

8:30 a.m.

Wednesday, March 1, 1995

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'd like to call the meeting to order. The first item of business is to extend a very warm welcome to Mr. Peter Valentine. I had the pleasure of meeting him at a session on fiscal accountability. I was impressed with the session that had been put on by Mr. Wingate as Acting Auditor General, and I very much appreciated meeting you. I'd like to ask the hon. minister to more formally introduce you at this time.

MR. DINNING: Well, thank you, Madam Chairman, and good morning, colleagues. It is a pleasure to have two Auditors General with us here this morning. To formally introduce Mr. C. Peter Valentine, he is a Calgary resident, which is good enough just as a start, but more importantly, a man who has been in private practice with Peat Marwick for a number of years, more recently with KPMG. Sooner or later they're bound to merge again with some other outfit and become an even larger conglomerate. Peter has had extensive experience in private practice in Calgary, most recently in the energy area of KPMG, and has traveled the world as someone well regarded in the energy industry and accounting circles and is leaving that post to join us officially today. His swearing-in ceremony is on Monday, so don't reveal to him too many state secrets just yet. He hasn't taken the oath. I welcome him.

I just want to put in a word as well to Andrew Wingate, who has performed his duties with the professionalism we've come to know him for. I want to personally thank him for the work he has done not only in working with us to speed up the audit, but his focus on performance measurement and the like is something that has been a real catalyst for us. I certainly do appreciate the work he has done, and I'm hopeful he will continue to work beside the new Auditor General, continuing to be a catalyst for that important initiative.

So to Peter, welcome, and to Andrew, many thanks.

THE CHAIRMAN: Thank you, hon. minister.

I also at this time want to extend my sincerest thanks to Mr. Wingate for being so co-operative with me as chair and for the service he's done as Acting Auditor General over the past number of months. There has certainly been a welcome openness within Public Accounts, and certainly you answered and addressed all our questions when we needed you to do that. So I thank you, Mr. Wingate.

MR. N. TAYLOR: Madam Chairman, maybe on behalf of the opposition I could say a word or two, if you don't mind.

THE CHAIRMAN: Certainly, Mr. Taylor.

MR. N. TAYLOR: I also want to thank Mr. Wingate for his always articulate, straightforward answers and wish him the very best in what he does in the future. Also, I congratulate the new Auditor General. I can see why he'd want to come from a city of losers up to a few champions. I'm sure that being on the losing side has sort of prepared him for being the Auditor General, to get in there and look at things.

THE CHAIRMAN: For the benefit of the chair, Carol and Barry, were you wanting on the list of questions or were you wanting some opening comments?

MS HALEY: I wanted on the list of questions.

THE CHAIRMAN: Thank you. I wanted to clarify that.

Before we move into that, I'd like at this time to ask for approval of the agenda. We'd ask the hon. minister, if he is agreeable, if we could complete questions at 10 to 10 to allow for some other business to be attended to. Thank you very much. Are there any objections from the members if we do that? If not, could I have a motion to approve the agenda, please? Moved by Carol. All in favour? Carried. I take it that when you don't indicate, you're supporting the motion.

Approval of the minutes of the February 22, 1995, committee meeting? Moved by Jocelyn. Any errors or omissions? If not, all in favour? Against? It's carried unanimously.

I would now at this time ask the hon. minister to make his opening remarks, please.

MR. DINNING: Well, thank you, Madam Chairman. I'm joined this morning on my left by the Controller, Mr. James Peters, and Greg Moffatt from my office is also here. I am pleased to appear before the committee to account for the 1993-94 public accounts, in particular as it relates to the department of the Treasury.

I must admit, Madam Chairman, that I am rather proud of these documents and of the work that has gone into them, and I want to pay a special tribute to the staff in the Treasury Department, in the Auditor General's office, and indeed throughout government, to those who worked hard to complete them faster than any set of accounts have been prepared by a government in Canada for many, many years. You will recall that the first accounts I had the opportunity to release were the '91-92 accounts. We did those in December of '92. The '92-93 accounts were released in September of '93. The '93-94 accounts were released in June of '94. The Controller advises that if we keep this up, he might be able to release the next set of public accounts later on in the decade before we even present the budget. So we've made some tremendous progress in getting our books timely and prepared.

I want to comment briefly on some rather attractive features of these accounts. Number one, the first volume, which is really a financial statement, is an annual report that has at the back of it the Auditor's report itself and his unqualified opinion; plus, there are volumes 2 and 3 as usual, but this year for the first time we've provided the audited financial statements of universities, public colleges, technical institutes, and provincially-owned hospitals in volume 4. Another rather attractive feature is that the pages are numbered sequentially, chronologically, not unlike the Bible. The Treasury public accounts people have finally joined the 1900s and found that there is an easier way to number the province's accounts.

I want to briefly make reference to some comments made by others, Madam Chairman, with respect to our accounts, not only in their timeliness but in their comprehensiveness. I am reminded of a comment by the Institute of Chartered Accountants a year ago when they said Albertans can feel confident that they have the full picture of the province's finances. Alberta is now viewed as a leader in financial reporting among governments.

Madam Chairman, I would also refer to some comments made by the Auditor General in his '93-94 report on page 9 where he says:

Recently, the government has concentrated on improving public accountability. Initiatives such as three-year business plans, consolidated budgeting, and improvements in the quality and timeliness of the consolidated financial statements all contribute to improved public accountability. Current discussions on the

importance of measuring and reporting on performance are designed to further the accountability goal. Much has been done. He also said, referring to the comments in volume 1, that his comments – “his” being the Provincial Treasurer – in the overview to the '93-94 consolidated financial statements about the need to combine information on financial results with an accounting of the outcomes are another strong indication of the government's wish to improve accountability. I would also refer to page 16, where he said:

In the past year, the government has made major improvements in accountability for its departments and agencies. It has requested each of them to prepare three-year business plans comprising specific objectives, actions, results and spending targets.

Two other interesting comments by the Auditor, saying on page 114:

The Province now provides the earliest reporting in Canada. I congratulate the Treasury Department, and all departments and agencies, on their collective achievement in meeting this deadline.

Madam Chairman, I think that speaks well of the accounts you have before you this morning.

8:40

I know the focus is on the accounts, but clearly, as the Auditor has referred to, we have struck out in a different way, different than any government has till now, in preparing three-year business plans. These plans for '94-95 were the first of their kind. We took the first step in identifying the objectives and the strategies to achieve those objectives and the means by which we would measure performance against the standards set out. To that end, I think we're beginning to change the notion in government, especially as we head into this heady last month of the fiscal year, that dollars should automatically be spent because they're available. Well, those days are gone. At least for the most part I believe they are gone and we're heading in the right direction in that regard and the old spend it or lose it style of management is not in vogue and need not be in vogue any more. I'm pleased that that has contributed to this exercise. It's improved the quality of our planning and of our thinking, what it is that we want to accomplish. Now, as we move to focusing on performance measurement, I believe that will also improve the quality of the management the government provides.

We have also in this current fiscal year provided the Measuring Up document, which was published after the three-year business plans were published, that takes the next step in measuring performance. It is the first document of its kind in the country that I am aware of and is asking Albertans to provide us with advice on what they believe are the important performance criteria that ought to be measured.

So we're again making some progress, Madam Chairman. Perfection still eludes us by a long shot, but we will continue to strive to use the people's money, the taxpayers' money, to achieve better outcomes and be more effective and efficient in our delivery of services.

I'll leave it there, Madam Chairman. I'd be happy if other members want to get into the subject of the capital asset accounting and the consolidated budgeting that appears in the Budget '95 document that will take us the next step toward better use of the people's dollars, but I'll leave that for any questions members might have.

THE CHAIRMAN: Thank you, hon. minister.  
Carol Haley.

MS HALEY: Thank you, Madam Chairman. Mr. Treasurer, you've already started touching on the question that I have. The

first one is actually in the Auditor General's report. It's recommendation 1, where it's been suggested that outputs be included in “plans, annual reports and financial statements.” I was wondering if you'd like to make a comment on that.

MR. DINNING: Well, yes, Madam Chairman. As members know, in his recommendation that “plans, annual reports and financial statements provide information on outputs,” in Budget '95, and in fact before Christmas, we released our response to the Auditor General that said for the most part that we were supportive of or in agreement with virtually all the recommendations. There were some where we had some concerns. Clearly, we can no longer just promise people that we'll deliver or tell them that we will deliver; we've got to show them and show them with measurable results. Lots of people often say to me, “Well, it's hard to measure certain kinds of outcomes.” I remind them that it wasn't difficult to spend the \$12 billion, so surely a little bit of extra effort to measure that which is important, that which shows you've achieved your objectives – it may be difficult, but it's no less a responsibility of ours to ensure that we do it. So as we try to implement that first recommendation, I believe you will see with the financial statements that are released in June of 1995 and the performance measures that go with that that that's our next step. Then you will see in departmental annual reports and their financial statements perhaps a more detailed breakout of what those departments, be it Treasury, agriculture, transportation, or public works, set out to achieve, how much they spent, what they did to achieve those objectives and whether and how well they achieved them.

MS HALEY: Well, going on from what you're saying – and I appreciate the setting of goals and seeing if we reach them – when it comes to actually recording something in a financial statement, there must be some hard and fast indicators so they're meaningful to the people who see them, so they can also see that there was meaningful output from the money they've entrusted us with. Can you elaborate at all as to how you see these performance measures taking shape so they are meaningful?

MR. DINNING: Well, that's an extremely good point, because historically we haven't done that very well. I don't know of a government in the country that's a model that we can set ourselves up to emulate. So that is why we went through the exercise of preparing this document throughout the summer of '94, when we went through the standing policy committees of the government, reviewed progress on business plans, and said: “What's the important stuff? What are those things that are important to our constituents, to Albertans, that need to be measured?” That led to departments finalizing their items that would go in this document. I'll turn just to the department of the Treasury. We have put in here as a draft proposal – and remember, this is a draft document that sought the advice of Albertans in saying: “Are these the right things? Are there things we don't have or are some of the measures in here irrelevant and not important to you?” The submissions were to have been received by yesterday. I haven't had a report yet as to what the status is, but I think the response has been quite reasonable.

In the Treasury Department clearly a couple of them that would be relevant: Alberta's cost of borrowing relative to Canada's cost and other provinces' costs of borrowing money. We have a large portfolio to manage and that we manage for others through the pension funds or the WCB or the heritage fund, so clearly Alberta's investment rates of return vis-à-vis the markets or vis-à-vis other managers of large pools of funds. Clearly, one measure-

ment might be, given the tax and fiscal policy in Budget Bureau, the side on management and revenue, the progress made to eliminate Alberta's annual deficit by '96-97. Clearly, that's not just a Treasury responsibility; it covers the entire government. But from financial performance and standards and accounting, that's clearly Treasury's primary objective: to oversee the achievement of that objective. This book, Madam Chairman, is quite complete with an awful lot of measures, some of which are probably inappropriate, many of which are right on the mark, and some of which need to be adjusted.

MS HALEY: My final question, Mr. Treasurer, is that I understand that on the fiscal side there are ways that we can measure, and you cited a number of them including comparing our interest rates to that which Canada is paying. I am a little more concerned, though, that when we get into things like child welfare or hospital care it gets a lot tougher to try and find some type of performance measurement. Do you have any ideas at this point on how we can determine if our child welfare programs, for example, are working?

8:50

MR. DINNING: The one area I can turn to is in this book where Family and Social Services has put forward some suggestions; for instance, the percentage of children in the custody of child welfare whose needs are being satisfactorily met in their placement. The data they hope to draw that information from is a review of the placement of every child in care. It's a project entitled Reshaping Child Welfare, based on work from Great Britain. They hope to model, as I read this, their means of measuring through similar work that was done by a similar project in Great Britain. Another one is the proportion of closed welfare cases, closed supports for independence cases, that remain closed 12 months after the first time they've been closed. The rate of recidivism back onto welfare or the absence of that is clearly a measure of the work they've done. "Percentage of children who stay free from injury or neglect following department intervention": the data there is to be collected.

In the case of Health, they have "Albertans' life expectancy at birth by gender." They have incidence of what they call low birthweight babies, "estimated teen pregnancy rate," "notifiable disease control," "surgical intervention: rate of Caesarean-sections per 100,000 Alberta women." Clearly, some of them are easily quantifiable. Even the accountant could do it. Then there are others that clearly are perhaps more subjective that only could be found through surveys of, say, public opinion. But we'll do both, because our view is that having spent that \$3.5 billion in health care in a given year, surely to God you can determine what you accomplished with the taxpayers' money.

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

DR. PERCY: A question, Madam Chairman. Are you still allowing the same latitude in terms of linkages between primary question and supplementaries?

THE CHAIRMAN: Certainly based on the policy that was developed, we will follow what the practice of the first questioner was.

DR. PERCY: Okay. Thank you.

A first question to the Provincial Treasurer. Good morning. The province has divested itself of a number of assets – Gainers,

Alberta Intermodal Services, its share of Syncrude – and has used a variety of methods. My first question is: does the Provincial Treasurer, through various interdepartmental divestiture committees, have a common mechanism for setting out tenders, or is it sort of pro rata, that you allocate it to Burns Fry one month, ScotiaMcLeod another? Or is there a specific set of criteria – tendering, which would be the ideal way – by which the province determines who is going to be involved in the disposition of assets?

MR. DINNING: For the most part, Madam Chairman, we go to those people whom we believe will best do the job.

DR. PERCY: Is that in any way related to level of campaign contributions? One would hope the answer would be specific.

MR. DINNING: The answer to that question is no.

DR. PERCY: Then in the absence of any specific criteria that set out clearly how firms are going to be chosen to liquidate various assets of the province, how can one reject that? Do we have to take your word for it, Mr. Treasurer? I mean, what other criteria are used to determine who disposes of Alberta assets?

MR. DINNING: Madam Chairman, clearly there are some firms in the field that are better qualified because of past experience that we have had with them or that they have had in the market where they may specialize or have some expertise in an area. For the most part, they are selected . . . In the case of MagCan, I believe it was Burns Fry who was selected to canvass for those potential purchasers of a magnesium plant. Clearly, it was found that there was inadequate interest such that people wanted to buy it for that purpose, so we exited from that agreement.

In the case of this latest step of selling the assets of the magnesium plant, we asked for offers from a number of chartered accounting outfits and I believe sought submissions from four. On the basis of a number of criteria, including price, expertise, and time, the firm of Price Waterhouse was selected to take offers to purchase this plant. As for the specific criteria spelled out for those firms, Madam Chairman, I would be able to get that information and provide it to the committee.

THE CHAIRMAN: Thank you very much, hon. minister.  
Barry McFarland.

MR. McFARLAND: Thank you, Madam Chairman, and welcome, Mr. Treasurer. I should start by saying that I'm referring to volume 1 of the '93-94 public accounts. On page 21, schedule 15, there are some details about debenture and loan guarantees. In the left-hand column, in 1994, I noticed there was a question that it might be a new loan guarantee to PWA for \$50 million. My question to the Provincial Treasurer is: because the 1993 column to the right shows nothing, can you give me a few details on what the purpose is if it is a new loan guarantee?

MR. DINNING: Madam Chairman, to the member. Shortly after Premier Klein came to office, he fulfilled a previously stated commitment to provide PWA Corporation, which owns Canadian Airlines, support by way of a loan guarantee. He virtually matched that provided by the federal government, Ottawa, and another \$20 million guarantee provided by the government of British Columbia, so that three governments stepped up to the plate for a total of \$120 million to assist Canadian Airlines to provide them with a bridge to their partnership with American Airlines.

That guarantee was provided. Although it was provided in 1992-93, the right-hand column, it began to be drawn down in '93-94 such that by March 31, '94 the loan guarantee had been drawn down in its entirety. That is why that's on the books at that time. That was a guarantee that was provided.

The Premier and I and others have made that comment in this Legislature several times. The deal was completed – I now can't quite remember when – earlier in '94. The loan is repayable in 12 quarterly instalments commencing July 29, 1994, last year. As a result, three payments have now been made – July, October, and January of '95 – and as of March 31, '95 PWA has repaid \$12.5 million of the guaranteed loan.

THE CHAIRMAN: Supplementary, Barry?

MR. McFARLAND: Yes, thank you. At the bottom of the same schedule on 15 there's a total loan and debenture guarantee amount of \$3,209 million. I gather that's for the debenture loans by financial institutions in the list that is on that page. Subtracted from that is an estimated liability of \$206 million. I assume that's estimated bad debt write-off or whatever the other common term might be. Could you explain to me exactly what that is, how it's arrived at?

9:00

MR. DINNING: Madam Chairman, it is an estimate of that which we believe may not or is likely not to be recovered. So one has to make provision for that. The Auditor would require us to be as accurate and precise as we possibly can and to be as conservative as we possibly can to not overstate the debenture and loan guarantees we have outstanding.

I've said in this Assembly several times that I would prefer not to get into the specifics of that, if only to protect us in our effort to recover on that which should be recovered. Any information that might impact or have a negative effect on our ability to recover is something I wouldn't want to let out of the bag, but I can tell you that in large measure it relates to student loan guarantees. As you can see, there are 261 loans by financial institutions beside the Student Loan Guarantee Act. Some of those are not likely recoverable, so we've made provisions for them. Clearly MagCan, being on the list as it is at \$49 million – some of that involves MagCan, in addition to others, the specifics for which I'd prefer not to share. That would pretty well make up that \$206 million number, but note that the interesting part of it is that it's going down from the previous year.

MR. McFARLAND: That kind of leads into my final supplementary, Madam Chairman. I just want to know why in this past year we've seen a drop on these doubtful accounts, I'll call them. From my calculations it's about 9 percent to 6 percent or the \$330 million down to \$206 million.

MR. DINNING: Yes, Madam Chairman. The main reason for the decline is twofold. One is that the \$53 million on the MagCan guarantee was reduced during that time, and about \$63 million on the Gainers guarantees. They, for the most part, account for most of that drop.

THE CHAIRMAN: Thank you.  
Sine Chadi.

MR. CHADI: Thank you, Madam Chairman. Good morning, Mr. Treasurer. I want to direct you to page 139 of volume 2 with respect to Treasury revenues. My questions relate to the miscel-

laneous revenues near the bottom of the page dealing with the heritage savings trust fund administration fees. Looking at this, one would assume that perhaps finance, the department of Treasury, is doing the administration of the assets of the fund, and it appears in '94 that the revenues were up from the previous year. I'm wondering what it is that we do to calculate the figure of 1 and one-half million dollars there. Is there a certain percentage that we charge the fund?

MR. DINNING: I was looking, Madam Chairman, for a reference in the financial statements to the breakdown, but clearly in '93-94 the work done by the investment managers in Treasury management that can be allocated to its management of the affairs of the heritage savings trust fund – we do that. Quite properly, if it was outside government, those administrative costs (a) would be higher and (b) would most definitely be paid for by the fund. During '93-94 you'll appreciate there was a certain amount of activity, whether it was Syncrude and the sale of the 5 percent interest in Syncrude, the sale of Alberta Energy Company, and a fair number of evaluations of heritage fund assets for sale. So in addition to the internal management administration that could be assigned costwise to the heritage fund, there were those additional outside costs for the sale of those assets.

THE CHAIRMAN: Supplementary, Sine?

MR. CHADI: Yeah. I appreciate what you've said, Mr. Treasurer, but I'm wondering if there was perhaps a mechanism used in terms of a percentage of whatever the investment income would have been, that we just charge a certain amount. That was my initial question.

MR. DINNING: The answer is no. It's not a commission. It's not yet based on performance. It's cost assignment only.

THE CHAIRMAN: Final supplementary.  
Could we have some order, please?

MS CALAHASEN: Oh, I'm sorry, Madam Chairman. Thank you very, very much.

THE CHAIRMAN: No, I'm just calling for some order.

MS CALAHASEN: I thought I was going to ask a question.

THE CHAIRMAN: No, it's not your turn yet. Just pay attention, please.  
Final supplementary.

MR. CHADI: Thank you. Near the bottom of the page, again under total general revenue we show the heritage fund investment income going to the general revenue fund, I would assume, again up significantly. I assume from the first answer you gave that maybe the increase in '94 over '93 could have been due to the sale of certain shares and assets we had. If that's in fact the case, I quite clearly recall being in this Assembly when it was stated by different ministers and particularly the Premier that those certain assets would go to pay down debt and not go to the general revenue fund. Is this in fact the case, Mr. Treasurer?

MR. DINNING: Madam Chairman, clearly the \$1,103 million includes the \$273 million gain on the sale of AEC shares. We made it clear in every footnote we ever wrote in 1993-94 that that gain would go to the bottom line, that it would not be spent.

Madam Chairman, perhaps this is an opportunity to make it clear – I haven't got my note on it in front of me, and maybe the Auditor or his colleague to his right could comment on this – that one can't take a gain like that and not account for it in revenue. The Auditor would qualify his opinion were we to do that. So it must be taken into revenue and must be accounted as such and can't go to pay down, reduce the net debt if you're still running a deficit. Only may we reduce the net debt by an estimated \$110 million for '94-95 because we're running a surplus this year. I know from my colleagues to my right that it must be accounted for, as we review the public accounts, as coming into revenue, which then, as we said, goes to the bottom line to reduce that debt which would have been accumulated by way of a deficit.

Would either of the auditors like to perhaps add something there?

THE CHAIRMAN: Mr. Valentine, if you wish to defer to Mr. Wingate . . .

MR. VALENTINE: I'm going to plead ignorance, Madam Chairman, and ask Mr. Wingate to respond.

MR. WINGATE: Madam Chairman, I would support the comments of the Provincial Treasurer. It's correct that the gain on the sale of shares can't be taken directly against accumulated debt. The way to get it to accumulated debt is through a residual surplus on operations for the year. If there was a residual surplus on operations for the year, it would be that that reduced net debt. So I support what the Provincial Treasurer has just said.

THE CHAIRMAN: Thank you.

MR. N. TAYLOR: Are you allowed points of order?

9:10

THE CHAIRMAN: Well, you can do a point of order, yes.

MR. N. TAYLOR: What Mr. Wingate said certainly applies in the private sector because of the difference between bondholders and shareholder equity.

THE CHAIRMAN: Is this a point of order? I think you're really stretching it.

MR. N. TAYLOR: I'm just asking: are those the same rules for governments?

MR. WINGATE: Madam Chairman, yes, I believe that's the case. Frankly, I can't see that it could be organized any other way. It would have to be treated that way. So the profit on the sale, if it flowed through to a residual surplus – it is that surplus that would then reduce net debt. I don't think there is any other way of treating it.

THE CHAIRMAN: I'd like to move now to Mr. Friedel. Gary.

MR. FRIEDEL: Thank you, Madam Chairman. My questions are all out of the annual report of the Auditor General. Basically, what I'm looking for is status reports, I guess. The first one is on page 12, recommendation 4, which suggests that ministers table consolidated plans, budgets, financial statements and . . . reports which include all entities for which they are responsible.

I believe this has been an accepted recommendation. I'm just wondering if the Treasurer would advise us where we're at in this regard.

MR. DINNING: Madam Chairman, we're not as far along as I would like to be. If you have Budget '95 – and perhaps you may not have brought it because we're focusing on '93-94 – we have attached at pages 157 and beyond a statement on fully consolidated budgeting. We've taken the advice of the Auditor General and the Financial Review Commission and said: you've got to move towards bringing to this Assembly and bringing to Albertans all the costs of government. For the most part, virtually all of them are presented in the budget I presented last Tuesday, but there is an important line on other funds and agencies that only gets netted out. Their expenses versus their revenues have been working to our advantage of late, the WCB and ALCB being two and Ag Financial Services Corporation the same.

The actual expenditures of Ag Financial Services Corporation are not officially brought to this Assembly and officially voted on. They're voted on implicitly in approving the agriculture department's budget in the Committee of Supply and when the appropriation Bill is passed. The whole cost of delivering hail and crop or of delivering ag financial services or the Ag Research Institute is not necessarily exposed to the full light of day that, say, the operations of the administration of the department of the Treasury or department of agriculture are. So this is the most recent step, Madam Chairman. On page 160 we basically ask questions. There are some issues to be resolved as we move to full consolidation. "What is the best format for presenting consolidated Ministry budgets and financial statements?" What should actually be voted by the Legislative Assembly? Those are questions I would welcome further debate or advice from this committee on, and perhaps from the larger Assembly when it can take the time to give us some advice.

THE CHAIRMAN: That's certainly a new invitation for advice from Public Accounts. I appreciate it, hon. minister.

Supplementary, Gary?

MR. FRIEDEL: Yes. Moving to pages 124 and 126. If you might, I'll combine both supplementaries because they relate to recommendations 30 and 32, which I consider to be somewhat similar. The first one is a recommendation to "include additional performance measurement criteria in . . . investment objectives" and provide according information. Then 32: "to determine whether assets . . . are being used in the most effective manner." Perhaps you could combine the answer to both of those into one.

MR. DINNING: Good. I appreciate the question, Madam Chairman. I'm just looking at the Auditor's report on pages 124 and 126, as the member has mentioned. Clearly, the review of the heritage savings trust fund has a large impact here as to the future role of the fund. Whether it's kept whole or sold off whole or in part will determine the investment policy and therefore the underlying investment objectives. What this advice is is just saying: look, if you've got an objective, be clear that you know how to measure whether you're able to achieve it, and make sure you know in the case of mortgage investments whether we can properly value what is there. Once we have greater clarity and certainty as to what the financial objectives are of the heritage fund, then we can set an investment policy and strategy to match that. We take the advice of the Auditor General here seriously and will work this year to enhance what we've done. That's not to say that if you look at the heritage fund annual report now, you've got a means by which you can measure performance against, say, how well ScotiaMcLeod vis-à-vis the TSE has done, versus what various other investment dealers have done on their 91-day T-bills

or their short-term bonds. All of that is now spelled out in the heritage fund annual report. Can we go further? Yes.

THE CHAIRMAN: Certainly I'll allow you a final supplementary, Gary.

MR. FRIEDEL: No. That's fine, Madam Chairman. I was looking at the two, and I realized that probably the answer was going to be very similar. I purposely combined them.

THE CHAIRMAN: Thank you very much. I appreciate that. Peter Sekulic.

MR. SEKULIC: Thank you, Madam Chairman. Mr. Treasurer, the first questions I have pertain to payments found on pages 266 and 267 of volume 2. My specific question is whether you can provide further information, in the first case relating to Gainers Inc., as to the nature of a payment of \$21,567,750. Also, on page 266 you have a payment to Tycor International Inc. for just over \$100,000. I was wondering if you could give me more information as to the nature of those disbursements.

MR. DINNING: If I'm not mistaken, Madam Chairman, you're speaking of Gainers Properties and Tycor in the middle column on page 266. Am I correct?

MR. SEKULIC: No. Page 267: Gainers Inc. is in the Crown indemnities.

MR. DINNING: Okay.

MR. SEKULIC: Twenty-one million.

MR. DINNING: In November of '93 we said that we would find a way to facilitate the sale of Gainers. We announced in November when we announced the sale of Gainers that we would provide an indemnity of \$22 million: \$13 million to assist the partnership with restructuring costs and \$9 million to assist Gainers in meeting its commitments to lenders and creditors. The \$22 million was included in the government's and the Auditor General's subsequent estimated loss on Gainers, and the actual payments under these two indemnities totaled \$21,567,750 and are, of course, spelled out in this schedule.

As it relates to Tycor, I'm not familiar with the details there other than, if I'm not mistaken, that payment was made to reduce the exposure. I'd better plead the fifth on that, and you might ask Murray Smith when he appears before the committee representing the Department of Economic Development and Tourism.

9:20

THE CHAIRMAN: Supplementary, Peter?

MR. SEKULIC: Thank you. I will. My second question pertains to page 267 as well, and it's on point (a). Can the Treasurer provide further details on why this \$4.25 million payment was made? Although it was repaid, we don't have any indication as to who the borrower was. Now, is that common practice, or was this an exception? Could you provide further detail as to how this occurred and why it occurred and why we don't have a named borrower?

MR. DINNING: Again, Madam Chairman, that being the export loan program, I would think that's a question Mr. Smith could answer with greater detail.

THE CHAIRMAN: A further supplementary question?

MR. SEKULIC: Yeah. One more question. Mr. Treasurer, what types of monitoring procedures are in place, particularly in the finance loan guarantees division, to minimize exposure to taxpayers in the event of a default? Here I'm referring to things like monthly cash flow statements, quarterly financial reports, that sort of monitoring. What is in place there to ensure that we are tracking closely?

MR. DINNING: Well, Madam Chairman, I think most of the bad news we could possibly have has been done. Within the Department of Economic Development and Tourism we remain in Mr. Brian Williams' shop, and in our own Treasury Department in the loans and guarantees area we are very watchful of those so-called investments that remain outstanding. I'm not familiar with whether there's a monthly cash flow statement. Clearly, there is regular monitoring of the progress on these, especially where there are commitments made for workouts and for meeting scheduled, spelled out deadlines and time lines. Those are monitored by those two shops.

THE CHAIRMAN: Thank you. Julius Yankowsky.

MR. YANKOWSKY: Thank you, Madam Chairman. My question is found on page 228 of volume 2, and it is regarding the Alberta heritage savings trust fund. Now, on page 228 the balance sheet for the Alberta heritage savings trust fund lists accrued interest and accounts receivable of \$526 million. Can the Provincial Treasurer please explain this number for us?

MR. DINNING: Well, Madam Chairman, you can appreciate that with the heritage fund's investments in its cash and marketable securities there is at any given time anywhere from \$200 million to \$300 million of accrued interest on all those assets, indeed all \$12 billion of the assets. Those accounts receivable are debts due to the heritage fund that normally can be expected to be paid within, say, a period of 12 months. The largest amount there, probably close to \$240 million worth, is a receivable as a result of the sale of Alberta Energy Company shares that closed in May of '93 that had a one-year instalment receipt attached to them so that when Albertans chose to buy that at \$19, they paid \$9.50 on, say, May 1 or the closing date in May of '93 with the understanding that they would pay the remainder one year hence. That's the receivable that was booked for the estimated payment of \$240 million.

THE CHAIRMAN: Supplementary, Julius.

MR. YANKOWSKY: Thank you, Madam Chairman. On that same page there is a write-down of investments of \$70 million. Would you please explain that number to us as well?

MR. DINNING: Well, Madam Chairman, again it's those investments that were made earlier on, one most particularly because of Millar Western and the other for the Lloydminster upgrader. In order to enable Millar Western to get required bank financing in '94, a major financial restructuring of the company was negotiated at this time last year. This is all spelled out on pages 18 and 58 of the heritage savings trust fund annual report, because these were assets held by the heritage fund and have to be accounted for as such. As a result of the restructuring and because of low pulp prices the province reduced its book value in Millar

Western by 53 and a half million dollars to \$21 million. But we have remained hard and fast on our commitment not to provide any further financing to any company and particularly in this case Millar Western.

Then about 10 months ago the province basically stopped providing funds for the operating losses of the upgrader, and based on the outlook for the prices, we wrote our investment down by \$27 million at March 31, '94. As you know, last summer the Alberta and Canadian governments agreed to sell their interests in the upgrader to Husky and the government of Saskatchewan. We're awaiting the closure of that deal, and we will receive a payment of about \$32 million at the time of closure.

The primary reason for the \$70 million is \$54 million for a Millar write-down and about \$16 million for the Lloydminster upgrader write-down.

THE CHAIRMAN: Final supplementary, Julius.

MR. YANKOWSKY: Thank you, Madam Chairman, and thank you, Mr. Treasurer, for those very comprehensive answers. My final question has to do with short-term borrowing. How much short-term borrowing did the province indeed do from the heritage trust fund in 1993-1994?

MR. DINNING: Madam Chairman, the net increase in the holdings of Alberta paper, the heritage fund owning the Alberta government's paper, was about \$127 million. They're spelled out in the heritage savings trust fund annual report. Really what that cash and marketable securities portfolio does is provide the heritage fund with liquidity to undertake a variety of investments, and it provides the province with some flexibility in managing its borrowing activity. The province does issue notes to the heritage fund and pays interest to the fund at market rates. The Auditor can show you that that's the rate at which the Treasurer would have borrowed in New York or in Toronto or in London on a given day. It reduces the administrative cost of our borrowing but does not deny the heritage fund its rightful rate of return.

I would remind also, although I know it's not this year that we're covering, Madam Chairman, that those investments actually would have dropped in 1994-95. As they show on page 53 of Budget '95, the actual internal debt holdings held by the heritage fund dropped from \$4.7 billion to \$3.7 billion in '94-95.

THE CHAIRMAN: Thank you, hon. minister.  
Nick Taylor.

MR. N. TAYLOR: Thank you, Madam Chairman. My questions will stick pretty well to volume 1. In reading the notes on page 8, there's note 2(b). The Treasurer says they are now estimating the royalties for the year rather than taking actual income. I'm just wondering: how is that handled if you have a shortfall or a longfall in the following year? How do you report it?

MR. DINNING: Well, clearly this is proof positive that there's no problem we can't make bigger. The Auditor will be able to comment on this, I'm sure, because of his knowledge of accounting on the other side. He comes encumbered by knowledge to his job, and that will be an extra added benefit and asset as he takes on his new responsibilities. Perhaps what I could do is ask the Controller to comment, given the science of estimation, on how a subsequent adjustment would take place if in fact the estimate was off the mark.

9:30

MR. PETERS: Well, the estimate is made at the year-end, at March 31. If there is an adjustment required, the following year another estimate is made at what the receivable is at that point, and the receivable balances at each year-end are adjusted to bring the revenue for the year to include the difference between the receivables at either year-end.

MR. N. TAYLOR: I agree with the Treasurer. When I was in private practice, my accountants and lawyers were always giving me advice on how to get out of a problem I would never have gotten into in the first place if I hadn't listened to them. That's what you call "farming the files." Naturally, I sent my children off in such remunerative enterprises that they're now doing all right.

The second question has to do with the top of page 10, the Alberta/Metis settlements accord. As you know, I'm a native affairs critic, and I note that the government, because of the accord implementation, is on the hook for \$30 million a year for seven years and \$10 million thereon. Now, does the Auditor General's responsibility run through to auditing the Metis settlements' accounts and how they use the money? In other words, I get a number of complaints from different Metis settlements that things are not kosher. Because this is government money flowing through the responsibility of generations, does the Treasurer, or through to the Auditor General, feel there's any responsibility to occasionally audit where the money went?

MR. DINNING: Well, I would refer to the auditors to my right. But remember they are not Crown entities that receive this obligation, this payment; therefore, they would not come under the scrutiny of the Auditor in that we don't maintain their accounts. Quite rightly, the Auditor may say: "In having struck the accord, you did so to achieve certain objectives, and you shell out this money every year to presumably allow them to meet their objectives. Did they meet their objectives?" He's done that with respect to special education as it relates to special ed funding to school boards. As for this, I suppose I would turn my head to Mr. Valentine or Mr. Wingate and ask them to comment.

THE CHAIRMAN: Mr. Valentine.

MR. VALENTINE: Perhaps Mr. Wingate would respond, Madam Chairman.

MR. WINGATE: Madam Chairman, our primary focus is auditing the transactions surrounding the Metis settlement accord. That is our primary focus. To my knowledge, we don't audit the transactions beneath that as you were suggesting we might. Our focus is on the organizations concerned with administering the accord.

MR. N. TAYLOR: My question came, Madam Chairman, because I thought here we were sort of paying a social debt rather than a legal debt; therefore, the auditing maybe should flow through to see that it does indeed go socially.

The next question is regarding page 11. Near the top, land improvements for 10 to 40 years are down there, and then you explain land improvements a little later in almost the middle of the page, saying "land improvements include parks development and grazing reserves." Now, those are two quite different uses, I think. Could the minister - I know he wouldn't have it at his fingertips - undertake to give me the split between how much of that went

to improving parks, for development of parks, and how much went into grazing reserves?

MR. DINNING: I could try to do that, Madam Chairman.

MR. N. TAYLOR: I don't expect it this week.

MR. DINNING: No, most definitely.

MR. N. TAYLOR: Mind you, you would certainly impress me if you did.

MR. DINNING: Do you want me to wing it, like I've learned how to do from you?

MR. N. TAYLOR: No, you've done enough winging in here already.

MR. DINNING: I thought I was just going to do it like you used to do.

THE CHAIRMAN: I take it, hon. minister, that you will communicate that information?

MR. DINNING: Madam Chairman, I can. I'm glad the member has identified that, because this is something the Auditor General and the Financial Review Commission were after us for for several years. You know, you've got all these assets out there – land, buildings, land improvements, runways, bridges, dams – and you're not going to sell them, but you'd better be able to account for what they are and what their amortized cost would be. This is the first time that we've done it.

As you can see on page 151 of Budget '95, which you wouldn't probably have in front of you, it begins to address the whole notion of capital asset accounting and budgeting and what we did this year to truly begin to show how we in fact consume our infrastructure. If you look at the financial statements, Madam Chairman, you can see in the period of restraint we're in that we are consuming our infrastructure. We're eating it up faster than we are reinvesting in it. While I believe that we are still able to maintain the quality, I'm sure as a member for rural Alberta he would most definitely be interested in ensuring that there is sufficient reinvestment in that infrastructure to at least maintain it and not let it deteriorate.

As for the detail he's looking for, I will endeavour to get that.

THE CHAIRMAN: Thank you very much.

Hung Pham, do you wish to ask a question?

MR. PHAM: Thank you, Madam Chairman. Good morning, Mr. Treasurer. I am looking at volume 2 of the 1993-94 Public Accounts. On page 262 the total write-offs for Gainers Properties Inc. and Gainers Inc. were over \$127 million. Can you tell the committee why the government reached that decision, and is there any way we can recover some of that money?

MR. DINNING: Madam Chairman, you will recall that in November of 1993 the government was able to negotiate a disposition of this asset to Burns Foods. We had carried Gainers on our account since 1987 when we fell into the investment, and it was a losing proposition. Our objective, as the member will recall going door to door in Calgary, was to sell these businesses because there was no sense in the government or the taxpayer

being involved. As a result, our investment in Gainers had to be sold off.

When we went public with our announcement in '93, we announced that we had effectively lost in the order of about \$175 million. Then interest was added to that, so it was more in the order of about \$210 million. This is part of that write-off.

THE CHAIRMAN: Supplementary.

MR. PHAM: Thank you, Madam Chairman. On page 266 I saw that another \$74 million was given to the same company in '93 and '94. Were these amounts included in the \$127 million write-off that we talked about earlier?

MR. DINNING: Yes.

MR. PHAM: The last question I have is: have we as the government done a detailed audit of Gainers' financial records to find the explanation for this huge loss?

MR. DINNING: I'm sorry, Madam Chairman. Could the member ask the question again? I apologize.

THE CHAIRMAN: Could you repeat that question, please?

MR. PHAM: Thank you. Have we as the government done a detailed audit of Gainers' financial record to find the reason for this loss?

9:40

MR. DINNING: Yes, every year we owned that enterprise the Auditor did do that – not with all the success he might have wanted – because it was a Crown-owned, Crown-controlled entity. Upon the disposition of it in November, we then asked the Auditor General to do a special report, which was completed just prior to the end of the last fiscal year, late March 1994, where he spelled out those details. Perhaps he might want to supplement the answer.

THE CHAIRMAN: Do you wish to supplement, Andrew?

MR. WINGATE: Madam Chairman, I don't think I can add very much. We did do a special investigation. The purpose of it was to quantify the losses and to explain to the extent possible how those losses had arisen. That was the purpose of the report.

THE CHAIRMAN: Thank you.

Terry Kirkland.

MR. KIRKLAND: Thank you, Madam Chairman. Mr. Treasurer, I would direct your attention to public accounts, volume 2, on page 136. There's a line item identified there as project management, to the tune of \$730,000. I wonder if the Treasurer might expand upon what sort of projects would be undertaken for \$730,000.

MR. DINNING: Madam Chairman, it is largely an area within the department that goes to pay for expenses of things like the Tax Reform Commission that paid honorary administrative expenses. That pays for those who provide consulting services to the department and to the government, including the likes of Coopers & Lybrand or the work that was done on the budget roundtable, work that's done with the C.D. Howe Institute, and others.



MR. KIRKLAND: Mr. Minister, are those consultants identified somewhere in this document, or is that something you'd be willing to identify for the committee?

MR. DINNING: There are a number of organizations we have used, whether it's the University of Alberta and people at the university, people in the department of economics, perhaps even those in the political studies area who have provided us with services. It's a rather detailed list of expenditures.

MR. KIRKLAND: Okay. I'll move on to public accounts, volume 3, if I might. I was looking at page 272, item (c) where we list \$974,000 of fees and commissions dealing with 354713 Alberta Ltd. I wonder if the Treasurer can provide some further detail on the contracts that were involved there to justify a payment just under \$1 million.

MR. DINNING: Where is the . . . I'm sorry.

MR. KIRKLAND: Page 272 in volume 3.

MR. DINNING: Yes.

MR. KIRKLAND: Under note 12, subclause (c). We're looking at \$974,000 there, and it identifies it as fees and commissions paid in that amount. I'm looking, I guess, for disclosure of where some of those fees and commissions may have been paid.

MR. DINNING: I do not have a breakdown of that, Madam Chairman. The company is responsible for the disposition of assets, primarily property that fell into the government's ownership because of the likes of the problems association with North West Trust and Heritage Savings & Trust. N.A. Properties is the government outfit that manages the disposition of those assets, and part of that would include the commission on the sale of certain lands that were within their portfolio and the cost of disposing of that in a given year.

THE CHAIRMAN: Final question?

MR. KIRKLAND: That was actually it. As I counted, that was three.

THE CHAIRMAN: Thank you.

Because of the hour and I haven't any other names from the government side, does anyone wish to ask a further question? If not, what . . .

DR. PERCY: I do want to ask a question.

THE CHAIRMAN: Well, it would have to be brief. As agreed, we're going to move on to other business at 10 to. If you'd like to proceed, Mike . . .

DR. L. TAYLOR: Well, I'll proceed instead of Mike. I've got a question if you're going to allow more questions. I thought we were quitting.

THE CHAIRMAN: It's a quarter to. We've got 'till 10 to. If you have a question, please proceed, Lorne.

DR. L. TAYLOR: Sure.

THE CHAIRMAN: Could you please proceed with your question?

DR. L. TAYLOR: Yes, I'm just getting it here, Madam Chairman. I have to put on my other glasses so I can read it. It's the age thing. I'm sure you're quite familiar with it.

THE CHAIRMAN: I don't take kindly to rudeness in this Chamber.

DR. L. TAYLOR: Sorry, Madam Chairman.

THE CHAIRMAN: I accept your apologies.

DR. L. TAYLOR: Main question. In volume 3 of the '93-94 public accounts, page 290, the combined statement of income and retained earnings for 496072 and NFI Finance shows a budgeted net loss of \$1.7 million. The actual net income was \$6 million. Would the Provincial Treasurer be able to provide us with the details behind this?

MR. DINNING: Madam Chairman, this relates to the management of the loan portfolio associated with the NovAtel matter. These are in large measure loans that were system loans provided to the purchasers of NovAtel product. What this does is show that we expected that the recoveries on those loans might have been a loss in the order of \$1.7 million at December 31, '93. In fact, the recovery was far greater than that and earned an income of \$6.1 million instead of a loss of \$1.7 million. That combined with the previous year of about \$5.7 million has reduced the exposure of the government to the NovAtel loss to December 31, '93, in the order of about \$11.7 million. A greater than projected recovery of interest and fees and a net recovery of that which had previously been provided for as a loss.

THE CHAIRMAN: Thank you, Mr. Minister.

Because of the agenda agreement that we would adjourn questions at 10 to, I'd like at this time to communicate my sincere thanks to the minister and his staff for making themselves available and answering all the questions. Thank you.

I'd like at this time to move to the next item of business. It is a report on the feasibility of using room 512 of the Legislature Building for Public Accounts meetings. The memorandum from our administrative assistant Corinne has been circulated, which clearly shows that, yes, it is possible, but there is an additional annual cost of approximately \$1,400. What's the wish of the committee?

Carol, and then Gary.

MS HALEY: I'd like to make a comment on this. If we cannot spend an additional \$1,400 for any reason, then I don't want to spend it. If in fact they could save \$1,400 by us not doing it, then I want that to be reflected back in the budget, that there was indeed a savings. I fail to see any need or reason to do this in another room. We have this one. It's available, and the microphones work. Let's just stay where we are.

THE CHAIRMAN: Gary.

MR. FRIEDEL: Yeah, I'm very inclined to agree with what Carol just said. One other factor we didn't consider last week when we discussed it was the fact that on occasion there are visitors sitting in and we've had as many as six or eight or 10 people. I think we'd find that with the members here and occasionally a large contingent of minister's staff and visitors, it might be very unwieldy to try and hold it in any other room and still try and accommodate *Hansard* and their requirements. Somewhat

reluctantly, I think for all practical purposes this would be the likely place to stay.

9:50

THE CHAIRMAN: Thank you, Gary.  
Terry.

MR. KIRKLAND: Madam Chairman, I would put a motion forth indicating that we continue to meet as Public Accounts in the Chamber.

THE CHAIRMAN: Thank you. Any discussion? If not, I'll call the question. All in favour of the motion? Against? Could I please point out to members that when you're in the Chamber you're required to vote. As Chair I'm having some difficulty when people don't indicate their vote. So I'd ask that in future meetings when I call the vote, please indicate yea or nay. Thank you. The motion was carried.

I'd like now to draw to your attention that the date of the next meeting is March 8. That's with the Hon. Jack Ady, Minister of Advanced Education and Career Development. Also note that we've revised the schedule that was circulated by Corinne. It clarifies that when the hon. Premier attends on April 12, the Minister of Economic Development and Tourism and president of the Executive Council will also be present for questions. So possibly at that time some questions that were asked this morning of the hon. minister can be directed to the appropriate ministers.

If there's no further business, we stand adjourned. Thank you.

[The committee adjourned at 9:51 a.m.]