

8:30 a.m.

[Mr. White in the chair]

THE CHAIRMAN: Ladies and gentleman, we'll call the meeting to order in that we now have a quorum. I'd like to have a motion to approve the agenda if we might.

MR. ZWOZDESKY: So moved.

THE CHAIRMAN: Is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Carried.

The approval of the minutes of April 8.

MR. ZWOZDESKY: So moved.

THE CHAIRMAN: Agreed? Carried.

Today we have with us the Minister of Public Works, Supply and Services, the Hon. Stan Woloshyn. I have given an indication of how we run things first, so perhaps without any further introduction, the minister might like to take the floor.

MR. WOLOSHYN: Thank you very much, Mr. Chairman, and good morning to the committee. I couldn't think of a better place to be for coffee on a Wednesday morning.

I'd like to start off by introducing the group here. We thought the vote was going to be us against them, so I made sure we could outvote you. Who I'd like to introduce are the people who make things happen. We're the politicians, as you know, up front. We're the folks who are responsible for keeping the department going on track. We'll start at my far right. Grant Chaney is in charge of information management. Winnie Yie-Yeung, an assistant for finance, is pinch hitting today. Our deputy Dan Bader; next to him is Casey Skakun, who's in property development; and Gregg Hook at the end there, property management. Sitting behind me is George Samoil, the chief information officer, whom you folks have heard quite a bit about. Next to him is my executive assistant, Denise Krieger, and next to her is Bob Smith, realty services.

Mr. Chairman, what I'd like to do is start out for a few minutes with an overview of the department.

THE CHAIRMAN: Might we have the Auditor introduce his staff? It would give you a minute to gather.

MR. WOLOSHYN: My apologies.

MR. VALENTINE: Thank you, Mr. Chairman. With me today in the Assembly are Ken Hoffman, Assistant Auditor General; Lori Caltagirone, manager of audits; and Doug McKenzie, principal. In the gallery are Salima Mawani and Jeff Danter. All of these people are involved with various responsibilities auditing the ministry and the Department of Public Works, Supply and Services.

MR. WOLOSHYN: Thank you very much, and once again good morning, Mr. Chairman and committee. As an introduction to this review, I'd like to provide members of the committee with a bit of an overview of the ministry. As you are aware, PWSS is a central agency that provides government ministries with many of the common services they need to deliver their programs. Our responsibilities include the provision of space, both owned and leased, and the operation and maintenance of that space. We also

provide information technology and telecommunication services, administration of contracts for leased space and negotiation of land purchases for most ministries, and administration of the sale of property surplus to government needs. We also look after air transportation services and central purchasing and the disposal of surplus goods.

In addition to these common services, Public Works provides funding to support the design and construction of hospitals, nursing homes, and health units. We're also involved in the upgrading of seniors' lodges and the construction and rehabilitation of major water development projects.

During the '96-97 fiscal year Public Works met or exceeded all of its business plan targets. For our project delivery and procurement services we use customer satisfaction ratings to evaluate our success in meeting the needs of our client ministries and to identify areas for improvement. In 1996-97 we met or exceeded our customer satisfaction targets. We exceeded our target for average operating costs per rentable square metre of owned space within the Public Works space inventory. We recognize that government departments must be accommodated while balancing appropriate standards, quality, and costs. In 1996-97 Public Works, Supply and Services also achieved a better than expected operating cost per \$100 of goods and services purchased, primarily due to increased demand by ministries for information technology products available on standing offer.

In '96-97 total expenditures for public works were \$463.5 million. These expenditures were more than 9 percent below the total authorized of \$510 million, resulting in a savings of \$46.5 million. These savings were achieved primarily as a result of favourable rates negotiated by the department for lease renewals and extensions and reduced funding requirements for new leases due to Public Works' initiatives to consolidate space and maximize space utilization, also slower than anticipated progress in obtaining regulatory approvals for the Little Bow River and Pine Coulee water development projects, and lower than anticipated expenditures for land purchases in the restricted development areas which are purchased on a willing seller basis.

Public Works has responded to the challenges and opportunities brought about by change. Our employees have demonstrated hard work and dedication, allowing us to foster better ways to do things. We realized many significant achievements in '96-97, including participation of 3,087 vendors in the use of the open bidding system, referred to as OBS, an electronic tendering service that provides easy access to information about government contracts. This achievement was consistent with our efforts to foster opportunities for Alberta businesses to provide goods and services to the Alberta government. Also, reduction of government space by 60,000 square metres is an indicator of Public Works' success in improving space utilization through consolidation and shared accommodation.

There's also the establishment of a governmentwide licence for database software. This licence standardized the deployment of financial and human resource systems so that data is stored, accessed, managed, and secured in a consistent manner across government departments. We have already begun to recognize savings from this agreement, which will amount to nearly \$7 million over the next four years.

The advancement of Public Works' program of auditing energy use in owned facilities. This program is a major part of Alberta's commitment to the action plan for Canada's climate change. Buildings are selected for energy audits to identify cost-effective means of reducing energy costs and undertaking energy-efficient projects.

The use of streamlined measures such as standing offer agreements for the procurement of commonly used goods such as computer hardware and software. Standing offers were used in more

than 66 percent of all tendered purchases by the Alberta government in '96-97, compared to 14 percent in '92-93.

A goal in the Public Works' business plan is to improve the accountability and responsibility of client ministries for more of the services they consume. Effective April 1, 1996, Public Works transferred the budgets for local telecommunications services, small tenant improvements, and replacement furniture to departments. They now deal directly with the service provider for these types of services.

The health facility projects division manages the provincial government's health facility construction program. Through consultation with Alberta Health, the division works with the regional health authorities to assess the condition and requirements for existing facilities and to develop long-term capital development strategies and plan for required new projects. In 1996-97 work was completed on several key health facility construction projects, including renovations to consolidate the clinical programs at the Royal Alex in Edmonton, which had total provincial support of \$6.2 million; construction of a new facility, the Foothills medical centre in Calgary, to house a diagnostic and research facility which provides leading-edge magnetic resonance imaging, or MRI, services to the public, which had a TPS of \$3.6 million; and the reorganization and renovation of space to relocate community mental health services at the Northern Lights regional health centre in Fort McMurray, which had support of \$1.9 million. The government also announced 11 new capital projects to proceed with design and construction, including the \$27 million Peace River health centre replacement, the \$28.9 million Tom Baker cancer centre extension, and the \$20 million construction of the St. Michael's continuing care centre in Lethbridge.

With respect to water resource projects, as you know, the intention is to protect water resources and foster development of a favourable climate for economic growth, particularly in rural Alberta. Work continued on two major development projects in '96-97. Construction began on the three-year, \$42 million Pine Coulee water management project near Stavely, which will provide a long-term solution to water supply problems in the area. Construction also began on the \$47 million St. Mary dam spillway replacement project near Cardston to replace an existing spillway which was undersized and in poor condition.

Over the past few years the restructuring of government operations has resulted in surplus government space. To address this we have worked closely with other ministries to consolidate operations. Public Works has limited the construction of new government facilities and maximized the use of existing properties. Between '96-97 we initiated 71 new projects to consolidate government operations and existing owned and leased facilities. My ministry also helped to establish greater accommodation-sharing arrangements between departments, other levels of government, and government-related organizations. Both federal and provincial staff evaluated opportunities for joint use of federal and provincial space.

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Initiatives in '96-97 included the co-location of Agriculture and Agri-Food Canada with Alberta Agriculture, Food and Rural Development in the J.G. O'Donoghue building and plans to accommodate the joint labour market development program initiated between the federal and Alberta governments which will include the installation of job kiosks in the foyers of several provincial buildings throughout the province.

Public Works played a major role in several information technology initiatives in '96-97 for the government, including the Imagis project and the year 2000 compliance. Public Works leads a cross-government team which is overseeing the implementation of

the new Alberta government integrated management information system, or Imagis. This software is currently being phased in over a two-year period and will standardize financial and human resource systems and reduce duplication across government.

We also worked closely with the chief information office to develop and oversee an action plan to ensure that critical government information systems are year 2000 compliant. Public Works and the CIO are continuing to work with ministries in the co-ordination and communication of year 2000 critical issues and activities.

Mr. Chairman, that concludes my remarks. I'd be pleased to either answer myself or have my very competent staff answer any questions the committee might bring forward with respect to the '96-97 public accounts.

THE CHAIRMAN: Thank you, Mr. Minister.

Mr. Zwodzesky, followed by Mr. Shariff.

MR. ZWOZDESKY: Thank you. Good morning, hon. minister. As always, it's a very great pleasure to see you and all your staff here. And Auditor General, good morning to you and your staff; it's a pleasure to see all of you as well. I believe we have some additional individuals either watching or listening in, so good morning to the world, as they say.

I'm excited to be here with the rest of my colleagues to have an open dialogue on the public accounts of 1996-97 with respect to the Department of Public Works, Supply and Services. I have said on a number of occasions that this is an extremely important department, perhaps one of the most, if not the most, important departments because of the extremely vital services and support services it provides to government.

I want to turn the staff's and the minister's attention to public accounts, volume 2, vote 4, where there are some explanations given with respect to the area of health care services and health care facilities. Mr. Chairman, we're all acutely aware of the current state of affairs in Alberta with respect to health care in a broad sense. Within that, certainly the structures that support the health care system are at a time of great need, and this particular public accounts document in vote 4 speaks to the expenditures that occurred in that area. I want to focus on the overexpenditures that occurred in many of the areas and seek some clarification.

For example, under 4.11.1 we see capital upgrading costs having exceeded budgetary anticipations by some \$6,344,000. I am curious to know, hon. minister, as we look at that figure, if you can comment on what some of the capital upgrading items were that necessitated that overage. Are we talking about renovations or expansions or the purchase of new equipment, or is this technological upgrades or a little bit of everything? Could you shed some detail on that overexpenditure?

MR. WOLOSHTYN: Well, hon. member, that's a good question, and you answered it very well yourself. It's all of the above. What it amounts to: we expend on capital upgrade and capital projects roughly \$108 million annually. We set aside approximately \$25 million, as you can see, or in this case it was estimated at \$18 million and we jumped to \$25 million or \$24 million. What this responds to are the urgent and immediate major needs of regional health authorities. We also look at the overall picture, and if we see that we can do preventative maintenance, although the requests aren't there, we would go ahead to save a dollar down the way. So the question you pose is a very good one. The answer to that is that we respond as quickly as we can to the needs as they are identified. Sometimes it's tough to just do a guesstimate of what they're going to ask us for next year.

MR. ZWOZDESKY: Would there be an undertaking from the minister and his department to provide some of the detail that helps us to arrive at that figure of \$6.3 million, or is it just a sort of generic statement? Is that all you're prepared to make at this time?

MR. WOLOSHYN: Well, at this point, if you want me to dig back and find out which project was \$497,000, which one was \$750,000, which ones were unanticipated, I suppose I could do that, but that would be expending a lot of needless staff time to get you an answer that you already know. But if there are any specifics – for example, if you have a specific question – I would be pleased to answer.

MR. ZWOZDESKY: Well, it's just that capital upgrading is a very, very broad, rather catchall term, and I thought for the tag of \$6 million in overages it might interest all members to know some of the specifics. Perhaps you have some of that expertise with you.

MR. WOLOSHYN: If I may, I'll give you an example of something we're currently working on. I'm giving this to the committee, not to be going outside immediately with a whole bunch of questions. We're currently working with the Capital health authority on their needs for improving the haemodialysis section in the University of Alberta hospital. That was unanticipated by the Capital health authority. That was unanticipated by my department and by Health. However, it's a needed expansion, and we're working with them on a way to achieve that. That could end up in this year's estimates as being an overage.

MR. ZWOZDESKY: How much was that roughly?

MR. WOLOSHYN: Oh, I don't know. We're working with them on the details, and I couldn't give you a straight answer on that. But that's the kind of project that comes in there. There are situations, for example, in my own constituency in Stony Plain. There's a boiler they're nursing along – if it has heart failure, it will be a sudden thing. We know it's there. You could say: well, you should have anticipated it. Yes, we anticipate it, but we hope it lasts long enough for the new hospital to be built around a new boiler.

THE CHAIRMAN: Thank you.

Mr. Shariff, please.

MR. SHARIFF: Mr. Minister, please accept my warm welcome. I'm pleased to see you here today. I'm also pleased to see my colleagues whom I last saw at 12:30 last night. It's nice to see everyone early and working today.

My question is in regards to your 1996-97 annual report. On page 20 under goals and achievements, I see that your department has set a goal of establishing an environmentally sensitive organization. Some of the achievements you have outlined are quite innovative. In particular I'm interested in the sixth achievement noted under this goal. It outlines how an energy performance contract has worked to increase energy efficiency in a group of buildings the department operates in Lethbridge. A third party provides the development and financing while a contractor performs an audit and retrofit. Once the contractor's investment is repaid through savings in monthly utility costs, the department realizes the full operational savings, and you expect to realize an annual savings of \$167,000 from this project alone. My question is: does your department intend to enter into similar contracts in other facilities?

MR. WOLOSHYN: That's another good question. I'll just make a couple of comments and then turn it over to the deputy for a bit more detail. Essentially the department has been looking for quite some

time to see if there are ways that we can in fact improve our utility costs, call it under whatever label you want. There's a process where companies will come and retrofit, recover their costs, and then the overage after a period of time goes back to the owner, if you will. That's one of these projects. I'll just let Dan give a few more comments on it to attempt to answer the rest of your question.

MR. BADER: It's a program basically that we started a number of years ago, but we've changed the funding approach slightly in terms of using private-sector contracts to do the financing of the work. So we're working through basically the top 100 energy-using buildings that we have and also focusing on lease space as well to try and implement programs that where it's more cost effective or the paybacks are short enough and we have the capital, we would go in and, say, relamp a building with lower energy lamps and realize the savings. Where the paybacks are more discrete and we can get contractors interested in front-ending the financing, we're doing that as well, and this is one of those types of contracts. We've done one in the AVC in Edmonton, and as I said, we're looking at sort of the top 100 energy-using buildings where it makes sense to do this across the province.

8:50

MR. SHARIFF: Good job.

I also noticed that your department is continuing to implement a strategy to decrease CFCs in health facilities. Could you please outline what this strategy involves?

MR. WOLOSHYN: Just a moment, hon. member. I have to find out where you're at. While I'm looking, I'll have the assistant deputy minister – Casey, help me out, please.

MR. SKAKUN: This is a program which we've undertaken to eliminate CFCs being used in mechanical equipment, particularly in our health facilities. We've also done that in our other owned facilities. There is a program to eliminate all CFC use in equipment which by its nature if it's released into the atmosphere tends to deplete the ozone layer and create environmental problems in that manner. This program itself is one where we've assessed the use of equipment, the condition of the equipment, and have substituted an environmentally friendly component rather than CFCs, thereby eliminating that product from being released into the atmosphere.

What we've done is assessed the number of hospitals or health facilities that have equipment of that nature that isn't atmospheric or environmentally friendly, and we've undertaken a program to either remove the CFCs from the equipment or replace the equipment entirely if it's of an age such that it's time to replace and renew it.

MR. SHARIFF: If I can just seek one clarification. Is there a time line as to when you will have eliminated CFCs from our facilities?

MR. SKAKUN: There is a goal. I'm not sure of the exact year. I think it's within the next five or six years that it will all be eliminated.

THE CHAIRMAN: Ms Olsen, followed by Mr. Melchin, please.

MS OLSEN: Thank you. Interestingly enough, today I read an article about the Canadian airline industry and their lack of readiness for the year 2000. I note that air transportation falls within the area of Public Works. With all the discussion that has occurred over the year 2000, last year we look at line 2.1.3, cross government applications, and we see that there's an overexpenditure of \$144,000. I'm wondering, given all the problems: does this include all the projects that you're working on for the year 2000? Is that a different

line item? Does this cover the projects we understand you to be working on to the end of '97 and having responsibility for the year 2000 compliance?

MR. BADER: That particular item is related to the cost of space for a record centre, so it doesn't relate to the Y2K issue per se.

MS OLSEN: Okay. Then I guess my question is: where within the specific expenditures from last year is the funding for year 2000 compliance?

MR. BADER: The majority of the funding the department is involved in or the activity it's involved in is under information technology and supply. Generally the approach taken is that George Samoil, the government CIO, leads the parade in terms of policy development and so forth, and the department provides technical support for cross-government initiatives like Y2K. Each of the departments is responsible for funding their own Y2K compliance issues. So in terms of the changes that we have to make within our department, it's part of our administration support funding. Then each other department would be doing the same types of things. So information technology and supply is where our funding for cross-government support would be related to Y2K support groups. We have a small team that's dedicated to Y2K support that includes some project managers we have seconded to other departments, such as Justice as an example. But the majority of the Y2K costs are covered in individual departments' budgets, not in ours.

THE CHAIRMAN: Mr. Melchin, followed by Ms Blakeman.

MR. MELCHIN: Thank you, Mr. Chairman. We'd also like to extend our greetings to the hon. minister and the Auditor General and their staffs. We're delighted that others can keep us accompanied in Public Accounts each Wednesday morning. Welcome.

I actually would like to turn our attention to public accounts, volume 2, pages 98-99. First some general comments. The department has responsibility for the capital projects of a number of departments, including Health, Justice, Municipal Affairs, and the like, and some multi-use facilities. I know that when the budgets are set – for example, in Health a capital projects budget was established at about \$107 million, and I've seen some prioritization and how that methodology works as to establishing the budget. I can appreciate when you're going through the year and you have some large projects which can't all be completed within the same fiscal year. Even though your budget is a fiscal year, many of these projects are longer term than just a one-year project to complete.

My concern comes back to: since a number of these projects may not be completed, yet our budgets and expenditures are close to our budgets, do we start circumventing the prioritization of spending dollars specifically allocated and targeted to the budgeted projects? And when we get through the year realizing we can't spend all the money or we don't need to spend all the money, do we then start reallocating dollars to a variety of other things that come up through the year that may not be left for other projects or to complete the projects in the next years, or let the dollars lapse, that type of issue? For example, if I look at page 98, even just the Health section, you'll see a number of items that were not budgeted for, not necessarily large but certainly taken as a result of the budget dollars not being spent on targeted, budgeted capital projects and filled in because of funds potentially being available to complete smaller things that come up through the course of the year.

So I'd like a little better appreciation of how the department manages, one, going through an exercise of prioritization of projects at the onset and then, two, making sure those dollars are only

targeted to those projects versus just randomly being assigned when you can't spend it on those projects.

MR. WOLOSHYN: That's a rather good question. However, I'll give you a straight answer if I can. First of all, we don't – and I hope you're not implying this – look and see that we've got some money left over and find a project for it to go on. The first question posed had to do with the capital projects overexpenditure of \$6 million. That was found within the existing thing, probably because of some projects not going on track as quickly as they could. What we do, as you well know, is have a priority list of projects, and if that list changes, it goes through quite a process to change. Once a project's been approved, you have your planning money and then you start advancing dollars on it. As the tendering process goes through, there's a construction schedule that is brought forward. That construction schedule is also costed, and that will take us, depending upon individual projects, how long down the road it will go. We don't interfere with those because then we'd drive the costs up. This becomes a matter of specific projects. We match all those projects together. Then we can predict very closely what our cash flow requirements are going to be and at what point down the road – whether it be this year or next year or the year after – we're going to have a very tight crunch for the dollars or whether there's going to be some flexibility. If there's a degree of flexibility, we don't go looking to spend that money. We come back through and try to assign that on a provincial priority basis and add new projects to it. This is why, for example, in this current year, where commitments have been made for an awful lot of expenditure, if new projects were going to go, we'd have to expand the envelope. So no; if that request comes, we would obviously come back through the proper channels to make the requests.

9:00

So in answer to your question, it's planned out; it's there. You can't anticipate every item. There are emergent small items that will occur through health authorities, whether they be a renovation or whatever, that may not have been planned, and if they're small enough, we try to accommodate those rather than stack them down a long list. It depends on the size of them too. Basically it's all tied into a well-planned, well-laid-out process. Now, once a project is approved, there's a time line there between the RHAs, the architect getting the plans finally approved, which usually takes a considerable period of time. For the original request of the health authority, this also has to be endorsed by Public Works and Health so a project that's approved for one particular scope doesn't suddenly grow to be quite big. Sometimes we do run into unanticipated things that create time out. For example, in the Drumheller hospital – which was an oversight, and the fault doesn't matter – we felt that the hospital should be at a particular higher level to ensure that it doesn't get flooded very easily. This created a bit of a delay, and that would have a domino effect down the line in terms of cash flows, but that would be accommodated and we would move other projects up. So it's a well-planned thing, hon. member. It's not a hodgepodge: gee, we've got 50 bucks; we're going to go on a spending spree.

Go ahead, Dan.

MR. BADER: If you notice, in line 4.11.3 there's \$10.5 million that was initially identified, and we show spending \$100,000. That was an allocation pool for projects that were prioritized through the Treasury Board review process during the year, but the capital projects rating scale hadn't completed that review process in time to put them in the budget. So we established a pool against \$108 million total that then went through the prioritization process that the

RHAs submit, and it goes through a rating system. So you'll see that it appears to be an overexpenditure of an unplanned project in terms of no money identified, as an example, for 4.11.19, Tom Baker, but that came out of that \$10 million pool.

MR. WOLOSHTYN: The problem is: the world goes on without the calendar, and the world stops for us on March 31 for budgeting.

MR. MELCHIN: I'll follow that up then. Maybe you can get just a little more specific. I appreciate you do have a couple of what I call catchall pools: capital upgrading, 4.11.1, and you identified 4.11.3, health facility projects, which is a general pool to handle a variety of projects that come up. I appreciate that they're not all onstream and allowed for in a fiscal year. But there are a number of subsequent projects. So you might identify – in our allocation of the actual versus the budgeted and how we're reporting, we have a number of items. You mentioned one of them; I forget which number it was. But there are a number of items just in Health that have no budget but have expenditures that could come out of that 4.11.3 budget. Maybe that's the issue, and the actuals are showing up on different line items.

Then I would have also come back: for example, in 4.11.46, where you have a budget of \$11 million and you expended \$1.4 million and you've lapsed \$5.5 million, does that mean that project is still ongoing, that you're going to need to incur the \$5.5 million next year? In case you've already spent most of that \$5.5 in other projects, you're now going to have to go back and bring it forward. My concern is: projects which certainly because of timing, because of contracts, and because of delays have been identified as a priority but you can't spend the dollars – does it happen, then, that those dollars get spent on a variety of other things which might be important but not necessarily an identified priority?

MR. BADER: Not on projects over a million dollars. The capital upgrading, 4.11.1, is for projects that are a million dollars and under only. So any major projects have to come back through the Treasury Board approval process.

MR. MELCHIN: Okay. Those are a million and under?

MR. BADER: Sorry?

MR. MELCHIN: Item 4.11.1 is \$1 million and under?

MR. BADER: Correct.

MR. MELCHIN: Okay.

MS BLAKEMAN: Good morning and welcome to the minister and his staff, the Auditor General and his staff, and the people we're joined by in the galleries.

My questions are around 4.4, the Public Works expenditures under Community Development. I notice there are three areas that were actually budgeted for in which there was significant underexpenditure of funds and four areas that didn't have budget allocation to them in which there was money spent. We're not talking a lot of money here, and the bottom line is that it evened out in the wash. Sorry; it's page 97. So I'm wondering: seeing as the Glenbow Museum was privatized during this year, what was the expenditure that's noted here? What was that for?

MR. BADER: Maybe a generic answer, and Casey can supplement. We own the building, and there are certain responsibilities we have for the building in terms of major upgrades that are required for it.

The program has been, if you like, privatized – okay? – but the agreement we have with the city says that we own the building and our responsibilities relate to major mechanical, electrical, and envelope upgrades if they're required. So these would relate to those types of expenditures on the building, not the display areas per se.

MR. WOLOSHTYN: Let's say the roof could have been leaking; it wasn't anticipated. We'd have to go and fix that as part of our obligation to it. It wouldn't be a part of the program through the city. It would be our responsibility for major items to the building. It would be some item along that line.

MS BLAKEMAN: Okay. I guess what I'm trying to ask here is that four out of the seven areas covered here had unbudgeted expenditures, and I was using the Glenbow as a specific example. So all four areas had unexpected expenditures in them along the lines of what you're describing to me, the unexpected leaky roof scenario?

MR. BADER: I'm not taking the question out of context, but we're talking about expenditures of \$60,000 and \$65,000, and the accommodation projects in terms of 4.4.40, \$400,000, could be projects from a few thousand to upwards of whatever it would take to get that done. The way the projects are established is that, again, it's an allocation to Community Development or what their projects are, and priorities change throughout the year. These are more related to sort of minor adjustments in terms of the Jubilee auditoriums. I don't have the specifics on what that particular project was, but on average we probably spend a million dollars a year on upgrades to the auditoriums on an ongoing basis just to keep them operational in terms of lighting changes or systems changes and that type of thing. So these would relate to minor projects in that context. The way the reporting system works is that they're reported on a line item basis, but they may not be specifically identified 18 months ahead, which is when the process has to feed information in. So we report on a project-specific basis, but we budget more on a global basis, if that helps.

MS BLAKEMAN: Okay.

MR. BADER: We can certainly get back to you with what specifically that money was used for if you'd like that detail?

MS BLAKEMAN: That would be helpful, if we can direct it through the chair. I would be very interested in your responses. Thank you.

MR. KLAPSTEIN: Good morning. My question will refer to the expenditure by Public Works, Supply and Services for Agriculture, Food and Rural Development facilities on page 97 of the public accounts, volume 2. Under element 4.3.20 the field crop research centre in Lacombe is referenced. I did not see this facility in the Public Works, Supply and Services public accounts for the previous year. Is this a new facility? Or was the \$79,000 expended used for improvements to the facility, and if so, what improvements were made?

9:10

MR. BADER: Sorry; can you give me that page number again?

MR. KLAPSTEIN: It's page 97, reference number 4.3.20.

MR. BADER: Again, I'm sorry; I don't have the specifics. But I would assume that for \$80,000 we're not talking about a new building; we're talking about renovations, modifications to the existing facility. We can provide that detail for you.

MR. KLAPSTEIN: Okay. A supplementary question under element 4.3.30, agriculture facilities and laboratories. There was an overexpenditure of \$207,000. Can you please comment on what facilities this includes and why this was overexpended?

MR. BADER: Again, these would be related to laboratory facilities Agriculture has. I believe this was related to the OS Longman building, which is just on the south side of Edmonton. In the laboratory facilities there we did upgrades to support their programs.

MR. KLAPSTEIN: So why is it over?

MR. BADER: The short answer would be because it wasn't identified in terms of the process. So it's not per se over; it's identified during the budget cycle.

MR. WOLOSHYN: You have to appreciate that we respond . . . The last two questions were very good examples of where we do work – and it's a very good process – on behalf of other departments. Now, it could very well be that within that either a need was not identified or a change was done within the program which impacted on minor renovations we would be responsible for. Again, on these particular ones we don't have any difficulty going back and giving you specific projects if you so desire. Those would be driven not by Public Works' needs but by the departments we accommodate.

THE CHAIRMAN: Mr. Zwozdesky, followed by Mr. Lougheed.

MR. ZWOZDESKY: Thank you, Mr. Chairman. I'm going to address my comments to the Auditor General, beginning with the synopsis contained on pages 181 and 182 of his report. In particular, on page 182 the Auditor General, with reference to the Public Works, Supply and Services department, makes a comment that is rather consistent with all government departments wherein he says, "My auditor's report contained a reservation of opinion." I have read the Auditor General's explanations as to what I believe that constitutes, but I would like the Auditor General to comment, if he would, with specific reference to this department, if he would comment on why he issued that reservation of opinion for the particular year in question. Perhaps he could give us some examples to back up that reservation of opinion with respect to the accrual basis for accounting and how important it is to have it and if there were some areas in particular where he might have suggested that this might have applied to the benefit of transparency and openness and completeness in terms of the PWSS department.

MR. VALENTINE: Thank you, Mr. Zwozdesky. I'd like to refer to pages 32, 33, 34, and 35 of the annual report of the ministry and pages 53, 54, and 55 wherein the opinion on the ministerial financial statements and the departmental financial statement appears. With the significant change in the form of the public accounts which is being implemented in the current fiscal year, last year all the ministries experimented for the first time with producing consolidated financial statements both at the departmental and at the ministerial level. This was in order to get ready for the year coming. By the same token, we worked with those departments and ministries to identify those areas in the accounting system or the accounting principles employed by the various ministries and departments to achieve the reporting standard that will be mandatory for this fiscal year ended March 31, 1998. So there is a certain consistency to the issues which cause the reservation of opinion across all the departments.

A good example would be the pension obligation. The pension obligation for the current and former employees of government is recorded in the year under review in Treasury, whereas in fact the

requirement to discharge that pension obligation over time belongs to the individual departments. So the consequence of it is that until such time as that pension obligation is allocated to each of the departments, we must reserve the opinion both at Treasury because it has too large a liability recorded and in all the other departments and ministries because they don't have any liability recorded. A similar issue is that the accrual for employee vacation entitlements and long-term disability benefits is not handled on a ministry-by-ministry basis.

We also have an issue that we're having an ongoing dialogue with Alberta Treasury with respect to the minimum dollars required to be expended before an asset is capitalized. In fact, we're having some discussion about the definition of a capital asset addition. My concern is that there will be a propensity to acquire multiple asset acquisitions less than the ceiling amount and thereby expense items which truly should be allocated to the operations of the entity over the life of the asset period of time.

Those are three of the items that came up. I can say that they consistently arose over almost all the ministries. We in the meantime have worked with Alberta Treasury to resolve a number of the issues. Some of those items, as we conclude on the current year financial statements, I'm very hopeful will go away. In fact, I think we will be down to one item, perhaps two.

THE CHAIRMAN: I'll interject here that the Auditor General pointed out that the concerns were across departments, not this department specifically. So perhaps the questions might be put in writing, if you wish, and we'll forward them to the Treasurer for the Treasurer to answer those specifics.

MR. ZWOZDESKY: Well, from what I understand, there's an ongoing discussion that will be dealing with this. We'll probably see it in the 1997-98 report, having at least some update on progress.

MR. VALENTINE: Well, for example, I know that this year the pension obligation will be allocated to all the departments.

MR. HOFFMAN: It's vacation pay.

MR. VALENTINE: Vacation pay.

Well, the pension adjustment is interesting because some of that is changing and the pension liability will not be exigible in certain departments but will be exigible in others. In any event, we have had extensive discussions with Treasury and are proceeding along, I think, on a track that is appropriate for the circumstances given the evolution of public-sector accounting principles.

9:20

THE CHAIRMAN: In any event, it's not specific to this ministry, unless the minister has some specific answers as opposed to . . .

MR. WOLOSHYN: I think the comment in the Auditor General's report would lead to that kind of question, but I think the broader thing which the Auditor General is explaining – I'm not sure if you got the drift of it. These are not obligations that are floating out there. Pension obligations, salary obligations, and some others, capitalization and whatnot, are under the bailiwick of Treasury. There is a feeling that these should better be accounted for under individual ministries. Now, for example, in pension and employee benefits, if we had a line in there indicating those obligations, then that wouldn't apply to us, but it's across the whole government. It's not lost; it's a matter of where the accounting – it is felt that it would be more accurate if it were in fact attached to individual ministries. So that's what that reservation is about.

MR. ZWOZDESKY: Yes. I think we understand that. I think we can also agree that there have been enormous improvements to the general reporting system. Since we've moved to the new system of accounting, there have been great accolades, I should say, for the new openness or sense of transparency that it's brought. But it's not quite all completed yet, and that's why there's a reservation for opinion on, I think, almost every department that the Auditor General . . .

MR. WOLOSHYN: On this particular item, Gene, since the pension obligations and benefit obligations, if you will – although the salary obligations are listed, the benefits are not. The Auditor General feels that these should be listed department by department, which is fair ball, but until such time as they are, this overall reservation will be riding.

MR. ZWOZDESKY: I've had my question in sup, but there's another quick comment from the AG.

MR. VALENTINE: I also then reference you, Mr. Zwozdesky, to pages 16, 17, and 18 of my report last year. The discussion there contains the principles that we believe are appropriate in the preparation of the financial statements.

THE CHAIRMAN: Mr. Lougheed, followed by Ms Olsen.

MR. LOUGHEED: Thank you, Mr. Chairman. If you would look on page 96 of public accounts, volume 2, please, telecommunications there is noted as program reference 2.3, and included in this area is customer service under 2.3.1. The question: what might be considered under customer service as it relates to telecommunications?

MR. HOOK: I'll answer that. In our telecommunications division we have a group of experts. We call them telecommunication consultants, and they work with departments to help them define what their network requirements would be for daily communication and issues of that nature. So it's really a central pool of expertise that we have available in Public Works, rather than every department sort of staffing up for the same purpose.

MR. LOUGHEED: Okay. Thank you. In '96-97 \$1.7 million or so was expended there, and the previous year it was about \$19 million or \$20 million. Any reason for that substantial difference in that period of time?

MR. BADER: Which line?

MR. LOUGHEED: That same line.

MR. BADER: Item 2.3.1?

MR. LOUGHEED: Yes, 2.3.1.

MR. BADER: I'm seeing a variance of \$79,000. That's under network operations; is it?

MR. LOUGHEED: Okay. But the previous year it was \$19 million.

MR. CHANEY: In the previous fiscal year there were a number of services transferred directly to departments, and those services, without going into a lot of detail, were: specific lines going into the AGNPAC and the telephone systems were transferred out to the individual departments. So you'll see a reduction in PWSS, but

you'll see an increase within other departments.

MR. LOUGHEED: Thanks.

THE CHAIRMAN: Ms Olsen, followed by Mr. Yankowsky.

MS OLSEN: Thank you. I would like to stay with information technology, and I just have a couple of questions. I'll go back to the year 2000 compliance. What was done during the '96-97 year, that fiscal year, to ensure the year 2000 compliance for the area of transportation.

MR. WOLOSHYN: I'd ask Mr. Samoil to do a little bit of an update. He's been on this one since day one.

MR. SAMOIL: Thank you, Mr. Minister. As was alluded to earlier, each of the ministries has their specific responsibility for addressing the year 2000 problem as it relates to their individual systems. The role that the office of the CIO is playing is working with a project team from Public Works, Supply and Services to put together a template, if you will, a framework for each of the ministries to address that problem. That includes going on an initial basis of preliminary scope of the problem as it relates to that particular ministry, assisting them to develop a detailed project plan for their systems, assisting them in change preparation, and then monitoring their change implementation and change certification process. The way of dealing with that issue in particular was to bring together a level of expertise in a central, co-ordinated area rather than duplicating that expertise in each of the ministries because of the costs involved and because of the lack of resources available within government and the public sector to provide all the people we need. Now, that is the framework with which we are approaching this problem.

As it relates to individual systems and applications, again each ministry will be addressing those on a case-by-case basis. Now, as it relates specifically to aircraft, air transportation, I think you saw the article this morning in the *Edmonton Sun* and the *Journal* talking about the year 2000 hearings that are taking place in Ottawa right now. The Canadian Transport Association, I think it is, was making reference to the fact they believe it is a serious problem. They are working with the national air traffic control systems to make sure the systems are in fact operational. If they believe it is not operational and not safe, they simply won't fly. So the air transport network is being worked on by the federal government.

MR. WOLOSHYN: If you're referring to Public Works aircraft specifically, we won't have a problem. What we could have is a bit of a problem if one or two things happen; for example, if the air traffic controllers go off for whatever reason. But we, as you know, fly very, very local, so a lot of ours would not be affected. The one that would give me concern: we use the satellite positioning systems, where the aircraft automatically . . . If for some reason there's a computer up there, we're going to have rely on the pilot, his compass, and his good training for that particular time. So in terms of the effect on the government, it won't be much of one because our computers associated with it would be up to speed on any of that aspect. The other thing, which is an extremely important one, is the fire-fighting ones, which would be down in January anyhow unless we have another dry summer, but they wouldn't rely on it. So in terms of the effect on government-operated aircraft, it would be minimal if anything.

MS OLSEN: Exactly what I was trying to get at.

MR. WOLOSHYN: Okay.

MS OLSEN: The impact on us, on government.

MR. WOLOSZYN: No, the effect on us would be nothing.

MS OLSEN: Fair enough. My next question is along the same vein, but certainly moving on to the whole focus on this Imagis program that the government introduced last year. Other departments got to a certain point within the implementation phase. One of the suggestions in the Auditor General's report was quarterly budgeting to try and reconcile where government departments were at, and this piece of software, Imagis, is supposed to be able to help with that specific recommendation. I am wondering where the department of public works has been at for that particular fiscal year. How far away from the implementation of the financial side of that package is the department of public works in order to come into compliance with some recommendations through the Auditor General in terms of quarterly budgeting?

9:30

MR. BADER: I'll answer that if I can. The Imagis project basically is the implementation of a software product called PeopleSoft. It's in two components: one is a financial management component, and one is a human resources management component. The first two modules of the financial component were implemented in July of 1997. We're looking at bringing into the budget two other modules over the summer of '98, this summer, and that will go a long way towards meeting those requirements. So the system currently provides monthly reports and has replaced our central financial reporting systems. The future issues are related to enhancements of what those central systems can do. I'm not sure if that answers the question.

THE CHAIRMAN: Mr. Yankowsky, followed by Ms Blakeman and Mr. Melchin.

MR. YANKOWSKY: Thank you, Mr. Chairman, and good morning, everyone. My questions are regarding departmental support expenditure, and I refer you to public accounts, volume 2, page 96, element 1.0.3. We see here an expenditure of \$7,285,000. Under the same element in the previous year there was an expenditure of \$9.912 million, which is a difference of \$2.627 million. Now, this is on the underspending side, so I imagine the taxpayers and maybe even the opposition would agree with the saving once we know what it is and give the hon. minister maybe a pat on the back or something. Anyhow, my question is: what types of costs would be considered as department support, and why was there such a substantial decrease in the amount spent in this area in this one-year period?

MR. BADER: Those functions include our departmental support services like finance, human resources, as well as the administrative components. We went through a fairly rigorous downsizing exercise over the last couple of years, where we laid off several hundred staff, and that's a direct reflection of where those savings are coming from.

THE CHAIRMAN: Ms Blakeman, followed by Mr. Melchin.

MS BLAKEMAN: Thank you. The minister spoke in his opening remarks about consolidating departments to save use of space, rental space, occupied space. I did correspond with the minister's office about a constituent who was very concerned about what was happening with the Charles Camsell hospital. So I'm wondering: what was the policy during this year about vacant buildings, and what was done to sell buildings? I mean, was there during this year a concerted effort to sell buildings or lease them to someone else?

If you're consolidating that much and shrinking the demands for the space that you need to own or lease, what's being done with the stuff that's vacant?

MR. WOLOSZYN: It depends on where you are. If you're in Calgary, we have a problem, because we're literally on the verge of being short of space there. That's the market in Calgary. If you are in rural Alberta, we try to make arrangements with the local municipalities so they can benefit from government property that may be surplus. For example, one that comes to mind is Oyen, a little town. They needed a town hall; we had a courthouse that was taken out of the system. They now have a condominium agreement with the province whereby we jointly own the building because part of it was a liquor store and a provincial building and so on. They now have a good town hall, we have a good working partner, and government space is being utilized, and very cost-effectively to the town, quite frankly. If you're familiar with Fort McMurray, you will see the provincial building has two towers. One of those towers now belongs to the city of Fort McMurray. I think that was the first-ever condominium arrangement done. If you go to the town of Whitecourt, just recently they purchased from us the transportation yard, which we've had on a rental basis. They came forward to us to purchase it.

Now, when you ask about disposition policies, just a very brief scenario: the municipality will get first option at it. We will deal with them directly without having to go through disposition. Or if there's an adjacent landowner, if you will, with a good cause, we'll deal with them. Any other real estate that's disposed of goes through the open market or through a real estate agent, and then it will depend on – you know, the demand for space governs what you do with it. If there's a vacant building and no need for it, then there's a vacant building with nobody wanting it.

With respect to the Charles Camsell, I don't know what will happen with that. We're currently doing a review on that and some other vacant buildings to see what best use those buildings can be put to, whether they should be sold, whether they should be renovated, put to some other use or whatever. You're likely aware there was some talk a couple of years ago about AADAC going in there, and that didn't materialize for some very good reasons. But we try to get the best use for the building as well as the best return for the taxpayer, keeping in mind that although the dollar deals aren't there, the taxpayer, whether it be at the municipal level or the provincial level, is still a taxpayer.

MS BLAKEMAN: Thanks.

THE CHAIRMAN: Mr. Melchin, followed by Mr. Zwozdesky.

MR. MELCHIN: Thank you. I'd like to go back again to the same topic that I started on. I know our budgets, when you're dealing with capital being long term or a pay-as-you-go cash basis for projects which don't necessarily handle a one-year, short time frame – so I'd like to get maybe a little specific in respect to 4.11.46 on page 98 of public accounts, volume 2. University of Alberta hospitals: \$7 million budgeted; there's \$5.5 million not spent. Also on 4.11.99, AADAC facilities: \$2.3 million budgeted, most of it not spent, so about \$2.2 million. Normally, I would have thought that if those projects were identified as priorities we would have seen, because of those two projects, close to \$7.8 million lapse, not spent. We might have had to incur those dollars in the following year, to keep them on priority and put them into the budget there. Either increase next year's budget or don't let the dollars lapse. If they're priority projects, did we not need to spend the money? I guess that's my first question.

MR. WOLOSHTYN: The one that comes to mind that I can answer with detail is the AADAC one. Ms Blakeman referred to the Charles Camsell, and I made the reference that there was consideration being given at that time to having AADAC in the Charles Camsell. That's what the money was allocated for. That project was canceled; the money was not spent. It appears here. That has not taken away the need for meeting AADAC's requirements, and I don't know where that is going to surface or how it will surface. We're working with the folks in Community Development or AADAC themselves to see how we can best improve their accommodation, looking at some options. But this is a classic example: you know, because of a change of decision for whatever reason, moneys were left over from it not being done. At the moment it appears as a saving, but it's really not a saving in the sense that there's still a need for AADAC to be somehow or other fixed up.

MR. BADER: Essentially on the University hospital project, the \$7 million reflected what were identified as priorities by the regional health authority at the time. There was a fairly significant rethinking of just the health care delivery requirements in Edmonton that followed up when this budget was put together, and as a result there was a stepping back. Part of the \$7 million related to upgrading the emergency area in the hospital, which has subsequently been approved in this year's budget to proceed. So there was a combination of deferrals, and another part of that related to the Children's hospital, where again we stepped back, had another look, and a different approach was taken, but the project is proceeding.

9:40

MR. WOLOSHTYN: You'll note that – I believe the University hospital and the Royal Alex tie-in was approved this August past. Now, that is what the deputy was referring to. There was a rethink and a readjustment, so that project actually is more than what appears there. The health authority changed the scope. But it wasn't a loss of money or whatever; it was just a bit of a change in there, delayed here and picked up here.

MR. MELCHIN: I guess as a follow-up – and this certainly isn't anything other than maybe our system. If we rethought those two projects in particular, I would have thought we might have wanted to lapse the dollars, period. Or because we pay as we go in dealing with capital projects, does it almost encourage that you need to spend your full budget? If you lapse those dollars, you need to spend them somewhere else, because there is a never ending list of demands.

MR. WOLOSHTYN: Now, I think that statement is quite unfair and inappropriate. We have an envelope that in my opinion could be much larger at the moment, and I am not advocating for it at this particular time. When we look at our budget, you see there are some 30-odd projects. There's also a whole list, as most members may be aware, that has not been approved but has had all the processes go through where if the money were available and we were on a spending spree, they could be almost ready to go.

What we want to do – and this isn't a reflection on the University hospital – is that we want the health authorities to come up with projects that best reflect their needs. There has been some degree of restructuring, and as we're well aware, there have been some needs which weren't anticipated. For example, beds were closed in Mill Woods, and two years later the need came up and they were reopened. Now, when we're working with the health authorities, if we came to them and said: well, if this is gone, it's gone – so it's a matter of within the whole envelope trying to move projects back and forth.

Then there's the other part which I personally think works very, very well together because it gives us some flexibility. You get into the capital upgrade projects of the under a million dollar category. We've got – how many years in advance in those? Two or three years of listings of them?

MR. BADER: Some of the projects go out two to three years. There's in the order of probably \$60 million to \$70 million worth of outstanding requests that we work our way through. So it's not a question of if they're needed. It's: when is the right time to do them?

MR. WOLOSHTYN: So within that overall envelope, if for good management reasons when we're working with an RHA there's a change of direction or a pullback – and let's indicate again that that's \$6 million in there – I think it's very good management to take and redirect those funds. It's not a matter of wanting to spend; it's a matter of meeting the needs that are already identified but being a bit flexible when we're meeting them. That's the way that whole thing works.

MR. MELCHIN: Thank you.

THE CHAIRMAN: I think the minister mistook the question. The question was – and I think you're in agreement there – the minister seemed to think there was some contradiction, and I didn't hear that in the question. Perhaps when you read it over, you'll find that the member wasn't trying to be contrary minded, if you will.

MR. WOLOSHTYN: I was hoping he was.

THE CHAIRMAN: Mr. Zwozdesky, please.

MR. ZWOZDESKY: Thank you, Mr. Chairman. One brief, final question with respect to revolving funds as they appear on page 103 of volume 2. I understand the concept of revolving funds insofar as this is a provision of materials and/or services between various government departments. Basically the service or the product goes out one door and is expensed and then it gets paid for and comes back in the other door; hence the term "revolving fund," I assume, in simple terms. However, what I wanted the minister to comment on was how this particular revolving fund works in his department. I've read through the accompanying statements on revolving funds contained in the AG's report, which I will come back to the Auditor General with shortly: page 151 onward for several pages, where half a dozen or more revolving funds are reported on. But I want the minister, if he could, to just give me his explanation of how the revolving funds work in his department. I note here that there is an underexpenditure of some \$8 million as related to the revolving fund in the year in question.

MR. BADER: In general we've provided a number of different types of services. We have some mainframe data-processing services – aircraft services are run out of the revolving fund – as well as a number of other similar types of things, primarily in the information management side of life, and it's basically run like a business unit. The reason for them existing is quite simply economies of scale in terms of rather than every department having those same types of services, we operate them on a charge-back basis, and the revolving fund is simply a tool to do that. So those are the mechanisms there, and it's predominantly related to economy of scale and doing it in one location as opposed to every department duplicating those activities.

MR. ZWOZDESKY: So basically being in the business of provision

of supply and services, you would be expected to make money.

MR. BADER: Exactly.

MR. ZWOZDESKY: Right.

I want to go to the Auditor General briefly for my supplemental. Again with respect to the revolving fund scenario, I know there have been various comments made, Mr. Auditor General, with respect to the usefulness of these revolving funds, and as I look at 1996-97, I'm wondering how these revolving funds fit within your greater aim of moving toward a more complete system of reporting the accrual system. Or have they now exhausted their usefulness, and if so, how would they be replaced in terms of the reporting mechanisms of the province?

MR. VALENTINE: Well, first of all, in my term as Auditor General we have been somewhat critical of the use of revolving funds because they don't capture all the costs of the service that's provided, and if one is interested in the cost of services being provided – that is, the output of the revolving fund – then all the costs should be accounted for. I think that's fairly well understood amongst deputies and amongst ministers. Some of the revolving funds would appear, when you look at the business purpose of them, to be coming towards the end of their life, and I believe a number of them are being wound up at the end of March 1998. So that goal where they're not necessary will have been achieved. There probably will be some reason to maintain some of them over a longer period of time.

As to the other question you pose: is there some reason to believe that you don't need the fund itself to drive the accounting or the accountability? I'm always concerned when accounting drives business decisions. I would have thought it's always the other way, that a business decision drives the accounting. If the appropriate accounting has been done within a department, there may be absolutely no need for a revolving fund.

9:50

THE CHAIRMAN: Thank you, Mr. Zwozdesky and the Auditor General.

We have a combination between exhausting the questions and other obligations of the members. You'll notice the members that warmed these seats until some 12:30 a.m. have a few other obligations to take care of prior to commencing back in their chairs again at 1:30, so we may cut it short. And that's not being rude. You've done an admirable job.

We have departing students, so I guess we won't add any comment for them.

You'll note, hon. members, that should next week's meeting be necessary – or be allowed, I suspect, under the rules – we will have the Hon. David Hancock here before us. You will also note that we may not be back again for a while, and if that be the case, I would like to . . .

AN HON. MEMBER: Do you know something we don't know?

THE CHAIRMAN: No. We may not. I said: may not. Hopefully you know something I don't know.

I'd like to thank the committee. You've been wonderful to work with. I thank the Auditor General and his staff, and of course thanks to the minister for a job well done.

MR. WOLOSHYN: I personally would like to extend my thanks on behalf of my staff and myself to the members for their good questions and comments too. If there are any issues that you feel are

still outstanding, if you want to drop us a note, we'll be glad to try and clarify as best we can.

THE CHAIRMAN: Thank you.

Any further business to conduct? There being none, a motion for adjournment? Mr. Shariff. Is it agreed? Carried. We stand adjourned.

[The committee adjourned at 9:52 a.m.]