the quality and standards are there. The industry responds and is involved in that development; therefore, it makes a product attractive because there's that safety and highly professional component built into it. So it's really, I find, an ongoing challenge to achieve that balance of making sure the regulatory side is in place and is going to be there to benefit Albertans, yet not in such an onerous way that we're not going to be able to have the type of business development you need.

The overall reflection and philosophy of the department continually is one of not being the police officer as much as the facilitator, the educator, and more and more moving into the area of the audit. Whether we're talking about building standards, safety standards in various areas, we clearly see everything that's done. That's reflected in the client surveys as being a facilitator. We look at the development of the Safety Codes Council, for instance. It's a situation where the department and the government will clearly always be in the position of the final regulator and looking at the regulations and approving them but recognizing that people in the industry, the consumers, the various stakeholders are the ones who are best equipped to identify needs and concerns, develop those and present them, and see the regulations developed in that kind of an atmosphere. That reflects in the operations of the Labour Relations Board, the employment standards department. It permeates everything we do.

I'll just close, Madam Chairman, by saying that the requirement from the Premier and the new administration for business plans is something that didn't come as a shock to the system for Labour since they had already been in that mode of business plan development. Without sounding like I'm biased, because I am, I think the department had sort of set a tone and even set some degree of leadership in the couple of years previous to that in terms of the necessity of developing a business plan so people can see where they're going: your own people can and the public you deal with can.

With that overview, which I guess would be of a philosophical nature, in terms of our direction I'd be happy to entertain one or two questions. As long as I can leave by quarter to 9, that will be fine. [interjections] Just kidding on the last one.

MADAM CHAIRMAN: My understanding, hon. minister, kidding aside, is that you would like to be out of the Public Accounts Committee by quarter to 10.

MR. DAY: We have the international qualifications assessment service centre opening up, and I'd like to be able to do that. That

follows quite closely at about 10 o'clock. So if that could be accommodated, that would be appreciated.

MADAM CHAIRMAN: Yes. It will be accommodated, hon. minister.

Before I accept the first question, I really wasn't testing to see how awake we all were this morning. It was indeed my error, but I don't think anyone noticed that I moved that we accept the minutes as circulated for a prior week. For the record, it should have been the approval of the minutes of May 25. So I would ask that you would agree for the record that I acknowledge that error.

HON. MEMBERS: Sure.

MADAM CHAIRMAN: Thank you.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, I'd like to look at the WCB, so I'll be in volume 3 of the Public Accounts, and it would be page 2.14. The question concerns the decline in the unfunded liability from '91 to '92. The first question is: can you provide a breakdown of to what extent that is due to changes in actuarial assumptions as opposed to changes in rate increases?

MR. DAY: I can. When you see payments, a lot of that is reflected in terms of unfunded liability with pension adjustments, some of the situations even prior to 1974. In terms of rate adjustments, in terms of actuarials, this isn't reflected in any of the numbers for '92-93 specifically, but there's been a significant drop obviously in the unfunded liability projections, not just what was estimated but in fact what's been achieved already. Part of that 7 and a half percent levy on assessments is resulting in that reduced unfunded liability. A significant portion of that is achieved through more consistent management claims that have been aggressively pursued. On the actuarial side, when you have more consistent management claims, that then significantly brings down the amount you're going to have to be paying out in the long term. I don't have an exact percentage for you here, but I can get that for you. It would be a significant factor in that adjustment coming down.

DR. PERCY: From the perspective of assessing, then, what will happen subsequently to the unfunded liability, from what you've said, part of this decline is a one-shot component, which is more efficient management. That'll be once and for all. How often will the actuarial assumptions be changing for the WCB unfunded liability?

8:42

MR. DAY: Just let me refer back. In terms of the one shot, yeah, there were significant management changes and efficiencies put in. The other ongoing factor which we rely on heavily, of course, is the actual reduction in injuries and injury prevention programs therefore leading that reduction. That hasn't stayed flat. That has continued to be on a decreasing graph. So we can continue to project, as more and more industries adopt safety associations – for instance, the construction industry is very aggressive in that one. There are so many industries yet to form associations and to aggressively pursue this. You can continue to see and project downward on those actuarials, because injury reductions are in fact a statistical reality. They will continue to happen. So you can talk about a flat-lining, I guess, in terms of efficient management. I think there can still be some improvements there, but you're going

to continue to see it move down as injury prevention becomes an increased focus with industry associations.

DR. PERCY: My final supplemental, then, would be: of that decline in the unfunded liability, how much derives directly from the assumptions about a declining rate of injury?

MR. DAY: I don't have the exact percentage for you, but I can try and get that. It's significant. This year we're projecting in terms of claims something along the lines of 31,000, 32,000. The year before that it was closer to 40,000. So that's a significant chunk there. I could get that figure, Madam Chairman, in terms of the exact percentage. It's significant and represents a major component of the adjusted actuarials.

MADAM CHAIRMAN: Thank you.

Ty Lund.

MR. LUND: Thank you, Madam Chairman, and good morning. I want to ask a few questions, too, about the WCB. It's certainly one area that causes a lot of phone calls in the office. I want to lead off by mentioning that I'm really pleased and impressed with the overhauls that have occurred in the WCB as it relates to the unfunded liability, but I noticed in the Auditor's report for the year 1992-93 – and I'll be referring to pages 21 and 22 through the course of my questioning – that while there were no recommendations listed, there were some letters to management from the Auditor General. One dealt with overpayments, and maybe the quickest would be if I just simply read the one paragraph. It says:

In one instance, for example, a claimant indicated in 1989 an intention to appeal a \$15,000 overpayment but has not yet started the appeal. The Board has not attempted to recover the amount because the claimant indicated the overpayment would be appealed. In another instance, the Board made a \$6,000 payment in error to an injured worker instead of to the employer. The Board then paid the employer but has not yet attempted to recover the payment.

There's an indication that in fact the WCB has taken corrective action, and I would be interested in knowing exactly what action has been taken as a result of this management letter.

MR. DAY: There's a number of things as a result of the recommendation and the investigations on the part of the AG that kick in, I guess. It is an area that's caused concern. WCB had identified it even before this particular situation. One of the things that was identified by myself and the CEO as far back as a year ago January was inconsistent claims management. A number of things can be done and put into place to adjust that; for instance, being much more stringent in terms of having a manager stay with a particular claim the whole way, making sure there's a closer tie-in with the Claims Services Review Committee and with the professionals, notably the medical professionals who can be involved, and just plain tighter management.

You know, there's a constant challenge in trying to bring down the numbers in terms of the time it takes to get from a claim coming in to a cheque going out. It's a rough but clear way of determining efficiency. So you're under that pressure. Then add to that also the pressure of making sure it's being managed correctly so you don't wind up doing that overpayment.

Just to give an example in terms of significant change, in 1992-93 approximately 15 to 16 percent of all claimants received payment within 14 days. For '93-94, because of aggressive efficiencies, that has moved to 63 percent now of all claimants having received that cheque within 14 days of claiming. So on the one side, that's good. Obviously, the balancing factor is: are you

rushing so quickly that mistakes can be made, resulting in overpayments? So the crosschecking, the reporting process, the adjudicator staying with the claim, a tighter analysis done at the Claims Service Review Committee stage before things move on to appeal: those are a number of ways in which overpayments and mistakes leading to overpayments can be spotted before they happen.

MADAM CHAIRMAN: Supplementary, Ty.

MR. LUND: Thank you, Madam Chairman. The cost relief issue is reported on the bottom of page 21 of the Auditor General's report. Here, too, we see that there was a management letter sent, and it was "recommended that the Board improve its procedures for determining when cost relief is appropriate." There is an indication that in fact that has happened. I would be very interested to know what action was taken based on this recommendation from the Auditor General.

MR. DAY: Again, it comes back to comments I referred to a few minutes ago. What took place early in January after administration was significantly adjusted, after senior management was downsized considerably is that teams were put together to analyze problems, some of which were identified before the Auditor General's report came out and then coincided with it because it was the same year. It was in these combined management, front-line worker, and client teams that different areas were seen as needing to be addressed. In terms of the cost relief, again suggestions at the management level, the consumer level, and working with the various injured-worker groups that expressed concerns on this: all of this is pooled together to come up with steps of action and an operating plan. I don't have with me the multipage document that refers directly to that and that came as a result of the Auditor General requiring it. But that's how the process works. The actual steps can be defined. I can get that for you. I don't have that in front of me as far as day-to-day operations go.

MADAM CHAIRMAN: Final supplementary, Ty.

MR. LUND: Yeah. Thank you. My final supplemental deals with page 22 of the Auditor General's report, and it's dealing with section 28 and contravening that section. Once again there's an indication that there was a management letter sent to the WCB demanding that the WCB "investigate those instances where employers fail to comply with the Workers' Compensation Act," and I wonder what exactly has happened as it relates to that letter.

MR. DAY: Here, I find, is one of the, I guess, most fascinating approaches to the WCB: the fact that WCB itself and people I think in the broader public, it's safe to say, don't realize that it is not a tax-paid operation, though it is a form of tax. Other than the dollars for some pension adjustments – and that fades down to zero – the WCB is entirely financed by employer dollars. It is an insurance program reflecting a social contract that goes back some 75 years, the contract being the employer saying to the employee, "I will pay your insurance premium and make sure that you're taken care of if you're hurt." The employee then says to the employer: "I accept that contract. I won't sue you." That's the very basis of it.

8:52

So then you get into the very interesting anomaly, I guess, of the situation that you've raised where employers are footing the bill, employers are half of the social contract, yet you have situations

where employers don't comply. As soon as you put pressure on an employer to comply when they're not, one of the first things that happens often is that you as the MLA get a phone call. The accusation comes in, "WCB is trying to shut me down," or "WCB is being unrealistic in terms of their approach and what they want." That's where management at WCB has to work carefully, again, with that balance, making sure the worker is protected, making sure the dollars are in place in terms of the premiums being paid, and putting on positive pressure.

You know, the first moves that are made are in terms of sitting down with the employer and saying: "Look; we've got an issue of noncompliance here. This is the legislation. You may not like it, but it is the legislation. Until it's changed, you're going to have to comply. How can we help you comply?" If there's some fairly good response, then it's clearly a facilitative approach that takes place. If there's not, then unfortunately the pressure has to increase, and because these compliance mechanisms are in legislation, there are, then, some measures that can be taken from a legal standpoint that say, "If you don't comply, we're going to have to use certain methods," be it fines or other methods, ultimately coming to the closing down of the business, I guess, if it came to that.

So the people who do that work in WCB have been informed, through reaction to the Auditor General's report, that compliance is a serious issue. It has to be approached quickly, and employers have to know, if I can use the phrase: we're from the government and we're here to help. That has to be the first approach.

But I want to change the phrase a little because WCB, in effect, is not the government. It is not a government-staffed organization. It's an employer-operated organization. I'm responsible for the legislation, to make sure that the legislation is complied with and the policy is complied with. Those are my areas of responsibility. You'll know from letters that you've had back from me and others that I restrain myself deliberately from getting involved in the day-to-day operations and second-guessing the decisions that are made. That responsibility has to weigh significantly on the shoulders of those at WCB. If they feel that I am going to intervene because a constituent of mine is a business owner and I'm going to try and take some pressure off – WCB now knows after over a year of operation that I'm not going to do that, that they have to deal with the situation. I just have to make sure that legislation is being followed and that policy is being followed.

In the area of employer compliance, then, that's the approach I've taken with WCB, the philosophy that I operate with, and in fact that Alberta Labour operates with, saying that we are here as a facilitator first and an educator and a police officer next. That's the approach that's taken, and frankly employers are not always pleased with that. When they are not pleased with that, the other step I've been taking in terms of compliance and to make sure compliance happens sooner is that when the concern comes to me, I immediately deflect it back to where it should go, which is to the appropriate channel at WCB. I don't want an employer who's hanging out there and not complying to be able to say to the WCB officer, "Well, I've talked to the minister, and everything's off for awhile while the minister is looking at whether I get relief on this compliance order or not." We've effectively eliminated that loop so that the employer who may or may not agree with the WCB referee has got to go directly to WCB. There is an appeal process. But it takes out that loop. They know they have to comply, and at the same time if they've got suggestions, if the compliance is not realistic, there is an appeal mechanism.

The other thing that Dr. Cowell, the CEO, has done is taken strictly the worker focus and made sure that there's a balanced focus, and he best describes it as a fulcrum with a teeter-totter. It

used to be that every concern was employee focused, worker focused, and the employers who were footing the bills said: there doesn't seem to be any balance in the operation for our concern as employers. The WCB now uses as a visual, I guess, the teeter-totter, the fulcrum here, for the employer/employee balance.

I'm not suggesting that the Act itself is going to be changed, but when you read the Act, there's an interesting portion there that says that in the formation of the board of directors there shall be so many members representing the interests of employees, and there will be X number of directors representing the interests of employers. I've never been very comfortable with that. It suggests that this is an adversarial situation, that the employers will do everything they can to make sure an injured worker gets as little as possible. It makes it sound like injured workers will do everything they can to not think of the concerns of the employer. So the legislation's there. It hasn't been changed, but in terms of compliance, this is the philosophy that we're trying to get working through WCB. I think they are moving in that direction and have achieved a good understanding of that. Again through the directives of Dr. Cowell and Vern Millard that has become an effective part of their operation. That's the philosophic and then the point-by-point breakdown of how employer compliance is approached in situations where they're not complying.

MADAM CHAIRMAN: Thank you, hon. minister.  
Alice Hanson.

MS HANSON: Thank you. Good morning, Mr. Minister. I'm in volume 2, page 2.93, vote 2, work and safety standards. I noticed that your total budget of \$4 million was not exceeded; actually it was 10 percent lower.

MR. DAY: I'm sorry. Just to catch up here, that's 2.93?

MS HANSON: Yes.

MR. DAY: Volume 3?

MS HANSON: Volume 2, vote 2, work and safety standards.

MR. DAY: Under public safety standards? Okay; I think I've got it here.

MS HANSON: Okay. Your budget for the '92-93 year was 10 percent lower than in previous years, but you had a surplus, if you will, of \$4 million. It shows that you obviously did some careful planning, and I wondered how that cutback had been achieved.

MR. DAY: Now, are we talking about vote 3 - I'm sorry - or vote 2?

MS HANSON: Vote 2.

MR. DAY: I'm not sure. You'll have to go over the figures. If we're looking at the same page, I show a surplus of \$137,000.

MS HANSON: That's right. Yes.

MR. DAY: That's what we're talking about?

MS HANSON: Yes, I'm talking about the surplus and also that your original budget was 10 percent lower than the year before, and I just wondered how you achieved that.

MR. DAY: Okay. There are a number of factors, actually, in that underexpenditure, if you want to call it that, of \$137,000. We had a transfer of \$140,000 from salaries, wages, and employee benefits to supplies and services, and that was to fund the unbudgeted VSA payments. As you go through these entire figures, in fact, under statements of expenditures you're going to see the reflection of VSA payments. The funds actually were available because there had been a planned approach to the recruitment delays to provide funding for VSAs and in preparation for what was being anticipated, really, in terms of budget reductions that were coming in subsequent years.

There was an underexpenditure of \$46,000 in salaries, wages, and employee benefits. The result of that, again a planned approach to some of the hiring delays so that there could be an accumulation of funds, and that would help to offset the cost of the unbudgeted VSAs, some associated holiday pay on termination. Those types of things have to be anticipated. Then there's underexpenditure in supplies and services of \$80,196, which would be the result of some decreased requirement costs for support costs again with reduction in staffing levels as a result of VSAs.

There was a further reduction of \$10,000 in grants due to a decision again there to defer some asset purchases in anticipation of what was coming along the lines of unbudgeted VSA payments. That largely explains the over and then the underexpenditure, resulting in that amount of \$137,000.

9:02

MADAM CHAIRMAN: Supplementary, Alice.

MS HANSON: Yeah. I was going to ask you about the increase in salaries. There was a 10 percent increase in the amount expended on salaries. I assume it has to do with that transfer?

MR. DAY: That would be correct.

MS HANSON: Yeah. Okay.

MADAM CHAIRMAN: Final supplementary.

MS HANSON: Yeah. Did you employ any more staff?

MR. DAY: Just in that particular area?

MS HANSON: Yeah.

MR. DAY: No, there were no more staff employed there.

MS HANSON: Okay. Thank you.

MADAM CHAIRMAN: Jocelyn Burgener.

MRS. BURGNER: Thank you, Madam Chairman. I'm just wondering if I'm going to have an opportunity to speak. The silence on the other side is deafening. It's quite remarkable. I'd like to refer to . . .

MR. DAY: I'd like elaboration of that comment, but I'll let it go today.

MRS. BURGNER: It is another day.  
Volume 2, page 2.92.

MR. DAY: You're talking about the unusual silence from this side of the House. Is that what you're referring to?

MRS. BURGNER: I am.

MADAM CHAIRMAN: The chair is trying to be very patient, but the exchange that is going on is inappropriate. If you could continue with your question, please.

MR. DAY: I appreciate that, Madam Chairman.

MRS. BURGNER: Thank you, Madam Chairman. Well, then, let me begin by welcoming the minister this morning and thanking him for his diligent attendance to duties this morning.

Page 2.92, reference 3, the work and safety client services. It indicates that this vote is responsible for the largest component of the department's overexpenditure. Could the minister please provide this committee with an explanation for this overexpenditure?

MR. DAY: You're referring to the overexpenditure of \$551,000?

MRS. BURGNER: Yes, and change.

MR. DAY: Really it's entirely due to the department's involvement in the government VSA program, which, as you know - I've already made reference to in reference to Ms Hanson's questions - was established to encourage employees to leave the civil service so that we could allow for a rational approach to downsizing. As a result of the VSA we had 31 individuals in this vote who actually left the department. That's a significant portion: 31 people. That resulted in an expenditure of \$1.1 million, actually \$1,117,000, and none of that was budgeted for. So this overexpenditure was offset to a degree by savings that were achieved in a number of areas, that had to help reduce the extent of that deficit. The department took a very stringent approach, I guess you could say, in the areas of travel, advertising, freight, postage, rental, telephones, communications. All of those areas had to be looked at in a very restraint-minded approach to be able to achieve that.

MADAM CHAIRMAN: Supplementary, Jocelyn.

MRS. BURGNER: Thank you, Madam Chairman. If we turn, then, to page 2.94, references 3.0.3, the central region, and 3.0.4, the north-central region, have the largest overexpenditures. Could the minister elaborate on why these two regions experienced overexpenditures while others met their budgets?

MR. DAY: Okay. We'll try and address that for you. The reasons for that would fall largely in two areas. There were vacancy rates within the two regions lower than the other two regions, and that actually led to fewer dollars being available to pay for the VSAs that actually took place in those regions. So a proportionately higher number of VSAs were granted there. As a matter of fact, 22 of the 31 VSAs that actually took place and that are reflected, that were granted in this vote, actually occurred in those two regions.

MADAM CHAIRMAN: Final supplementary, Jocelyn.

MRS. BURGNER: Thank you, Madam Chairman. Again on page 2.94, reference 3.0.1, divisional support. It concluded this year with an overexpenditure of \$41,381. Could the minister provide details of why this overexpenditure occurred?

MR. DAY: This was an interesting one. It really comes about as a result of the addition of a position to act as an administrative assistant to the ADM of client services. Overall, of course, there has been a large reduction in terms of personnel, but once there was an amalgamation of the work and safety standards and the work and safety client services divisions, that resulted in the elimination of an ADM. With that, however, the remaining ADM, whose shoulders frankly were being increasingly burdened, did require some assistance to deal with the increased administrative workload. There was an existing unfunded position, and that was utilized to fulfill the requirement. The resulting vacancy wasn't filled, creating no increase in total employees in the department in terms of overall. Therefore, you're going to see salary dollars associated with the vacant position being made available to cover some other expenditure requirements in the department. That's largely where you see that reflection: the addition of some administrative assistance to the ADM, who will be among the first to say he was now doing the job of two or three people. A significant increase in workload because of that amalgamation required some administrative assistance. So an overall reduction in employees, certainly, but in certain very specific areas there had to be some administrative assistance shifted so that they could handle that reduction.

MADAM CHAIRMAN: Thank you, hon. minister.  
Leo Vasseur.

MR. VASSEUR: Thank you, Madam Chairman. Mr. Minister, vote 1 on page 2.93. There's an overexpenditure of approximately \$300,000 in the overall department support services. My first question here: is the transfer of \$130,000 because of early retirement programs?

MR. DAY: Yeah. Actually, the transfer of that \$130,000 was required in the issues management, and that was to fund some salary shortfalls that had taken place through the year. The issues management group was established by transferring some vacant positions to issues management from other divisions, and those positions were either not funded as a result of having to fund some negotiated increases or funded at lower classification. So as the issues management group began to take form, as it is today, and positions became filled, then the salary dollars for that particular area proved not to be adequate.

The way that was addressed was with surplus funds that were available in the work and safety client services as a result of some banking vacancies to achieve the budget reduction there, and that would be targeted for the subsequent years. So you'll see that the transfer to the issues management was made earlier in the year, and the expenditure patterns then indicated that there would be some surplus occurring in that work and safety client service division. Subsequent to the transfer the VSA program was introduced, with considerable participation actually taking place right in that vote. So here you have the situation that the program was designed to reduce the size of civil service as we anticipated that major restructuring. That has happened. As I've already mentioned, 31 employees were granted VSAs for \$1.1 million, none of which was budgeted for, so participation in the program caused the resulting overexpenditure in vote 3, which you've identified.

MADAM CHAIRMAN: Supplementary, Leo.

MR. VASSEUR: Yes. Again on vote 1, on supply and services. The majority of the overexpenditure occurs in that one. You've

explained the \$130,000 as a transfer mostly for retirement. Why would we spend \$300,000 more than we budgeted for under supply and services?

MR. DAY: You're accurate there on the \$300,000, actually \$298,000 and some change, again the payment of the unbudgeted VSAs being the major component there. There are also contract consultants there to facilitate implementation of our self-directed teams, also the associated competency-based classification and compensation systems in the Department of Labour. We don't operate from the point of view of strictly seniority only, but in fact the costs here reflect the shift from a hierarchical development over the years to self-directed teams. People within the Department of Labour know that if there's going to be advancement for them, it's not going to be just based on seniority. In fact, an entire classification and therefore compensation system was developed so that people can see: what are their qualifications; what is their experience? So seniority is only a factor as related to experience gained. By seeing that laid out for them in an actual system where compensation is also built into it, it brings a whole philosophy to the department of: we're here based on achievement, on what we know, and on what we can do. To develop all that did cost money in contract with those consultants. So that \$298,000, again, would reflect the payment of the unbudgeted VSAs and the contracting of consultants to see the department shift to the implementation of self-directed teams and this competency-based classification system.

9:12

Again, at the risk of sounding biased, which I am, I think it's proven to be a model of sorts in terms of employees really feeling that they're there because they know something and then can do something, and with this competency-based system laid out, they can also see how they can progress, how they can improve, increase their qualifications, and become more effective. So there would be a cost related to that. That would be the large component of that \$298,000.

MR. VASSEUR: Going to page 2.94, when you're breaking down these functions by element, does that reflect the difference in estimates and expended amounts in item 1.2.1 that goes from \$1.47 million to \$1.7 million? The bottom line on 1.2.1. See, the breakdown here is different when you break it down by element, and I'm trying to make some sense of the figures of \$1.47 million estimated to the expenditure of \$1.7 million. Is that part of your explanation the last time around?

MR. DAY: Yeah. Again, that overexpenditure, unbudgeted payments, related to the VSAs, - I just want to make sure we're on the right line here. Supplies and services control group there had an overexpenditure of \$201,000, again resulting from the payment of those unbudgeted VSAs. That actually came to \$195,000 of the \$201,000 and is all associated with the VSAs and the department's organization. There's a small miscellaneous overexpenditure there totaling about \$5,900, and that was incurred in facilitating the reorganization. So \$195,000 is the large amount; \$5,900 brings it to the amount you're referring to there of the \$201,000.

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

Richard Magnus.

MR. MAGNUS: Thank you. Mr. Minister, on page 2.68 of the Public Accounts, reference 12.0.8.

MADAM CHAIRMAN: Richard, I missed that.

MR. MAGNUS: Page 2.68, Public Accounts, volume 2. Got it? Reference 12.0.8. Regional inspection and consultation incurred the largest overexpenditure, just over \$600,000, much larger than any other area of the budget. Could the Minister of Labour provide an explanation for this large overexpenditure?

MR. DAY: Again, as a comment, this is largely a reflection of that payment of the unbudgeted VSAs. Actually, the reason that you see the majority of the overexpenditure occurring in this area is that the vast majority of occupational health and safety budget is related to manpower. It's a very labour-intensive, if I can use that, division. Seventy-six percent of that budget is related to manpower. This is the organizational unit that actually contains the bulk of our employees, because they do the service delivery that provides a service directly to the public. It's intensely labour-oriented. So when you've got a number of VSAs occurring in that particular area, then you're going to see a large overexpenditure there. That's why it's reflected at that amount. You've accurately identified the amount, and that's the reason for it.

MADAM CHAIRMAN: Supplementary, Richard.

MR. MAGNUS: Thanks. If you flip back one page to 2.66, under vote 12 the public accounts indicate there was a budget of \$14,500 for grants but only \$1,900 was expended. How come?

MR. DAY: Here you've got a situation where the grants that are being referred to . . . [interjections]

MADAM CHAIRMAN: Could we have some order, please, so we can hear the minister?

MR. DAY: Thank you, Madam Chairman.

The grants being referred to here are totally discretionary, and they're only disbursed when there can be a really strong case made that shows that there's going to be a clear benefit to Albertans in terms of occupational health and safety. So when you factor that discretionary element in, you'll see that that expenditure can really vary quite dramatically from year to year. If there are not well-developed proposals being made, funds will be lapsed for return to the GRF. It's not an automatic; it's not a situation where just because someone comes forward with a proposal, they're going to get those dollars. Our philosophy is that that's not the wisest approach in terms of public dollars.

There's also a large source of funds there, '92-93, that are included under the Alberta heritage trust fund, which also supports various OH and S projects. So I think that's the correct philosophical approach: you don't dole the money out just because there's an application for it. It is discretionary, and that's why you're going to see only a certain amount being expended.

MR. MAGNUS: Vote 12.0.5, planning, research, and information services, was overspent by \$70,000. How come?

MR. DAY: Sorry; that was vote 12 . . .

MR. MAGNUS: Vote 12.0.5.

MRS. BURGNER: What date?

MR. MAGNUS: They're not taking this seriously, Madam Chairman.

MR. DAY: Okay. Vote 12.0.5; I'm with you here. You're going to see – the overexpenditure there is actually \$70,774, if you totaled it all up. There's an underexpenditure in salaries, wages, and employee benefits there of \$8,000, actually \$8,580, again planning and anticipating the approach to delayed hirings to prepare for those budget targets that are going to be coming in subsequent years. Then there's an overexpenditure of \$56,384 in supply and services control group resulting really from higher than anticipated costs associated with some data processing requirements to maintain existing systems. Those aren't always easy to forecast a hundred percent, so that's why you see the overexpenditure on that particular amount.

Then when you look at the other control group there, an underexpenditure of \$13,000 was a result of no requirement to compensate an MLA for participation in the Alberta heritage trust fund grant review, so we appreciate that that didn't have to happen. There'd be another underexpenditure of about \$1,300, actually \$1,390, in regards to purchasing capital assets control group for some lower acquisition costs there, some tough bargaining that was done to get a better deal and therefore some lower acquisition costs.

MADAM CHAIRMAN: Thank you, hon. minister.  
Mike Percy.

DR. PERCY: I'd like to go back to the WCB yet again, volume 3, pages 2.14 up to 2.16. When I look at the numbers for investments, I see for 1992 investments of approximately \$1.9 billion. They are outlined then in some detail in note 5 to the accounts. Then when I look at page 2.15 and I see investment income of \$76 million – call me naive, but that's a pretty low rate of return. Can you tell me why, then, on investments of \$1.9 billion the investment income appears to only be \$76 million?

9:22

MR. DAY: Yeah. I'm going to have to get a more accurate reflection of that for you, which I don't have here, because overall the investment for '92-93 was running close to or just over 10 percent. On this particular line I don't have the answer to that for you.

DR. PERCY: It looks low, extraordinarily low.

MR. DAY: It's inexplicably low, which is why I'm not going to try to explain it. There is, I would assume, a reason for that, because overall investment return has increased over the last year. This is not a direct reflection of the overall investment portfolio. So I'll need to get back to you on that one.

DR. PERCY: I would appreciate it.

The second question relates again to the bottom of note 5 on page 2.16, where it says: included in the above is \$309 million of foreign investments. Is it appropriate for the WCB to have investments abroad, since as you noted in an earlier comment, it certainly should be dealing with Alberta or rest-of-Canada investments? I find that a surprising value. I can understand why it might be done for diversification purposes, but I still think it's surprising.

MADAM CHAIRMAN: Is this a question?

DR. PERCY: Yes. Is it surprising to you that there would be \$300 million of these investments abroad?

MR. DAY: I would hope that WCB in terms of business management is going to be looking for the most effective investment opportunities. These types of decisions have to be ratified by their board, which are the representative members both of labour and of business. If they feel that they're going to get their best return from an investment that is, quote, foreign, then I would have difficulty seeing myself as minister intervening in that particular decision-making process. I don't want to be part of it. Again, I want to make sure they're complying with all legislation. You've raised a policy matter, and I'm just being as open with you as possible. I would hesitate as a minister to want to intervene on that.

I don't think Albertans would have a problem overall with the fact that they've identified an area. There's going to be clearly a good rate of return. Whether it's a U.S. investment or an offshore investment, then I would hope they would have the liberty to do that, approaching it using all their guidelines on investment which dictate degree of risk, et cetera. So that would be my position on that. Without hearing a large response either from Albertans or representatives there, I would probably be staying with that.

I'd certainly be open to suggestions that you'd have. Do you see that as a problem sort of from a policy area or just the notion of investing outside of Canada?

DR. PERCY: No, no. The issue there really is: what's the reason for that particular mix in light of statements about investment opportunities in the rest of Canada or here that you just made earlier?

The final question . . .

MADAM CHAIRMAN: Just a second, hon. member.  
Mr. Wingate.

MR. WINGATE: Madam Chairman, if I could just go back to this question of investment earnings. If you look at page 2.14, statement of operations and unfunded liability, under revenue there's investment revenue in total of \$188 million, which I think approximates a 10 percent return on the investments under the balance sheet. So what you were looking at was the statement of cash flows, and I presume that for operating purposes they were dealing with only a part of the total investment income.

DR. PERCY: And the rest was recycled.

MR. WINGATE: Right.

DR. PERCY: Okay.

A final question is the mechanism for determining who manages the asset portfolio of the WCB. Is it farmed, say, to the managers of the heritage savings trust fund, or is it contracted out? What mechanism is adopted for that?

MR. DAY: In terms of the who, I'd like to be able to get back to you so I can give the accurate information on which partners are actively involved in that.

DR. PERCY: Thank you, Mr. Minister.

MR. DAY: Thanks for the additional information on that. As I had said, I thought it was around the 10 percent, so that would explain that. Thank you for that added information.

MADAM CHAIRMAN: Thank you.  
Pearl Calahasen.

MS CALAHASEN: Thank you very much, Madam Chairman. Mr. Minister, my question is on public accounts, volume 2, 2.94. I was very interested in looking at 3.0.7, the fire commissioner. I have some subsequent questions, but my main question is: what does a fire commissioner do? I see some overexpenditures there, and I want to ask some questions on that.

MR. DAY: Just let me get the actual line from you there too. That's 3.0.7. Okay.

The fire commissioner's office. It's a wide mandate, but under Labour, again, we're responsible for the fire code. There are a lot of other codes that tie in with that in terms of building and electrical and gas and everything else, so the fire commissioner is responsible for all those areas.

The overexpenditure that you've identified there would be primarily due to the operation of the Alberta Fire Training School. That school has a reputation that's growing, quite frankly, in terms of increasing demand for service. I don't know if you've ever had the opportunity to go out there and see what's being done, but it's a very high-tech, very efficient operation that has worldwide recognition. Initially adopted to meet the needs of the volunteer fire departments from around the province – that was a significant part of its mandate: to see those volunteers properly trained. In the developing of that training expertise its reputation has really spread far and wide, and that can be identified when you look at the groups that are in there training from different places all around the world literally.

Again, the focus is still maintained on the volunteer component, because our smaller municipality areas can't afford to do the training. That's the primary focus. In the development of that facility we see the development of the reputation that goes with it, so to meet the demand, the department has begun to actively pursue clients now in the private sector, in other provinces, the federal government, and foreign countries. That's being done to produce revenue that will offset the cost of providing the subsidized training to our own municipal people. As a result, the additional courses that are provided actually lead to increased funding there, and that's required to provide the staff and the materials that they literally burn up out there in their test burns. As this demand for services increases, naturally the expenditures escalate, and as that school becomes more successful in providing those services, then we're in a position of having to reduce the expenditures elsewhere to offset the increased expenditures.

I think it's a very positive and proactive way to approach offsetting the expenditures of covering the costs that we incur in training our municipal people, especially the smaller areas. To be very open and frank with you, the price that is willing to be paid by people from other provinces and even from other countries is very – what should I say? – encouraging. That's why that's being pursued and so that you have some of these offsetting expenses as that approach is upgraded. I think that's a positive approach to revenue generation, still with the focus there on making sure the municipal volunteer people are being cared for.

MADAM CHAIRMAN: Supplementary, Pearl.

MS CALAHASEN: Thank you very much, Madam Chairman. Again on that page, then, is that why there is an overexpenditure of approximately \$260,000 on that specific issue of the fire commissioner, because of what's happening relative to that?

MR. DAY: Actually, that whole issue of looking at developing and implementing a net budgeting proposal there allows the department to utilize these additional revenues that are generated

through providing those services. Really it's the goal now to move that Fire Training School to a budget recovery ratio of about 70 percent, which I think is pretty encouraging. I think it's achievable. The initial estimates there for revenue generation in '92-'93 were \$136,000. Just to give you some idea of the demand, in fact we collected \$525,000, and that total continues to grow. Really the only limitation there is the amount of resources that we can divert from other operations in the department, so it's a real good-news story. That's where you're seeing those resulting dollars.

9:32

MADAM CHAIRMAN: Thank you.  
Final supplementary, Pearl.

MS CALAHASEN: Thank you. With that in mind then, with looking at how you can recover the costs as well as looking at the increase in demand in terms of the fire training and if the intention is to try to recover the costs in that way, is there any other way that you would be looking at in order for you to be able to allow maybe the private sector to take over the Fire Training School?

MR. DAY: That's a good question, and actually there's been some exploration there: the private sector itself or even in reflecting to certain, for instance, college infrastructure that exists now. The difficulty you have in approaching the private sector with that is – remember the main focus is to provide for the training of our volunteer fire people across the province, and that's obviously done at a cost to government. Quite honestly, the private sector appropriately is not interested in taking part in a program where they're subsidizing those kinds of costs. We're hoping to see this ratio move to 70 percent, as I indicated. That's a cost to government for safety in the province, but a private-sector company would not either be willing or able, obviously, to operate on that particular basis. That's why the ratio is not an attractive force for the private sector.

We clearly are looking at the clients in the private sector, continuing to pursue those. That's why you're going to see this at least until this point. If it came to the place where for whatever reason the demand was so huge that this was an entirely profit-making operation even above and beyond covering all the costs of the volunteer side, then the department would need to legitimately ask themselves the question: "Okay; should we now be in this business or should we not?" So it's gone from the department, the government, the taxpayers totally absorbing the costs of training not just volunteer people but fire departments around the province. We are totally having to absorb that now to about 70 percent of that cost being recovered, but that's, in answer to your question, why the private sector appropriately isn't interested at this point.

MADAM CHAIRMAN: Thank you, Mr. Minister.

This'll be the final question, and it's David Coutts.

MR. COUTTS: Thank you very much, Madam Chairman. Good morning, Mr. Minister. I'd like to, if I might, refer you to volume 2 of the public accounts, page 2.68. If we look down at the reference number 13, it again deals with the Workers' Compensation. That particular reference reveals a grant to the Workers' Compensation Board of \$8,200,000. I was just wondering if you could provide some of the details on this grant.

MR. DAY: Actually, that payment reflects an actuarial adjustment that was needed so that we could accurately and adequately compensate WCB for pre-1974 accident claims that had been transferred to them for administration. That figure will continually



go down, but in a nutshell that's what it's for: those pre-1974 accident claims.

MADAM CHAIRMAN: Supplementary, David.

MR. COUTTS: Thank you. Then if we could go back a page to 2.66 and again reference number 13, that reveals that the payment to the WCB has been reduced substantially from 1991-92 to '92-93. Does this reflect a reduction in compensation to these employees?

MR. DAY: That's a good question actually. At first glance it might appear that that's the case, but actually the payments that are being made to WCB aren't for direct payment to individuals receiving payments. They're for the creation of a fund that along with investment income will actually provide WCB with enough funding to continue to pay these individuals at current rates until they're no longer entitled to the payments from WCB. That program actually, that line you've identified, is due to be terminated at year-end '93-94 because at that point the last of these payments that are owed to WCB will have been made.

MADAM CHAIRMAN: Your final supplementary, David.

MR. COUTTS: Thank you, and if I might have the liberty to just skip around a touch more. If we could go to page 2.70, it indicates revenues for occupational health and safety of \$6 million. I'm just wondering if the minister could provide some details regarding how this revenue is generated.

MR. DAY: It's a significant payment. It's no surprise you've identified that, because it's a good chunk of change. It's actually a result of a payment from WCB. There is a relationship between WCB and occupational health and safety, and a lot of the programs and the functions and services that occupational health and safety provide have a very direct effect on WCB and its claim load. As a matter of fact, the reason for those programs is to see injury reduction. When WCB doesn't have to provide the programs and occupational health and safety does, WCB correctly identifies that there is – and you can point to it – absolutely statistically a reduction in the injury rate and therefore less of a cost. Because of that, WCB recognizes that benefit and then says to the government in effect, "All right; we will compensate for these programs that you're doing, OH and S." That's having a direct reflection on injury rates. They are dropping. That means there's less of a hit on WCB. "We want to reflect that," WCB says, "by compensating for that amount of dollars."

If I could, Madam Chairman, I guess in a way you could say that that capsulizes what I think needs to be identified in terms of workers' compensation and the government. They in fact are separate entities. WCB has struggled for years to maintain that and try and promote that, and I've tried to see that they are totally released to operate as a stand-alone operation, employer funded, employee and employer driven, and they are responsible to make sure they follow legislation and policy. So it shows. It's a reflection of that arm's-length relationship, a reflection that WCB says: "OH and S has done this work. There's a direct result to that. Therefore, here are some dollars to compensate for what we've achieved."

MADAM CHAIRMAN: Thank you, hon. minister.

Thank you, David.

I believe we can now excuse you, hon. minister. Thanks for making yourself available. As you are leaving, I'd also express sincere thanks to your staff and Mr. Wingate for being present.

Some interesting information that you may like to know is that the Public Accounts Committee actually during the spring session and the fall session has met with more departments than over the past five years. There are only two areas that have not appeared before this Public Accounts Committee, and those are the Premier and the Minister of Justice. So I have to commend the ministers and the Public Accounts members and also the Auditor General for their co-operation to make this actually happen. Thank you.

MR. DAY: I'd like to acknowledge your effective chairmanship, Madam Chairman. There's a big administrative load, obviously, in lining that up and reflecting also the fact that yourself and others regularly on Tuesday evenings are in this Assembly only a few hours before you're called in here at 8:30. So I appreciate your diligence. We'll get back with some of the information that I didn't have on a couple of those questions that were asked, and thank you for the good input. It's been helpful.

MADAM CHAIRMAN: The other point we'd like to also communicate is that in 1993-94 and 1994-95 Public Accounts has not spent any dollars from their budget.

MR. DAY: Wonderful.

MADAM CHAIRMAN: Thank you.

MR. McFARLAND: We won't next year because we won't have the committee.

MADAM CHAIRMAN: Hon. minister, certainly that's not the desire of the chair.

MR. DAY: I understand.

MADAM CHAIRMAN: I'd like now to move on to other items of business. As chair I need some clear direction with regards to the letter regarding the Australasian Council of Public Accounts Committees' statement of resolution. I had asked for some direction, and to this point in time only four members of the committee actually got back through Corinne with regard to their position. I felt that we had to follow one place that's marked on the agenda for May 25, and I gave notice of that. So could I have some direction?

Ty.

9:42

MR. LUND: Thank you, Madam Chairman. I believe that the vice-chairman did reply. Certainly it was my feeling that the comments of the vice-chairman were echoing my sentiments, so I did not reply. I was relying on his reply to carry my thoughts as well.

MADAM CHAIRMAN: Thank you, Ty.  
Jocelyn.

MRS. BURGNER: Thank you, Madam Chairman. I just want to echo the same thing, that this is my first year on Public Accounts and in terms of appropriately dealing with some of the information had discussed it with the vice-chairman and in order to facilitate a timely response through our caucus had suggested that the vice-chairman could make the response. So first of all, I didn't want to indicate that I hadn't taken your correspondence under some consideration but had thought that just in terms of efficiencies, allowing the vice-chairman to respond on behalf of

myself and I think a few of our other colleagues was a choice of efficiency.

MADAM CHAIRMAN: I appreciate that comment. Where the difficulty came was that some of the government members did communicate, so there was a mixed message to the chair. I'd certainly appreciate if our deputy chairman, Mr. Gary Friedel, could actually communicate the contents of the memorandum so that all members are aware of it, because it certainly wasn't c.c.'d to all members, Gary.

MR. FRIEDEL: Corinne, do you have a copy of it here?

MRS. DACYSHYN: In my office.

MR. FRIEDEL: I have a new legislative assistant, and I couldn't find it in the filing system this morning before I came down.

My suggestion was that most of the recommendations, or in my opinion all of them, had very little to do with the system as we follow it here in Alberta, so my recommendation was that we acknowledge it but make a noncommittal reply because it had very little bearing on how we operate Public Accounts in this province.

MADAM CHAIRMAN: Are you moving that as a motion, Gary?

MR. FRIEDEL: I will make that a motion, Madam Chairman.

MADAM CHAIRMAN: It's open for debate. Anyone wishing to speak in favour of the motion? Anyone wishing to speak against the motion? If not, I'll call the question. All in favour of the motion?

HON. MEMBERS: Aye.

MADAM CHAIRMAN: Any nays? It's carried. Thank you. Well, I'll communicate that as the position of the Alberta Public Accounts Committee.

As of this point in time no other meetings have actually been designated. The only two outstanding areas are indeed the Executive Council, which is our hon. Premier, and also the hon. Minister of Justice. We will await to see what happens this week with regards to scheduling. If by any chance Public Accounts is not meeting next week, I would like to take this opportunity to wish you an enjoyable summer and hopefully not too busy, that you still have some time for your family and a vacation.

Thank you for your co-operation.

MR. McFARLAND: Madam Chairman, I would really like to extend an invitation to you. If you feel that you've got the urge to show up for Public Accounts on a Wednesday during the summer holidays, come on down to Carmangay, Alberta, and I'll host you for a Public Accounts meeting.

MADAM CHAIRMAN: I'd love to do that. I love rural Alberta, so I'll be there.

Thank you, Mr. Wingate.

We stand adjourned.

[The committee adjourned at 9:46 a.m.]