

## Standing Committee on Public Accounts

8:30 a.m.

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'd like to call the Public Accounts Standing Committee to order. The first item of business is approval of the agenda, please. Moved by Debby Carlson. All in favour? Any nays? Carried unanimously.

I'm pleased to welcome the Hon. Ty Lund, Minister of Environmental Protection, this morning and also, once again, our Auditor General, Peter Valentine.

I'd ask, hon. minister, if you'd like to introduce your staff, and then I'll ask the hon. Auditor General as well. Then we can have your opening comments, please.

MR. LUND: Thanks, Madam Chairman. It does give us a great deal of pleasure to be here this morning. On my right, the deputy minister, Peter Melnychuk; on my left, Ray Duffy, one of the folks in our finance department; then Ron Hicks, assistant deputy minister, corporate services; Jim Nichols, the deputy minister of natural resources; Cliff Henderson, assistant deputy minister in charge of public lands; Al Schulz, the assistant deputy minister in charge of regulatory services; Ron McKague from the Special Waste Management Corporation; Doug Wright, the executive director of the tire board; and Ken Albrecht, the chair of the tire board.

THE CHAIRMAN: Thank you.

MR. VALENTINE: Good morning, Madam Chairman. On my left is Mike Morgan, who is the Assistant Auditor General responsible for the department, and on my right is Mary-Jane Dawson, who is a principal in the office responsible for the field work, in particular the Swan Hills work we do.

THE CHAIRMAN: Thank you.

Hon. minister, if you'd like to make your opening comments, please.

MR. LUND: Okay. Thanks, Madam Chairman, and good morning, committee members. I'd like to remind committee members that since I became minister in the fall of 1994, Environmental Protection has undergone significant structural change. We have downsized throughout the organization by starting with top management. For instance, I've reduced the number of assistant deputy ministers from seven to four. The department's initial spending target would have declined by 44 percent or approximately \$174 million by the year 1999; however, after a number of functions were added to the dedicated revenue adjustments, the department's total net spending will have declined by 41 percent or approximately \$161 million by 1999. The ministry's total net spending will have declined by 29 percent or approximately \$117 million from the 1992-93 spending levels. Also, by 1998-99 staffing numbers will have been reduced by about 1,360 positions or 29 percent from the 1992-93 levels.

Under our community level service initiative, staff have moved from the urban centres out to the regions. In my mind this has been an important and much-needed step to improve the department's overall customer service delivery.

I would like to start by briefly addressing the few issues of concern raised by the Auditor General in his annual review of the ministry's operation. I'll follow this by speaking in general terms about the department's expenditures and revenue and key achievements. At the end of my comments I'll invite members of this committee to ask any questions relative to the 1994-95 public accounts.

There were several comments requiring follow-up from the Auditor General's 1994-95 report. I'm pleased to say that the department has responded to those concerns as part of our ongoing effort to be more efficient and accountable to the people of Alberta. The Auditor General noted concerns relating to the department's three-year business plan process as it relates to the Alberta Special Waste Management Corporation. In particular, he noted that the effect on three-year business plans of significant change to major programs or capital expenditures be quantified before the changes are implemented. As part of our commitment to operate more effectively, major programs and capital expenditures are now fully measured for both the economic and financial results and the effect on current operations. Program objectives are now set out in the three-year business plan for discussion and evaluation.

Risk disclosure. The Auditor General recommended that when proposed major programs or capital expenditures are dependent on future events, the minister responsible disclose in the entity's three-year business plan an evaluation of the downside risk to the plans proposed. This recommendation also relates to the Alberta Special Waste Management Corporation. Members of this committee may be aware that the NRCB's review of the Swan Hills expansion was conducted in full public view. The estimated capital cost set out in the economic viability analysis was about \$60 million; however, the final capital cost of the expansion was \$104 million. In the Auditor General's opinion, a capital cost discrepancy of this magnitude would invalidate the economic assessment of the expansion presented by Chem-Security and endorsed by the NRCB. The Auditor General was also concerned that the waste streams that were identified in forecasts did not fully account for upcoming regulatory changes. As government further develops the business planning process, our three-year business plans will be more effective in evaluating these potential risk factors.

Costs of services. The Auditor General recommended that the department identify the main forestry-related services that it provides and measure and report the costs involved in providing these services. I'm pleased to report that in our business plan the department has already identified the forestry services we provide and the costs associated with the delivery of those same services. This plan will help the department better manage its programs and activities as well as control costs. One significant step we've taken is to improve efficiencies in the consolidation of the environmental protection and enhancement fund, the environmental protection revolving fund, and the general revenue fund sources for reforestation. The department is also reviewing how forest renewal costs and levies can be moved outside the government and possibly delivered by the private sector.

Lease revenue. The Auditor General recommended that at fiscal year-end the department provide Treasury with the data needed so that the lease revenue could be accounted for in public accounts in accordance with generally accepted accounting principles. I'd like to report that our practices related to this recommendation are consistent with the direction given by Alberta Treasury for the fiscal year.

Legislative noncompliance. The Auditor General recommended that the department ensure that the financial implications of legislation and policy changes are considered before implementation. This recommendation supports the direction currently taken by my department. While financial implications of legislation and policy changes have always been considered by the department, in some instances a detailed analysis wasn't carried out. Our new emphasis on business planning ensures the department has a complete understanding of what legislative and policy changes will cost both government and industry.

Financial operating deficiencies. The Auditor General recommended that the department eliminate accounting inaccuracies

and delays which result in the environmental protection revolving fund not meeting financial reporting deadlines. This is a logistical issue stemming from the expansion of the fund from one operating component to nine in 1994-95. The original component was equipment, materials, and supplies. The eight additional components are information resource management, seed, seedling and reforestation services, state of the environment report, parks brochures and publications, land information Alberta, provincial grazing reserves, facility operations and staff housing. Unfortunately, the department was not fully prepared for the accounting issues associated with this expansion. As a result, accounting records and systems were not in place to generate information promptly to prepare the financial statements. In order to correct this situation, all accounting policies and procedures relating to the revolving fund were reviewed in 1995-96. This review has allowed the department to put correct measures in place and eliminate accounting inaccuracies and delays.

#### **8:40**

**Reforestation levies and costs.** The Auditor General recommended that the department establish accounting principles to enable reforestation levy revenue and expenditures to be recognized appropriately in our revolving fund's annual financial statements. Members of this committee may recall that the revolving fund was established to allow the government to account for reforestation of cutover areas in situations where small timber operators elected not to do their own reforestation. The department charges a reforestation levy based on the volume of timber harvested to cover the costs of the reforestation. We've looked at different ways of handling levies from previous years, including whether reforestation can be tracked by disposition rather than by cut block. A task force has determined that a \$6 levy in 1994-95 is adequate. They also concluded that the present process of deferring revenue until the year in which related reforestation costs are incurred is adequate and meets the financial requirements.

**Method of collecting the advance tire disposal surcharge.** The Auditor General recommended that the Tire Recycling Management Board provide the Minister of Environmental Protection with an assessment of the effectiveness of the current method of tire surcharge and collection. I'm pleased to report that the Tire Recycling Management Board has engaged the services of an independent party to conduct a review of the collection methods of the advance disposal surcharge. Discussions have already been held with Alberta Treasury and the office of the Auditor General. A full report is expected shortly.

**Stockpiled tires.** The Auditor General recommended that the Tire Recycling Management Board establish a reliable method for measuring stockpiled tires to determine if the reduction goal is being achieved. Also, it was recommended that the board "revise its strategy for reducing stockpiled tires by taking into account environmental risk factors such as potential fire hazards." The development and management of the stockpiled inventory is progressing as part of the Tire Recycling Management Board's scrap tire management strategy. Stockpiles could not be addressed until the industry's processing capacity grew sufficiently to handle both the annual inflow and the backlog. More than 2.5 million tires will be processed in Alberta this year, surpassing the number of tires discarded annually in the province. Stockpiles will now be downsized.

With respect to health and safety issues related to stockpiled tires, local authorities are obliged to deal with these issues as part of their solid waste management activities. As part of the Tire Recycling Management Board's landfill registration process, the board requested an indication of stockpile characteristics, tire conditions, and removal urgency. The Tire Recycling Management Board will

work with processors to respond to these situations when they are brought to their attention.

I have addressed many outstanding concerns from the Auditor General's report. Now I'd like to speak about our 1994-95 expenditures. In terms of the departmental general revenue fund expenditures, there are 11 programs in 1994-95. The total of \$323.8 million was appropriated by the department under the general revenue fund in 1994-95, and \$318.9 million was expended. The department had a surplus of about \$4.9 million or 1.5 percent. The department also had a revolving fund in 1994-95 which had an operating expenditure surplus of \$1.6 million and a capital investment overexpenditure of \$9.7 million. The \$9.7 million overexpenditure was the result of a one-time capital investment charge for assets transferred into the revolving fund. In order to accommodate the transfer of staff housing assets from Municipal Affairs and Pine Ridge assets from Environmental Protection's general revenue fund, we were advised by Alberta Treasury and the Auditor General that the net book value was to be charged to the revolving fund as a capital investment charge.

The ministry also has two other regulated funds: the environmental protection enhancement fund, which expended \$4.1 million in 1994-95, and the fish and wildlife trust fund, which expended \$9.4 million in 1994-95. Finally, the ministry incurred expenditures on various programs and activities in its funds and agencies in 1994 as outlined in volume 3 of the public accounts. The Alberta Environmental Research Trust, Environment Council of Alberta, and Natural Resources Conservation Board are examples of these funds and agencies.

In 1994-95 the department received \$117.3 million in revenue, an increase of \$40 million or 52 percent; \$52.8 million was allocated to our environmental protection enhancement fund to provide for natural resources emergency programming. This significant increase in revenue was primarily the result of the new timber fee structure.

Rather than provide the committee with a vote-by-vote breakdown of our public accounts, I'd like to make a few comments about how my department is balancing our fiscal objectives with our mandate to protect and manage Alberta's environment and natural resources. As I mentioned at the onset of my comments, the ministry has undergone significant structural change in order to become more focused and performance orientated. As part of this process, we've initiated several policy initiatives that are relevant to our public accounts for 1994-95. For example, my department has moved forward with regulatory reform. We're streamlining regulatory processes without compromising environmental protection.

In March of 1995 I introduced Alberta's special places program. Alberta's network of protected areas will be complete by 1998, two years ahead of the rest of the country.

Each of the department's forest service areas made significant contributions to the department's overall success in fiscal 1994-95. For example, the Alberta land and forest service changed the timber royalty structure of coniferous sawlogs from a mixed rate to a market-driven rate based on the selling price of lumber. The old base rate of \$3 per thousand board feet for timber dues had been in effect for more than 18 years. In 1994-95 it was increased to over \$25 per thousand board feet. In addition to these base rate increases, the new system increases the royalty rate when lumber prices exceed the cost of production. As a result, timber revenues have increased about fourfold.

The forest protection division of the land and forest service renegotiated aircraft contracts. Time lines for the contracts were extended and the aircraft companies reduced their rates, resulting in a \$1 million reduction in contract aircraft costs. At the same time the division negotiated a government rate for the hiring of casual aircraft which ensured efficient aircraft hiring practices throughout

the province.

In February of 1995 the department released Alberta's first ever state of the environment report. Corporate management services prepared this comprehensive report card on the quality of Alberta's air, water, and land. The 1994 state of the environment report also addressed the health of Alberta's forests, plants, and fish and wildlife populations. This report is of tremendous value to Albertans wanting to learn about long-term trends affecting our environment and natural resources.

#### 8:50

In 1994-95 the environmental regulatory service played an important role in the department's efforts on regulatory reform. Also in 1995, the regulatory approval centre became fully operational. It is now serving as a single window for the processing of applications for approvals required under the Environmental Protection and Enhancement Act. Natural resources services made several significant contributions to department corporate objectives in 1994-95. For example, the service established a partnership arrangement with Alberta registries to sell recreational hunting and fishing licences to provide hunters and fishermen with increased access. Also, the parks division within natural resources services has made extensive use of the private sector in providing services to campers and visitors for some time, both in providing maintenance and service in campground operations. In 1994-95 campground operations were successfully contracted out in 17 parks and recreation areas.

In closing, I'd like to say that I believe Environmental Protection has taken significant steps to contribute to the Alberta advantage. We've done this while honouring our commitment to sustainable development and environmental protection. Environmental Protection's first priority always has been and always will be to protect, enhance, and manage Alberta's environment and natural resources. I am confident that the public accounts for 1994-95 show Albertans that we are well on the way to becoming an efficient, performance-driven organization capable of meeting the challenges of the next century. The department's focus on developing partnerships with industry, organizations, communities, and individuals has helped us use our resources wisely. Through these efforts we've been able to exercise responsible fiscal management while preserving key businesses that Albertans have told us are their top priority.

Last, I believe committee members can agree that our emphasis on sustainable resource management and responsible environmental protection is the appropriate direction for the department, because it is our clean, healthy, and safe environment that makes Alberta an outstanding place to live.

With that, we'd be only too happy to answer some questions.

THE CHAIRMAN: Thank you, hon. minister.

Before we go into questions, because of the large number, could we have administration identify themselves for the benefit of *Hansard* if they supplement a question?

MR. LUND: Okay. We'll make sure we do that.

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

Carol Haley, please.

MS HALEY: Thank you, Madam Chairman. Good morning, minister, staff. Regarding the Auditor General's report on page 107, one of the Auditor General's recommendations was that the Department of Environmental Protection provide the Treasury Department with the information needed to enable

lease revenue to be accounted for in . . . Public Accounts in accordance with generally accepted accounting principles.

At present the department records the revenue from leases as cash in the year it's received, not in the year it's earned. The Auditor General is urging the department to change its reporting of lease revenue to the year in which it is earned. Could the minister advise whether the recommended change in the accounting practice has occurred?

MR. LUND: Well, the changes in the accounting practices and policy of course were the responsibility of the Treasury Department, and the recommendation from the Auditor General that we consolidate all of these in the general revenue fund – we've done that. We are operating with these changes.

Peter, do you care to add anything?

MR. MELNYCHUK: Thank you, Mr. Minister. Just to supplement that, under the direction of Treasury we put together an interdepartmental review committee. From this Treasury will provide all government departments with direction and instructions for the changes in the accounting policy. Our business plans will be updated based on this direction that will come from that interdepartmental committee that's being spearheaded by the Treasury Department.

MS HALEY: You may well have answered it already, but the supplementary is: what would the impact of these changes be on your department?

MR. MELNYCHUK: The impact on the annual lease revenues will be minimal since the department's revenue base on land lease is consistent from year to year. The major impact will be on the province's balance sheet whereby a liability for unearned revenue will be reported. The value of this liability is estimated to be about \$12 million.

THE CHAIRMAN: Thank you, Carol. Thank you, Peter.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, staff, Auditor General.

Could I have a question of clarification from the chair? In the Auditor General's report there's an extensive section that deals with Swan Hills, and the minister did refer to actions the department has taken in response to recommendations that were contained in the review of the Swan Hills facility. What is the breadth of questions that will be permitted relative to that?

THE CHAIRMAN: The same rule as always. If you can identify the source you're basing your question on, the chair will allow that question, but if you stray outside the given year, I will rule you out of order.

DR. PERCY: The given year of '94-95?

THE CHAIRMAN: Of '94-95, although ministers have a habit of straying historically and I haven't ruled them out of order and continue to practice that as a chair.

DR. PERCY: Ah, two-tier, two-tier.

Well, in light of your suggestion, you would rule out of order material prior to '94-95. I will keep my questions, then, a little more precise.

The first question relates to: in the fiscal year 1994-95, a process of negotiations, phase 1, had concluded, I guess, in October. Given that it's a joint venture and information was required to calculate the net present value and the payout to have the private-sector partner take over the government's share in the corporation, how was the information set up and shared? I mean, what information there was proprietary? How was it determined who knew what?

THE CHAIRMAN: You still haven't identified your source.

DR. PERCY: The source would be volume 3, public accounts, 1994-95. Pages 142-43 would be the window. It's just public accounts, Alberta Special Waste Management Corporation.

THE CHAIRMAN: It's imperative that you do that to give people time. Also for the benefit of *Hansard*, we have to have the source of your question. While I'm giving them time, you can repeat the concise question.

DR. PERCY: The window there would be estimates of operating expenditures and operating activities. To make my question as succinct as possible, the government was negotiating with the private-sector partner to conclude phase 1. The payout is contingent, then, on estimates of waste flows, the environment related to exports to the United States. How was the data set determined that both parties would agree would form the basis for the negotiations? Did the private-sector partner have a set of estimates? Did the public-sector participants have a set of estimates? Was there a common standard that was used in terms of estimates?

**9:00**

DR. TAYLOR: Point of order, Madam Chairman. I don't think this refers specifically to these. Although Mike has referred to these two pages, his question seems to be much more general in nature. It was my understanding that in this committee we should refer specifically to issues on these pages as opposed to the general kinds of questions he's providing.

THE CHAIRMAN: Would you like to speak to the . . .

DR. PERCY: The point of order? Well, clearly the expenditures undertaken by the Alberta Special Waste Management Corporation and the management of the corporation required a set of estimates and forecasts of economic activity. Part of the functions and expenditures of the Alberta Special Waste Management Corporation for the fiscal year '94-95 were to conclude the takeover of the government's portion by the private-sector participant. So the expenditures we see here were in part paying administrators and staff who were actively involved in these negotiations. It is true that phase 1 was concluded subsequent to this fiscal year, but during the fiscal year under consideration, the hon. member for Bovar, Jon Havelock, was involved in that and in fact sits on the board and the chairman of that board reported to him.

THE CHAIRMAN: Well, I have had this policy information coming out of public accounts brought before me as chair in this committee since I started to chair it. I've discussed this with the Speaker. The Speaker communicated verbally to me – and I stress it was purely verbal, because it has not been an ongoing issue – that he did not understand how we as a Public Accounts Committee could conduct ourselves in the manner we should without touching on policy or indeed the background on how you develop estimates. So I am going to rule that the question is in order and proceed with that. I don't want us to continue to get into procedural hassles, because it

limits the time we can ask questions. I would ask us to proceed, please.

MR. LUND: I'm not sure that I totally get the gist of the question.

THE CHAIRMAN: Would you like to try succinctly once more? Succinctly, Mike, because you lose the point of the question.

DR. PERCY: Okay. The process of negotiations in that year really boiled down to calculating the net present value of the payout, and doing that was contingent on estimates of waste streams, the environment with regard to exports. Was there a process in place in that year where the board and Bovar and the government members agreed upon a common data set or a common set of estimates of these waste flows and the cost structures down the road, or did each side come in with their own competing estimates?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. I'll be asking the executive director representing Alberta special waste to add to my comments. One area that had to come into the negotiations was the cost of the joint venture agreement, and that played an even larger role in the discussions than the projected waste stream. Then, of course, that relates back to the costs of operations.

Mr. McKague, do you care to add anything?

MR. McKAGUE: I can't add very much to that. Unfortunately, I wasn't party to the negotiation process when these estimates from both sides were examined in some detail. I can't really comment on any of that minutiae, Mr. Minister.

THE CHAIRMAN: Thank you.

MR. LUND: The joint venture agreement did play a major, major role in determining what the value and what the cost to government would be.

DR. PERCY: But since the joint venture agreement was really a framework to assess the cost of treating the waste streams, I would view it more than as minutiae.

I guess my second question is: why in light, then, of the importance of the waste streams and the environment didn't the special waste corporation bring in an outside, arm's-length consultant or body to provide a data set that could be agreed upon by both parties and that was also publicly available for review and discussion? While I agree with the minister that the joint venture agreement is the key, it sets out the costs . . .

THE CHAIRMAN: Mike, you're really pushing the basis of your question. I'm going to rule that out of order, because it certainly is out of the realm of what Public Accounts is pursuing under volume 3, unless you can show me otherwise.

DR. PERCY: Were there any expenditures undertaken in the fiscal year '94-95 by the Alberta Special Waste Management Corporation to hire or set out to hire consultants or engage an arm's-length body to provide a data set of estimates of waste streams and changes in the economic environment facing the Alberta Special Waste Management Corporation and the use of that data set, then, for the negotiations that were under way?

MR. LUND: Well, I will refer to Ron McKague later to see if in fact there is a specific number embedded in these expenditures that

relates directly to your question. However, if you remember, we did have an independent outside assessment of the deal to see that it met a fairness test, and it did meet that test.

Ron, if there's anything you can add.

MR. McKAGUE: Yes, Mr. Minister. I'd like to just back that up and agree. Yes, we did hire an external consultant to examine various estimates provided by both sides and provide at the end of that work an opinion of fairness. I believe that was made public, Mr. Minister, and I think it was made available to other parties.

DR. PERCY: A question of clarification: was that ex-ante or ex-post?

THE CHAIRMAN: Mike, that's just another question, and I have to say I don't want you to push this chair irrespective of where you sit. Pearl Calahasen.

MS CALAHASEN: Thank you very much, Madam Chairman. Good morning, Mr. Minister, staff, and Auditor General. If you will go to volume 2, page 69 . . . Did you find it?

THE CHAIRMAN: Could you repeat the page number, please.

MS CALAHASEN: Page 69. Got it? It's reference 2.6.2. It's regarding the environmental research.

THE CHAIRMAN: Pearl, we have a difficulty. We have to keep the conversation down; even the chair can't hear.

MS CALAHASEN: It indicates there that environmental sciences received approval to generate \$3 million in dedicated revenue. My question is: how much dedicated revenue did they actually generate in '94-95?

MR. LUND: Well, as you accurately say, the estimate was \$3 million. We actually received \$1.7 million. This is a new dedicated revenue program and some anticipated agency funding projects did not materialize, so the \$1.3 million revenue shortfall really didn't have an adverse effect on the department's bottom line. The reduction is a matching expenditure, so it produced the required surplus of \$1.7 million.

MS CALAHASEN: Of the \$1.7 million, could you tell me what kind of research was done?

MR. LUND: I'm sorry?

MS CALAHASEN: What kind of research was done of the \$1.7 million that was out of the dedicated revenue?

**9:10**

MR. LUND: Well, there was agriculture research at \$550,000; some forestry research, \$200,000; reclamation and distributed sites, et cetera, \$575,000; air and water research, \$55,000; and some wildlife research at \$350,000.

MS CALAHASEN: Thank you.

THE CHAIRMAN: Thank you, Pearl.  
Debby Carlson.

MS CARLSON: Thank you, Madam Chairman. Good morning, everyone. My question comes from the annual report, 1994-95. I'm

on page 22, natural resources service. You speak to commercial fishing in this area, and I'm wondering what the department's responsibility was during this time period to maintain sustainability of commercial fishing in northern Alberta.

THE CHAIRMAN: The reference, Debby.

MS CARLSON: The annual report, page 22. It's not very long. I'll read it for you.

- Commercial fishing seasons were scheduled on 98 lakes and reservoirs. The estimated harvest was [over 2] million kg, having a landed value of \$2.8 million. Approximately 50 percent of the catch was sold to the Freshwater Fish Marketing Corporation; the balance was sold locally in Alberta.

My question is: what responsibility does your department have in maintaining the sustainability of this as a commercially viable product and service in Alberta?

MR. LUND: Madam Chairman, if I understand the question correctly, our responsibility relative to the fish supply – is that the area? Well, I'll get my assistant deputy minister in charge of natural resources to comment and supplement. We, of course, have the responsibility of maintaining fish stocks within the province of Alberta, and we've implemented a number of recovery plans like the walleye recovery plan and are doing some research to determine how we can sustain these fish populations.

The commercial fisheries industry is important to Alberta. It's not large, but there are a number of people who make a living from it. Then, of course, we have a lot of so-called commercial fishing licences out there that are really more on the recreational than truly commercial.

I could have Jim Nichols supplement.

MR. NICHOLS: We have in Alberta a licensing requirement for commercial fishermen. It is a closed shop in that there are no new licences issued. If you want to get into the practice, you have to buy an existing licence. Each lake is managed as to the mesh size, which is the size of the net, so you can catch the adult fish and not the producing fish. We have restrictions on the number of nets you can put in. We have restrictions on the length the fishing season would go. We set a poundage for the target species, which in Alberta is usually whitefish. Once that target is reached, we close down the lake.

We also have some targets for nontarget species such as walleye, pike, or anything else. They are very, very restrictive. If those poundages are reached before the whitefish, we close down the lake. We also have biologists and enforcement officers monitoring the lake. We monitor the catch unit per net. We measure the number of nets in the lake, and generally when the poundages come out, we close the lake.

We also control the sale of fish. Commercial fish can be sold either to a licensed fish buyer or to a resident for their own use but not for resale.

THE CHAIRMAN: Supplementary, Debby.

MS CARLSON: Thank you. When roadways are built around or across lakes that have commercial fishing permits on them, are there environmental permits required?

MR. LUND: Environmental permits for . . .

MS CARLSON: Building roadways around or across existing lakes

that are used for commercial fishing purposes.

MR. LUND: Well, each situation of course is assessed individually. If there is a possibility of violating the Canada Fisheries Act or the Navigable Waters Protection Act, that could trigger a number of various types of studies and hearings, but each situation is assessed prior to construction, whether in fact there are additional permits necessary or if in fact even an environmental study is necessary.

THE CHAIRMAN: Thank you, Mr. Minister.  
David Coutts.

MR. COUTTS: Thank you, Madam Chairman. Good morning, Mr. Minister and staff, Mr. Auditor General and staff. My questions this morning are from volume 2 of the '94-95 public accounts and in particular page 71 where we look at the forest management subprogram. If you can look down to references 5.2.14 and 5.2.15, those are both under the forest resource management and reforestation areas. The first reference, 5.2.14, had a significant deficit of over \$1.6 million, while the second reference, just below it, had a surplus close to \$1 million. I'm wondering if the minister could explain what these funds were spent on and why there are such large deviations in each. Or do they depend on one another?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. The most significant expenditure within these elements was the reforestation of cut blocks including the cost of the seedlings. These were cut blocks that were harvested prior to April 1 of 1994. The actual work was carried out under the seedling and reforestation component of the Environmental Protection revolving fund. However, these costs had to be reimbursed as the fund did not receive the revenues, so there was this flow from these elements into that revolving fund. Expenditures were also incurred to implement some enforcement activities to curtail illegal logging practices.

Cliff Henderson, did you care to add anything?

MR. HENDERSON: No. I think you covered it well, Ty.

THE CHAIRMAN: Supplementary, David.

MR. COUTTS: Thank you. Mr. Minister, if we could just go down to the next vote, 5.2.16, where we're looking at regional planning and inspections. We note that the expenditures under this subprogram are substantial – well, to be honest, about \$8.65 million – and that also ran a deficit of about a quarter of a million dollars. What role does this subprogram play, and why was there this overexpenditure?

MR. LUND: This element contains the salaries of the regional foresters and forest officers who ensure that the forest management programs are delivered in each of the 10 forests. The deficit of \$245,000 was the result of the funding being reallocated by the forests between elements to reflect more accurately activity costs. Also, the program reviews were not completed until after the budget was finalized, and therefore funding was transferred to meet those requirements.

MR. COUTTS: Thank you.

THE CHAIRMAN: Thank you, hon. minister, and thank you, David.  
Terry Kirkland.

9:20

MR. KIRKLAND: Thank you, Madam Chairman. Good morning, Mr. Minister. I'm referring to volume 2 of the public accounts, page 68, line item 2.1.1, land conservation and reclamation. I would tie that line in as well to line 3.5.4 on, I believe, page 71 where there is another listing for land reclamation under action on waste. I wonder if the minister can separate for me, when we look at land conservation and reclamation, the amount of dollars under either one of those that are actually dedicated to handling or dealing with the abandoned well program in Alberta. How many dollars are spent on that particular component?

MR. LUND: Could you tell me what was the second reference?

MR. KIRKLAND: Okay. I'm not sure which one it falls under, but I was looking at 2.1.1 on page 68, environmental regulatory services. As I researched the accounts, I also looked at land reclamation under 3.5.4 on page 70, which also lists land reclamation under action on waste. Now, one would assume that the abandoned well program would fall under one of those, and I'm assuming it's under 2.1.1. I wonder if you're able to separate the cost of reclamation of abandoned wells in Alberta.

MR. LUND: The abandoned well one does fall under 2.1.2. I don't have that before me. Al Schulz, do you happen to have that number that relates directly to the abandoned wells?

MR. SCHULZ: Mr. Minister, yes, 2.1.1 is in fact the land conservation and reclamation program related to the reclamation of well sites. The land reclamation program under the action on waste dealt with the cleanup of some of the old landfill sites and programs like that.

When you mention orphan wells, also it may be worth while to note that there is actually an orphan well reclamation fund that we're working on separate from this to help reclaim some of the abandoned orphan wells as well. But specific to well reclamation, the program there is 2.1.1.

MR. LUND: Madam Chairman, we'll undertake to try to get that number out for the hon. member. There is, of course, in agriculture a program as well that spills over into the orphan well sites.

MR. KIRKLAND: The supplementary to that and remaining on 2.1.1. I have to assume that the \$3.1 million that is listed as an expenditure there wouldn't cover the total cost of the orphan well program. What other programs and reclamation projects would you be undertaking under that 2.1.1 on page 68?

MR. LUND: This is the reclamation certificate program. The 2.1.1?

MR. KIRKLAND: Yeah. That's correct.

MR. LUND: No. That doesn't cover the orphan well sites.

MR. KIRKLAND: Okay. What reclamation would that cover, if I might ask, Mr. Minister?

MR. LUND: This is all the certificates in all the reclamation. It could be gravel pits; it could be other sites.

Al, did you care to add anything more to it?

MR. SCHULZ: Yes. In terms relative to the expenditures under 2.1.1, the majority of that is for manpower costs. We have 43 permanent positions in relation to that. That covers the reclamation program not only at well sites but of sand and gravel operations as

well throughout the province. There is no funding in here for the orphan well program per se. That program is funded by industry separately, so there's no funding in here for the orphan well program.

MR. LUND: Madam Chairman, thanks to the Auditor General. He's pointed out to us that under the Energy Resources Conservation Board there is a program, a fund for well abandonment that's \$1.891 million.

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

DR. TAYLOR: Thank you. I'd just like to make a general comment. I have a rural constituency of about 20,000 square kilometres. There was not a lot of trust for the department of environment before this minister came in, and there are still a number of questions. But I'd like to congratulate the minister. It's certainly getting easier out there for me in dealing with the department and environmental issues, and I appreciate those kinds of opportunities that I've had to interact with not only you but your department.

MR. LUND: Thank you.

DR. TAYLOR: On page 72 of public accounts, volume 2, reference 5.5. I'm personally always interested in forest fires because I have no trees in my riding, so this has to do with wildfire operations. The subprogram had a surplus of three and a half million dollars. This was due to a surplus of over \$15 million in wildfire presuppression and a deficit of \$12 million in wildfire suppression. I'm just curious as to what these substantial budget deviations are caused by. What is wildfire presuppression?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. Well, the low spring and fall fire hazards resulted in a surplus of wildfire presuppression due to lower than anticipated prefire costs such as the man-made firefighter wages, the aircraft rental, stocking costs for replacement of fire equipment. As well, the aircraft costs were renegotiated, resulting in a 5 percent rollback. The deficit in the actual fire suppression was from higher than anticipated emergency overtime wages and fire equipment rental and replacement cost on active fires. So the prefire costs were low, but the actual, when they got into the fires, was higher.

DR. TAYLOR: Was '94-95 considered an average year, and if not, how does one predict beforehand a budget for forest fires?

MR. LUND: Madam Chairman, the 1994-95 season was actually considered below normal. The hon. member has touched on an issue that is very difficult for us. How you predict is somewhat of a guesstimation, although coming into a year like we are right now, we know that the likelihood of a spring fire is decreasing as we get more moisture and get closer to a quick green-up. That could change come fall. But we traditionally budget about \$35 million out of general revenue and then an additional \$5 million out of the emergency fund. Of course, that's following on some histories.

Would Cliff maybe care to add any comments at all?

MR. HENDERSON: We use a 10-year rolling average for our base fire years, and after spring comes along, we make better predictions on what the draw may be out of the emergency fund.

THE CHAIRMAN: Thank you, Lorne.  
Peter Sekulic.

MR. SEKULIC: Yes. Thank you, Madam Chairman. Good morning. My questions come from volume 2 of the public accounts, and they're found on page 78 under the Environmental Protection revenues. The first question I have is with regard to the licence costs, or the permit costs, for fishing. I note that there's been a decrease over the previous year in the amount of revenue the department's collecting for fishing licences, and I'm curious to know . . . I'm sorry. Am I speeding?

THE CHAIRMAN: Page 78, volume 2.

MR. SEKULIC: I'm sorry. In 1994 the amount of revenue from fishing licences was \$1,497,000, and in 1995 it was \$1,430,000. Although it's a small decrease, I noted that over the same time period you did have an increase in licence fees. Does that indicate that there's been a fairly dramatic decrease in the number of licences being issued? I guess the question is: have we had an overall decrease in the number of fishing licences being issued in the province?

MR. LUND: I'll ask Jim Nichols, the assistant deputy minister, if he's got an explanation for this one.

MR. NICHOLS: First of all, that fishing would include both commercial fishing and recreational fishing. Within Alberta people under the age of 16 don't require a recreational licence and people over the age of 65 don't require one. We are seeing a drop in the area of the recreational people that require a licence. There has also been a drop in the commercial fisherman licences. As we said, that's a frozen industry right now, and that's reflected in those fees. Overall there hasn't been a drop when you consider the under 16 and the over 65.

THE CHAIRMAN: Supplementary, Peter?

MR. SEKULIC: Yes. Could I have a point of clarification first?

THE CHAIRMAN: It depends if there is clarification or not.

MR. SEKULIC: Well, I have to ask your permission.

THE CHAIRMAN: Yes, Peter.

MR. SEKULIC: Would it be possible to get a hard copy of the decreasing number of both commercial and recreational fishing licences in Alberta over the past two, three years?

MR. NICHOLS: Yes, it would.

MR. SEKULIC: Good.

The other question I had was with regard to a question that was asked earlier in terms of commercial fishing. You said that there was a closed shop, that there are no new licences being issued. Given that we see that recreational fishermen are now facing decreased limits, wouldn't you, then, draw back some of those commercial licences from exchanging on to new holders?

THE CHAIRMAN: You're really directly into policy, and that's outside the '94-95 accounts, Peter. Have you got a further question that's tied to the public accounts of '94-95?

AN HON. MEMBER: You guys always push the boundaries.

THE CHAIRMAN: It's just that they want to test the chair.

MR. SEKULIC: Yeah. I do have another question, if I may. It's on page 70 of volume 2. Given the background I've just given in the preamble to the question I was going to ask but you've determined was policy, vote 4.1.3 is with regard to resource management grants. I notice that there is \$29,000 unexpended, yet we do have decreased, like I said, limits for recreational fisherman. I'm just curious why we'd have that and still an underexpenditure in the resource management area.

MR. LUND: I'll ask the assistant deputy minister in charge of natural resources to respond to that. I don't have that kind of detail.

MR. NICHOLS: Mr. Minister, the grants they're talking about there are grants to such things as the trapper compensation program, the international fish subsidy freight program, and the remote area northern fishery freight program. The last two programs are to assist commercial fishing on Lake Athabasca to help get the product to market. There was an underexpenditure of \$25,000 because we had a late fishery on Lake Athabasca, and there were fewer claims than we anticipated. There were also some reduced compensation forms for trappers, and this is to pay for damage that oil and gas companies cause when they're going in to do seismic work, and it's pretty difficult to predict the amount of damage.

THE CHAIRMAN: Thank you very much. Thank you, Peter.  
Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Good morning, hon. minister. Under the heading of wildlife management on page 70 of the public accounts, volume 2, I note the budget expenditure for the regional wildlife services program was \$1.9 million, yet \$2.152 million was actually spent. This amounts to an overexpenditure of over \$241,000. I wonder if you could explain why there was such an overexpenditure on this program.

MR. LUND: Well, Madam Chairman, this wildlife management program is a fairly broad program. It develops and evaluates provincial policy and programs regarding recreation and commercial wildlife programs. It's responsible for big game and game bird management, including the recreational hunting of waterfowl, crop damage prevention, wildlife parasite and disease monitoring research. It also co-ordinates nongame management, wildlife population surveys, hunter harvest surveys, provincial laboratory services, and is responsible for fur management education, trapper compensation, outfitter/guiding programs. You can see that it's very broad. So the overexpenditure is attributed to the chronic manpower underfunding that persisted for a number of years throughout the fish and wildlife conservation program. These overexpenditures have been offset by savings in other areas of the program by the department. Underfunding has been eliminated in the 1996-97 fiscal year.

MR. AMERY: Same page and under the same heading. Nearly all the other references under this heading of wildlife management, with the exception of one, indicate that they were over budget. I wonder if you could explain the reason for the overexpenditure of the \$84,000.

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks. A lot of these are relative to the delay in the 5 percent salary reduction settlement. Since this is so labour intensive, these delays have caused some problems.

Ray, did you care to add any comment to this?

MR. DUFFY: No. That's exactly right.

THE CHAIRMAN: Thank you.

Mike Percy.

DR. PERCY: Thank you, Madam Chairman, Mr. Minister. My question would be under the departmental support services on page 68 or would fall into forest management. I'm not clear how the department allocates its resources. The question relates to the ongoing softwood lumber saga. The first question: during the fiscal year '94-95, did the department undertake any studies assessing competing solutions, the effects of competing outcomes to the dispute in terms of quota, export tax, U.S. Treasury imposes a duty, in terms of its effect on the structure of the Alberta industry and the costs to the industry?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. I'll have to get my assistant deputy minister to respond to this. Of course, I was not the minister for the full year. Some of this I know developed early.

Cliff, did you care to comment?

**9:40**

MR. HENDERSON: Yes. We did review options and impacts cooperatively with our industry and also with FIGA as to what may be the best approach for Alberta to take forward.

DR. PERCY: Can the minister tell us the arrangement the department has with its lawyers in Washington that seem to be on perpetual retainer?

AN HON. MEMBER: Point of order, Madam Chairman.

THE CHAIRMAN: Are you asking what moneys have been expended in legal fees?

DR. PERCY: Yeah, the structure of the arrangement.

THE CHAIRMAN: That's very different.

DR. PERCY: Expenditures were undertaken in the fiscal year '94-95 in which the department hired legal counsel to represent its interests in Washington. My question is: what was the magnitude of those expenditures, and what arrangement was set up? Was it a retainer? Was it hourly?

THE CHAIRMAN: Okay. That's acceptable then.

MR. LUND: Once again I'll ask the assistant deputy minister to talk on that one.

MR. HENDERSON: I can make the costs available to you. It's a contract for fee of services.

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

Carol Haley.



MS HALEY: Thank you. My last question, Mr. Minister, is with regard to the Tire Recycling Management Board. It's in volume 3, pages 163 to 165. My main question. The statement of revenue, expenditure, and surplus for the Tire Recycling Management Board is shown. This board is charged with the responsibility of finding solutions to recycling scrap tires in Alberta, and as such it pays funds to processors to recycle those tires. In '94-95 nearly \$4.5 million was budgeted for payment to processors, yet only \$1.36 million was actually paid out. Why is there such a large discrepancy?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. Again, this is one of those areas where it is very difficult to make estimations, but '94-95 was a period of time when it looked like the cement kilns were going to take a large volume of tires. It didn't materialize to the extent of the estimates. I guess we have to also remember that this is a fairly new program, the idea of recycling tires. As I indicated earlier, it's very hard to come up with an exact estimate of the volumes that are going to be handled. I must say that we're pleased with the growth in recycling though. By the end of last year the tire recycling board had managed to recycle some 3.5 million tires, which I think is good progress.

I'd ask Doug Wright, the executive director of the Tire Recycling Management Board, if he has any comments.

MR. WRIGHT: Just one comment, Mr. Minister. I think the summation on the kilns is right. We did have a tender out for rubber recycling, and that was awarded early in fiscal '94-95, but it wasn't until late in that fiscal year that that company was fully operational. So they had done 200,000 or 300,000 tires by the end of the year. Also our payments are based only when they actually sell the processed material. That company and a couple of other smaller ones had collected and processed more material, but it really wasn't actually sold until '95-96. As the minister indicated, that was very much a ramping up year.

MS HALEY: Well, the board's been collecting \$4 on every tire sold for highway use since 1992. Can you give me some indication of what that money's being used for?

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. Well, you're accurate that in fact there's been a collection going on for that period of time. At that time, going into the program, there were all those tires on the road. There was a certain stockpile. As a matter of fact, right now we estimate that there are about 14 million tires out there on the road and 9 million of those are unfunded, and then another 6 million that are in landfills are also unfunded. So when you look at the total volume that is kicking around, that we haven't collected the \$4 on, and say that you put an estimate of, well, even \$2, because technology is changing and maybe the cost of disposing those tires, we hope, comes down – just taking an average of, say, \$2 a tire right now, we've got an unfunded liability probably in excess of \$30 million. So to be building a surplus, I know some people are concerned about that, but the fact is that we still have a huge unfunded liability out there.

Doug, did you care to add any more to it?

MR. WRIGHT: I think that pretty well covers it. In terms of allocation of numbers you see between payments actually made to processors and money held in the reserve for tires that need to be

processed, about 90 percent of the annual revenues is allocated to processing, 3 percent roughly goes to the collection of the surcharge, and 6 to 7 percent to ongoing operations.

THE CHAIRMAN: Thank you. Thank you, Carol.  
Debbie Carlson.

MS CARLSON: Thanks. I'd like to follow up on my former question. That was out of the annual report, but we can tie it in to volume 2, page 70, 4.3.8, fish habitat protection. Mr. Minister, you talked about road construction going over lakes or around them having to be assessed prior to construction in terms of environmental permits. Can you tell me exactly what that process is from your department? If it's a private road construction or a county road construction, what would the steps be that they would need to go through your department for some clarification?

MR. LUND: Madam Chairman, I'll have the deputy minister . . .

MR. MELNYCHUK: In the case of road construction across or adjacent to water bodies, there are a number of provincial pieces of legislation that would apply. One is the need for a licence of occupation under the Public Lands Act. The other one is a licence under the Water Resources Act. So the proponent of such projects would have to apply for those permits and licences. When those applications are received, the department has a referral process whereby the application is referred to various agencies that would have an interest or a concern about that particular project. Then based on that input and in some cases depending on the difficulties involved in the project, there may be a public meeting called by the controller of water resources in order to respond to the concerns that have been raised.

There's also a process by which the proponent needs to advertise for the application of such a permit and licence, and this results in objections being sent in to the controller, and those are dealt with. Eventually a licence is issued which has terms and conditions that reflect what the concerns were during the application process.

MR. LUND: I must go back to my original answer to a similar question, and that is that each road is assessed on its own merit. So as the deputy has clearly indicated, there is a process, but we have to assess the original if in fact there is environmental damage or the potential for environmental damage.

**9:50**

THE CHAIRMAN: Supplementary, Debby.

MS CARLSON: Thank you. What would happen if someone just built the road and didn't go through the process?

MR. LUND: Well, we have said all along that we are going to be very vigilant and we're going to come down on offenders with a heavy hand. I think we've demonstrated that we mean what we say in some of the things that have happened: the first time ever someone has been sent to jail for violating environment law.

THE CHAIRMAN: Thank you, hon. minister. Thank you, Debby.  
David.

MR. COUTTS: Thank you, Madam Chairman. I'd like to look at volume 2 again, page 69 this time, under water management and erosion control, and the reference on page 69 is 3.2.4. That reference refers to the cost-sharing program for water management projects. It's been budgeted for expenditures of \$2,993,000 over the

fiscal year, but the program only spent \$2,744,000, I believe. I'm wondering if that is where the expenditures of the water waste management and control program are located, why there's that underexpenditure, because there are lots of programs out there. I wonder if the minister could explain the underexpenditure on that part.

THE CHAIRMAN: Hon. minister.

MR. LUND: Thanks, Madam Chairman. Well, in this particular case the surplus was generated because the costs of the various projects came in under the estimates but also because these are in some cases joined with a municipality. If in fact the project doesn't go ahead, not a decision of ours but a decision of the municipality, then, of course, the dollars that were allocated to that, or estimated costs, would show up as a surplus because the project didn't go ahead.

MR. COUTTS: If there's more demand in other projects, could this underexpenditure be allocated in a given year?

MR. LUND: There's a bit of a problem because, of course, we don't know for sure what those costs are going to be until the municipality has completed the project and we've had a chance to look at their costs and determine what is eligible, what isn't, and come up with the final number. So this is one of those areas that become rather difficult to make sure you don't get caught having overcommitted. It's kind of nice to be on the safe side.

THE CHAIRMAN: Thank you, David. You were close to being reprimanded.

Terry Kirkland.

MR. KIRKLAND: Thank you, Madam Chairman. Mr. Minister, you spoke in your opening comments about the reforestation cost of \$6 per cubic metre and indicated that you had struck a task force that determined that was a fair rate to charge for reforestation. Could you provide me with the number of companies in Alberta that would be operating in the forestry industry and, of those, the number that chose to pay the \$6 as opposed to reforestation?

MR. LUND: We don't have a reference to any particular one here, but . . .

MR. KIRKLAND: Oh, I'm sorry. It was the Auditor General's report, page 110.

MR. LUND: Yeah. That's fine. As far as providing the individual names, I don't think there should be any problem in doing that. There is a cutoff. We do not extend that offer to everyone. The people that use that offer most frequently, of course, are the LTP and CTP with the small volumes. Some low-volume quota holders do as well but not that many, and incidentally the way we are changing the MT wood program, there's going to be a larger take-up of folks wanting to do the actual reforestation themselves as opposed to paying the fee and having us do it.

My assistant deputy minister, Cliff Henderson, has a comment.

MR. HENDERSON: Yes. We can supply the list of companies that opted to use the levy. We also did a very detailed analysis to ensure that the \$6 was appropriate in '94-95.

MR. KIRKLAND: Okay. Thanks. Mr. Minister or perhaps Cliff: would any of the large companies like Al-Pac or Millar Western or

Weldwood or Weyerhaeuser choose to pay that \$6 as opposed to reforestation?

MR. LUND: Madam Chairman, as I referred in my earlier comment, the option is not extended to companies with a volume over a fixed number. Any of those large volumes: no, they don't have the option. They are responsible, and they are responsible under the Free to Grow, which has some very stringent regulations. For example, they must be reseeded within two years; there's an inspection between five and eight years. That inspection requires a certain density, also requires a certain growth. Then there's another inspection around 14 years, and once again density and growth are measured. They must adhere to the Free to Grow.

THE CHAIRMAN: Thank you, hon. minister.

Because of the time, unless Pearl has a very concise, quick main question . . .

MS CALAHASEN: No, that's fine.

THE CHAIRMAN: Okay. Thank you.

I'd like to thank the minister for being with Public Accounts and for answering the questions. I'd ask that any written answers go through Diane so that all members of Public Accounts can get a copy of those questions. It would be greatly appreciated.

Once again, to the Auditor General, thank you very much.

If the House is still in session next week, Wednesday, May 22, it will be Gary Mar, the hon. Minister of Community Development.

We stand adjourned. Thank you.

[The committee adjourned at 9:58 a.m.]