

Vol. 2

4th Session

24th Legislature

YUKON LEGISLATIVE ASSEMBLY

REPORT

OF THE

STANDING COMMITTEE

ON

PUBLIC ACCOUNTS

TOGETHER WITH

EVIDENCE

APRIL, 1981

Legislative Assembly Office

Whitehorse

Vol. 2

4th Session
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Whitehorse



Yukon Legislative Assembly

Hon. Don Taylor, Speaker
Yukon Legislative Assembly
Box 2703
Whitehorse, Yukon

Dear Mr. Speaker:

I have the honour to present the Second Report of the Standing Committee on Public Accounts.

The scrutiny of public finance continues to challenge us. The democratic principle of accountability remains our ideal.

We trust that we have faithfully executed the Legislature's instructions to the Committee.

Sincerely,

Tony Penikett
Chairman
Public Accounts Committee

April, 1981

Vol. 2

4th Session
24th Legislature

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Yukon Legislative Assembly
Fourth Session 24th Legislature

Members

Tony Penikett, M.L.A., Chairman	Whitehorse West
Peter J. Hanson, M.L.A., Vice-Chairman *	Mayo
Maurice Byblow, M.L.A. *	Faro
Doug Graham, M.L.A.	Whitehorse Porter Creek West
Jack Hibberd, M.L.A. +	Whitehorse South Centre

Staff

Clerk to Committee
Missy Follwell

-
- * Peter Hanson and Maurice Byblow were appointed to the Committee on November 13, 1980.
 - + Al Falle substituted for Jack Hibberd throughout the Hearings.

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Preface

The Standing Committee on Public Accounts has held fourteen meetings since October 28, 1980. During the Formal Hearings, January 20-30, 1981, an examination was done of the Department of Highways and Public Works and the Department of Renewable Resources with witnesses from the Departments appearing before the Committee. The Committee also undertook a review of the status of the Public Accounts Committee (1980) Recommendations. For this purpose witnesses were called from the Department of Finance, Internal Audit, and Government Services.

In April, 1980, the Chairman went to Regina and to Edmonton to observe Public Accounts Committee meetings there and to exchange information with the Chairmen and other Committee members. As a result of these meetings, the Chairman is of the opinion that the Yukon Public Accounts Committee is developing in the right direction.

In August, 1980, the Chairman attended the second annual meeting of the Chairmen of Canadian Public Accounts Committees, held in conjunction with a meeting of the Legislative Auditors. This provided the opportunity for an additional useful exchange of information and ideas.

The Committee members would like to thank Raymond Dubois, Deputy Auditor General, and Harold Hayes, Principal, of the Office of the Auditor General for their invaluable cooperation and assistance during the Formal Hearings.

Committee Procedures

A copy of the 1980 Report of the Committee was sent to Public Accounts Committees across Canada. The Committee, after carefully studying their responses to its report, decided to make one major change in its procedures, namely, to sit in public rather than *in camera* during Formal Hearings.

One further change was made. The Committee, in discussions with officials from the Office of the Auditor General, recognized that the material the Committee might seek under the existing procedure relating to powers of the Committee could breach the confidence of the auditor/client relationship. It has therefore revised the procedure to read;

"THAT the Committee have the right to examine

- a) the Territorial Accounts;
- b) all published reports of the Auditor General;
- c) all financial information used in the preparation of the Territorial Accounts;

and the right to obtain such other information and explanations that the Committee deems necessary for the purposes of its examinations."

STATUS OF PAC (1980) RECOMMENDATIONS

In the PAC (1980) Report, the Committee made fourteen recommendations as summarized on pages 25-28 of that Report. The status of the implementation of those recommendations is as follows:

Recommendation Concurred In

The House, by concurring in the 1980 Report, accepted the first recommendation:

1. Committee Procedure

The House make no change in the Committee structure or procedures at this time.

Recommendations Implemented

The Committee, based on the appropriate Department's comments either before the Committee at the Formal Hearings or in written communication, considers that the following recommendations have been implemented:

2. Report of the Auditor General

The House seek to have tabled at each Fall Session the annual reports of the Auditor General on his examination of the accounts and financial statements of the Government, and on "any other matter" arising therefrom, in order to facilitate the holding of Committee hearings before the Spring Session of the following year.

3. Implementation of Financial Management and Control Study Recommendations

The Government continue to give high priority to the implementation of the Financial Management and Control Study recommendations.

4. Project Management

The Government should adopt in principle the Federal Treasury Board guidelines or similar guidelines for the management of major projects and issue the necessary directives.

7. Internal Auditor

The Government should make a concentrated effort to recruit a Chief Auditor, either through advertising or through the use of consultants specializing in recruiting of these professionals.

11. Tourism Statistics

The Department should take action to improve the quality of its statistics so that it can adequately develop programs and measure their effectiveness.

14. Yukon Visitors' Association Contract

The contract with the Yukon Visitors' Association should be reviewed and clarified as to whether it is a grant or contract. If it is a contract for services, then the Yukon Visitors' Association should provide periodic billings for the services so that they can be approved and paid according to the procedures of the Government.

Recommendation Noted

In the House on April 16, 1980, the Government Leader stated that "at the present time, the Financial Administration Ordinance, the contract regulations, the contract policies and procedures, provide suitable guidance for contract control." The Committee, therefore, accepts the Government's response to the following recommendation:

12. Contract Proposal Evaluation

The Committee recommends that the Government establish criteria for use in evaluating contract proposals, for awarding contracts, for monitoring contract performance, and for post-contract evaluation.

Recommendations Not Fully Implemented

Based on the comments made to the Committee in its Formal Hearings, the Committee is of the opinion that the following recommendations have not been fully implemented:

5. Preparation of Variance Reports

The Government should require its departments to prepare timely, regular, and adequate variance reports.

The Territorial Treasurer expressed the opinion that a system is in place; it is a matter of the departments having the personnel and time to complete the variance reports properly. (9:5)

6. Training Programs

While training in the systems now being implemented is being provided by the Department of Finance, it should not be used as a substitute for sound training programs to provide the level of skills necessary to provide an appropriate and effective financial function in each government department.

The Territorial Treasurer reported that a Training Coordinating Committee has been established by the Public Service Commission and that there has been progress in the training of employees in the government. (1:8)

8. Internal Audit Committee

The Government should activate the Internal Audit Committee and appoint an elected member to chair it.

Until the Government has recruited its own Internal Audit staff, the Audit Services Bureau should be directed to report to the Internal Audit Committee.

The Treasurer should advise on the scope and coverage of the work of the Audit Services Bureau only through the Internal Audit Committee.

The Committee was advised by the Director of Internal Audit that there is an Internal Audit Committee; that the

Government Leader is Chairman but that the Internal Audit Committee has not yet held a meeting. (2:1)

9. Road Equipment Replacement Account

If ways can be found to replace the cost control and funding function previously served by this accounting mechanism, then this type of account should be closed in order to bring expenditures under legislative control. The excess would be transferred to the general revenues of the Government.

The Committee was advised by the Territorial Treasurer that the Department of Finance has discussed the use of this Account with the Department of Highways and Public Works. A study will be made with a view to submitting recommendations to the sub-committee on Finance by March 31, 1981. (1:4)

The operation of the Account is discussed in some detail later in the report. (See pages 14/15)

10. Form and Content of the Estimates

The Department of Finance, in consultation with the Auditor General, should undertake a review of the form and content of the Estimates with a view to providing more narrative descriptions, consistent with the recommendations made by the Auditor General in chapter six of his 1978 Report to the House of Commons.

The Territorial Treasurer informed the Committee that a review had been undertaken and that the form and content of the Estimates for the fiscal year 1981-82 will be substantially different from that of preceding years. The new form will include narratives and various statistics giving more detail on the program and activities within the departments. (1:10/11)

The Committee recognizes a vast improvement in the type and quality of information to be provided in the new Estimates.

The Committee requests that the Government provide it, by December 31, 1981, with a status report on the recommendations that have not yet been fully implemented.

Action Does Not Meet Committee Recommendation

The action taken on the following recommendation does not achieve full ministerial responsibility for delegation of authority as contemplated by the Committee:

13. Delegation of Authority

The Government should consider methods to achieve ministerial responsibility for the delegation of authority within their own departments which should include delegation to all other levels within the department.

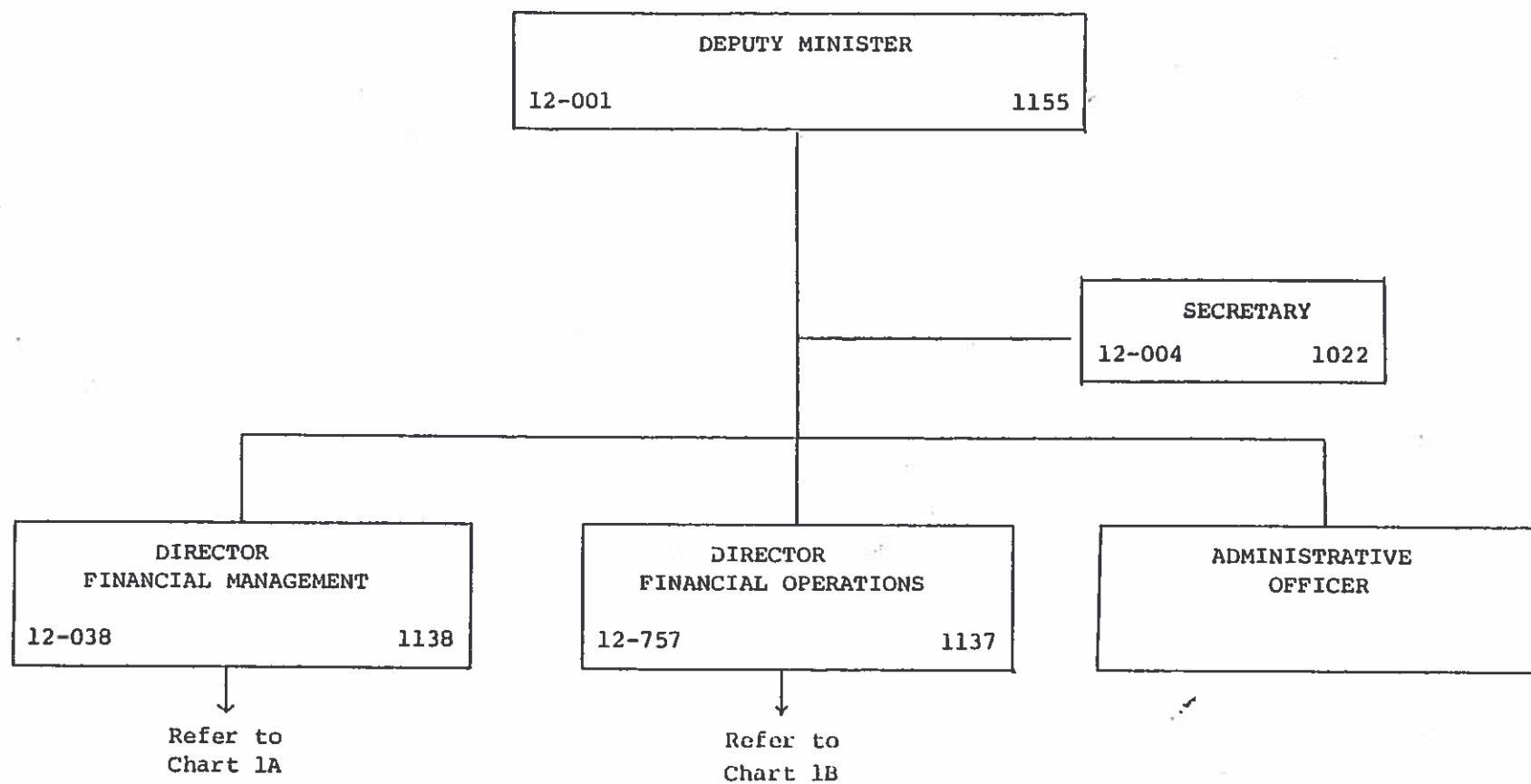
The Committee was advised by the Territorial Treasurer that Ministers have now been given full signing authority for the spending of funds appropriated for their departments. (1:5/6)

Deputy Ministers may delegate financial signing authority to subordinate levels within their department. Delegations must be clearly recorded, appropriate, and well controlled. (Financial Administration Manual, Chapter 2)

1. Recommendation

Ministers should be responsible for all delegations of financial signing authority within their departments.

FINANCE - ORGANIZATIONAL CHART



PAC #5

Approved

[Signature]

Deputy Head

Date

80 09 03

1980 08 15

STATUS REPORT: FINANCIAL MANAGEMENT SYSTEM PROJECTS

Because of the importance of the Financial Management System projects to the overall financial management and control of Government operations, the Committee has included this report on the projects. In so doing the Committee points out that some of the projects, originally the responsibility of the Department of Finance, have been turned over to the Department of Government Services.

Department of Finance

The Territorial Treasurer reported on the FMS projects under his Department as follows:

Projects Completed

- 1:6 (1) Department of Finance Operating Manual
- (2) Training and Career Development/Financial Orientation Training

Projects Underway

- 1:6 (1) Financial Administration and Accounting Control Manual

The Treasurer made a commitment to complete this project by June 30, 1981.

- 1:7 (2) Revenue and Recovery Recording and Collection Procedure

A software package has been reviewed for a computerized Sundry Accounts Receivable System. Further investigation will be conducted in fiscal year 1981/82.

1:7/8 (3) Internal Chargebacks

User departments are now provided with computer printouts detailing internal chargebacks at the end of each accounting period. A work order system will be developed in fiscal year 1981/82.

1:8 (4) Commitment Accounting

Work on this project has been delayed as the Department is awaiting a report being prepared by the Comptroller General of Canada.

1:9 (5) Account Verification and Pre-audit Function

The Treasurer stated that this project should be completed by April 1, 1981.

1:9/10 (6) Invoice Processing - Centralized or Decentralized

The Treasurer stated that there is nothing wrong with the invoice processing system. The departments employing the system are using it properly.

The Committee members feel that there are delays in accounts payable settlements and would like to see this rectified, regardless of where the problem lies.

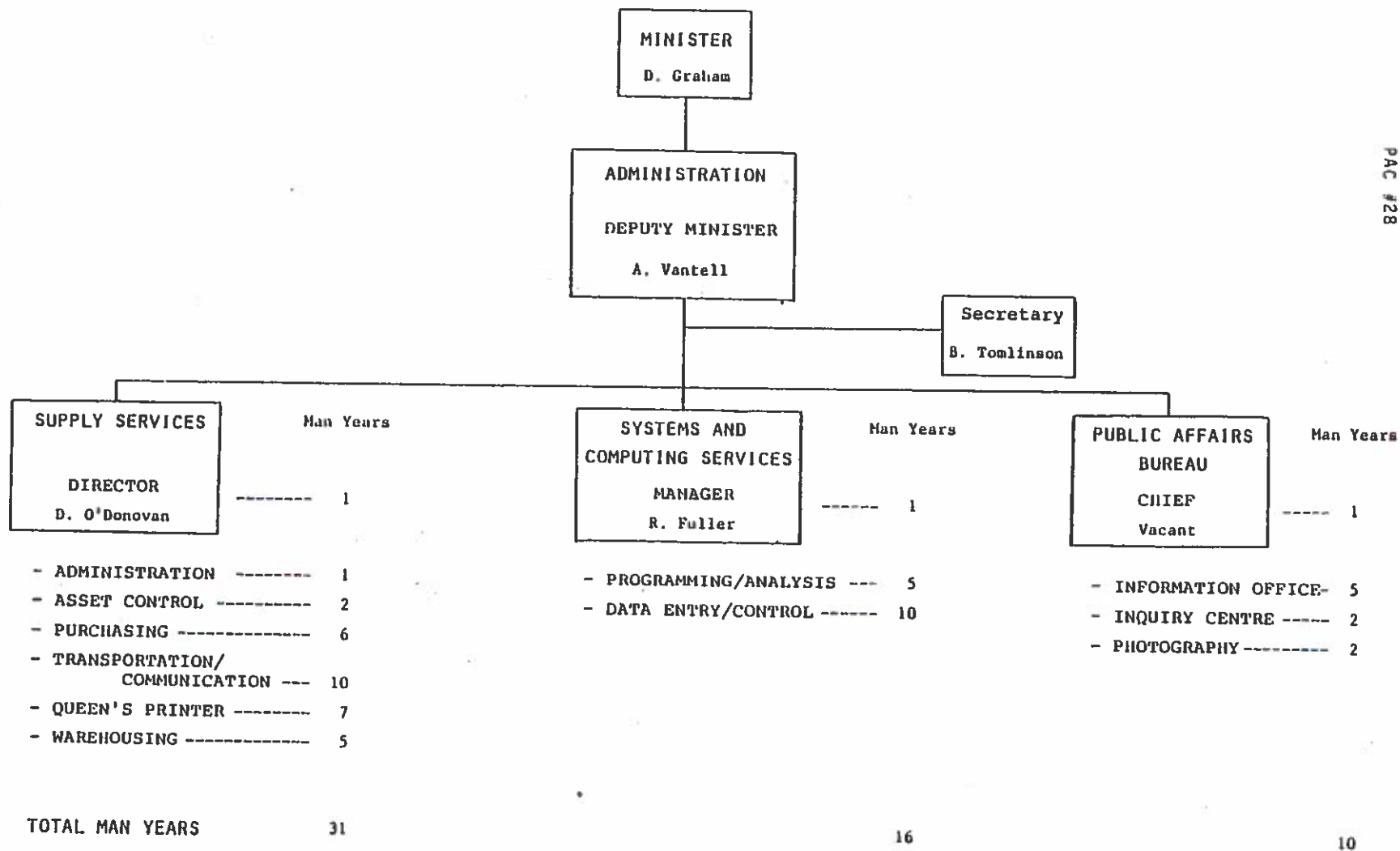
During the discussion of invoice processing, the question of retroactive pay settlements was raised. The problem is manual processing. The Committee notes that the Department considers a new payroll system to be a top priority.

The Committee requests the Department of Finance to provide the Committee, by December 31, 1981, with a status report on the FMS projects underway.

DEPARTMENT OF GOVERNMENT SERVICES

1980 11 21

PAC #28



Department of Government Services

The Department of Government Services reported on the FMS projects for which it is responsible as follows:

Project Completed

9:1/2 (1) Transportation Policy

Projects Underway

9:2/3 (1) Electronic Data Processing Policy Manual

The Committee noted with concern that no further work has been done on this Manual.

9:3 (2) Asset Control

The Director of Supply and Services stated that the accounting system for asset control has been redesigned and should be computerized during fiscal year 1981/82.

Project Deferred

9:3/4 (1) Central Shipping and Receiving

The Director of Supply and Services stated that until there is a central commitment control, it is not possible to implement central shipping and receiving.

The Committee requests the Department of Government Services to provide the Committee, by December 31, 1981, with a status report on the FMS projects underway or deferred.

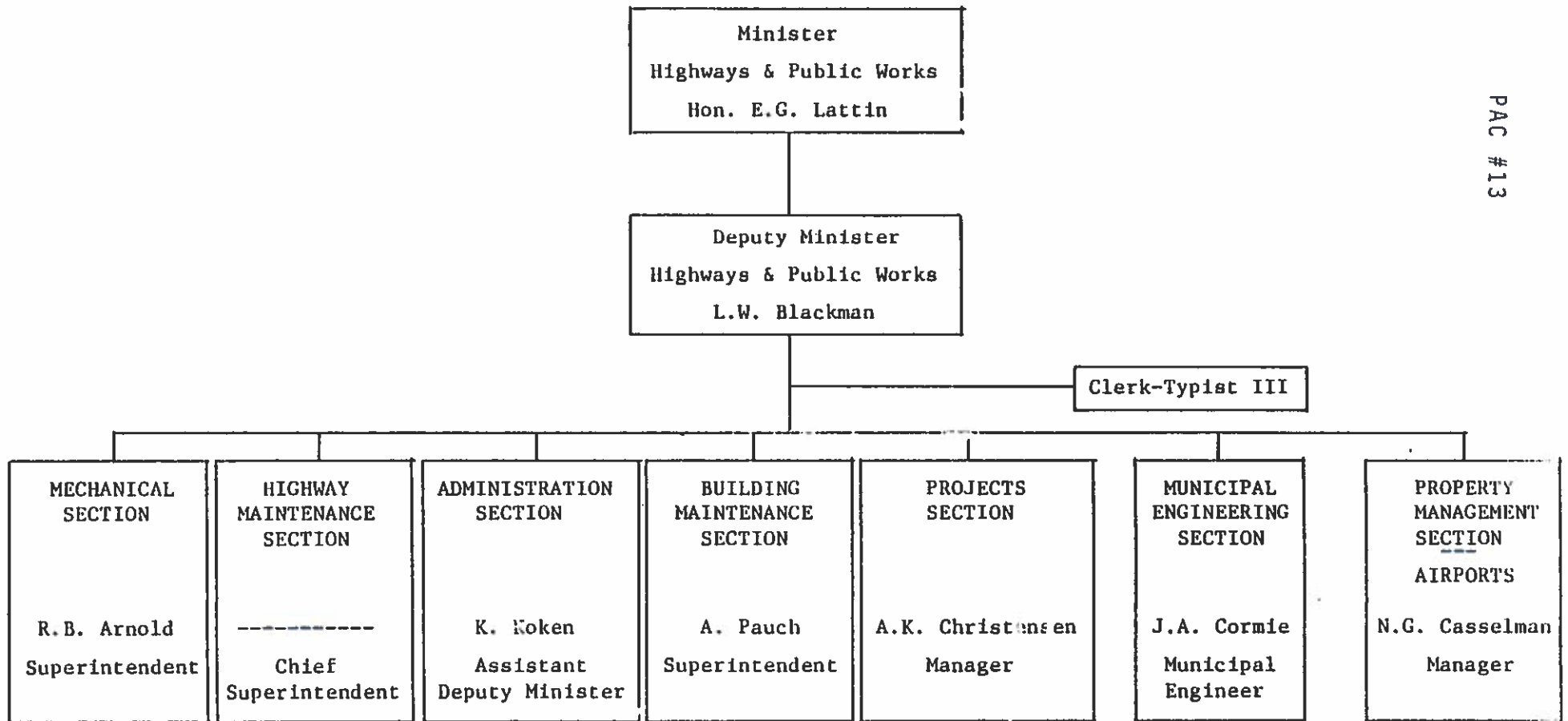
INTERNAL AUDIT

2:1/2 The Director of Internal Audit, Ken Sherwood, appeared briefly before the Committee to report on his activities since his appointment in November, 1980. Mr. Sherwood informed the Committee that he has been concentrating on learning the financial accounting and reporting system of the Yukon Government. He has prepared an internal audit schedule to give himself and his staff direction on the audit procedures they will follow. At the time of the hearings, he had not yet issued any audit reports.

Although the Director of Internal Audit reports directly to the Government Leader, he also liaises with the Audit Committee, which he sees as being an advisory committee as well as his liaison with the departments and the functioning section of the Public Service.

The Director of Internal Audit has not yet met with the Internal Audit Committee.

The Committee will follow up during the 1982 Formal Hearings the progress made in the implementation of the internal audit function and the operation of the Internal Audit Committee.



GOVERNMENT OF YUKON
DEPARTMENT OF HIGHWAYS & PUBLIC WORKS
DEPARTMENTAL STRUCTURE

DEPARTMENT OF HIGHWAYS AND PUBLIC WORKS

Introduction

1. The Department of Highways and Public Works was the first Department selected for in-depth review by the Committee. The witnesses were the Deputy Minister, Larry W. Blackman, and the Assistant Deputy Minister, Kurt Koken. The Committee noted that Mr. Blackman had just recently been appointed to that position and that he had not formerly been with the Yukon Government. The Committee appreciated the effort that he made to prepare himself for the Hearings.

2. The Committee decided to review the Department of Highways and Public Works as two separate subject areas, first, Highways, and then Public Works.

Planning - Highways

2:3-8 The basic maintenance management system used by the Department is the Jorgenson System. The System has not yet been fully implemented.

Background

3:1 1. The Department plans for road reconstruction on a five-year cycle. Planning beyond five years is informal. The criteria used to develop plans and establish priorities are the condition (the geometrics) of the existing road, safety, traffic volumes (both in terms of numbers and types, as different truck loadings greatly affect maintenance problems), and maintenance costs. The five-year program is translated into annual construction programs funded through the capital budget.

2. The Alaska Highway, which is a federal responsibility, is administered by the Yukon Department of Highways and Public Works. However, planning for the maintenance and upgrading of the Highway is done by the Federal Government on a twenty-year cycle.

Analysis

1. The five-year plan developed by the Department is not of a sufficiently long term for effective planning purposes. Cost information is available from which future cost projections could be made. Information on traffic volumes, accident statistics, population, and economic growth should be developed and integrated to assist in planning for future highway construction in Yukon.
2. Reconstruction priorities established by the Department may not necessarily coincide with those of the Government. Consequently, planned road reconstruction projects could be deferred if public demand versus technical analysis were to result in a political decision (as opposed to a departmental decision) to shift priorities. The Committee realizes that this would cause a problem to the Department in terms of disrupting its five-year plan, as would other factors such as increased development resulting in increased volume and loads, but suggests that such contingencies should not preclude longer term planning.
3. In contrast with Federal long-range planning for the Alaska Highway, the Department's approach to long-term maintenance and upgrading is informal. The Committee is of the opinion that the longer the planning process, the more future oriented and less reactive it becomes. The fact that the Government cannot plan for all eventualities should not be a deterrent to developing long-term strategic plans.

2. Recommendation

The Department should undertake a cost/benefit analysis on the feasibility of developing longer term planning with regard to the construction and reconstruction of Yukon highways.

Accident Statistics - Highways

Background

- 3:3 1. The Department presently collects and files accident-related data but it does not analyze or categorize that data.

Analysis

1. The Department does not maintain accident statistics which would identify on an ongoing basis the number and type of accidents by location. Ongoing accident data analysis would permit the Department to identify potential hazard areas in the road system. Corrective action could then be taken to upgrade or re-orient existing roads.

3. Recommendation

The Department should develop an accident plotting system for all Yukon roads.

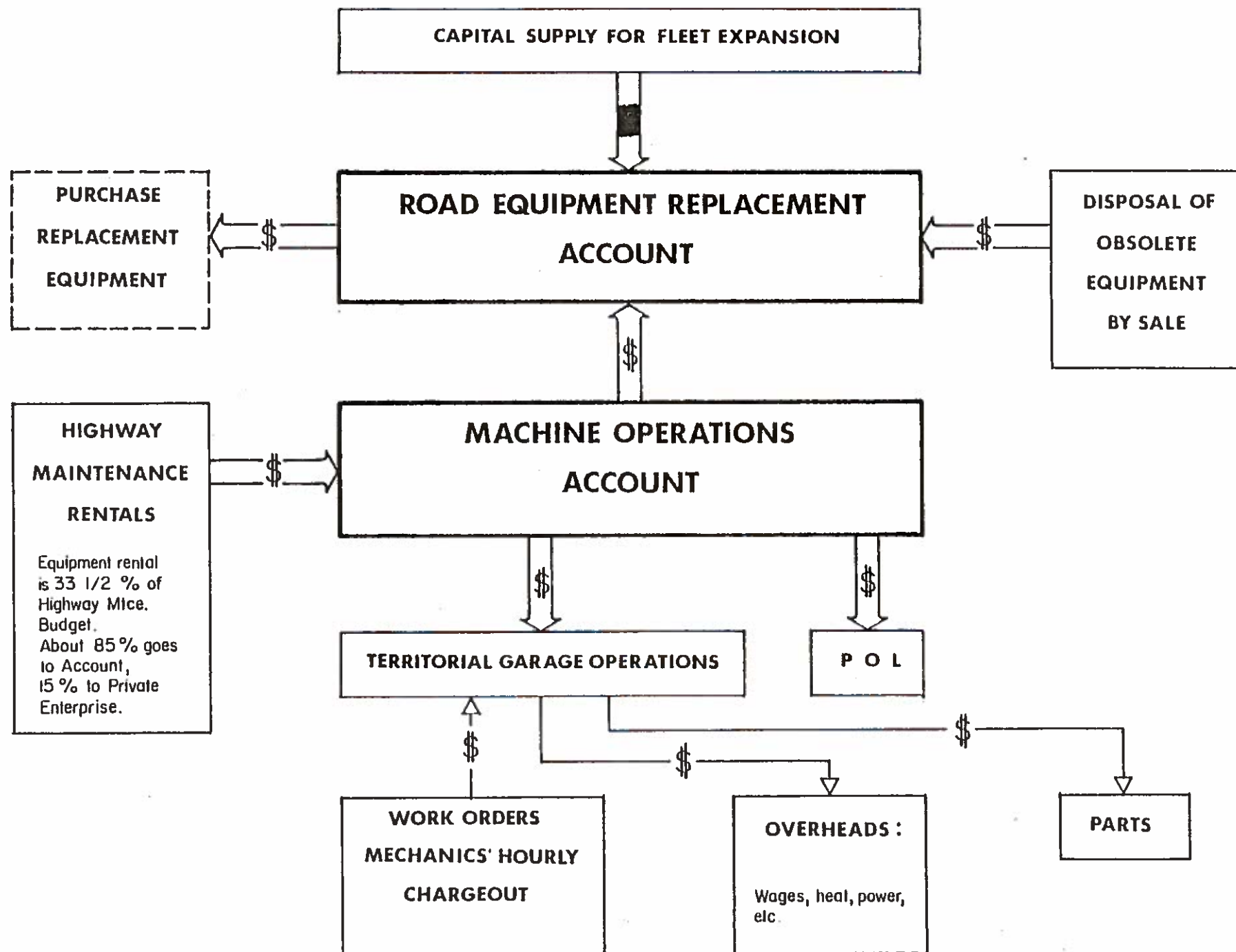
Personnel Data Base - Highways

Background

- 2:3-5 1. The Department's highway maintenance camps are assigned responsibility for road sections in their area.
- 3:8 The maintenance standards for these roads are used to establish the manpower and equipment requirements. The maintenance requirements may be met by the camp responsible or by moving manpower and equipment from one camp to another.

Analysis

1. Proper manpower planning should ensure that the appropriate number of people with the appropriate skills



are available when and where they are needed. Recognized criteria indicate that manpower requirements should be determined from operational objectives and work plans by assessing the number, type, level and location of human resources needed to carry out the requirements.

2. The Department presently estimates its manpower requirements for highway maintenance only on the basis of overall activity requirements for the entire highway system. Total manpower planning for highway maintenance requires identification with the work-base location and its operational requirements.

4. Recommendation






The Department should further break out its manpower planning and personnel data to show the work-base location of departmental employees.

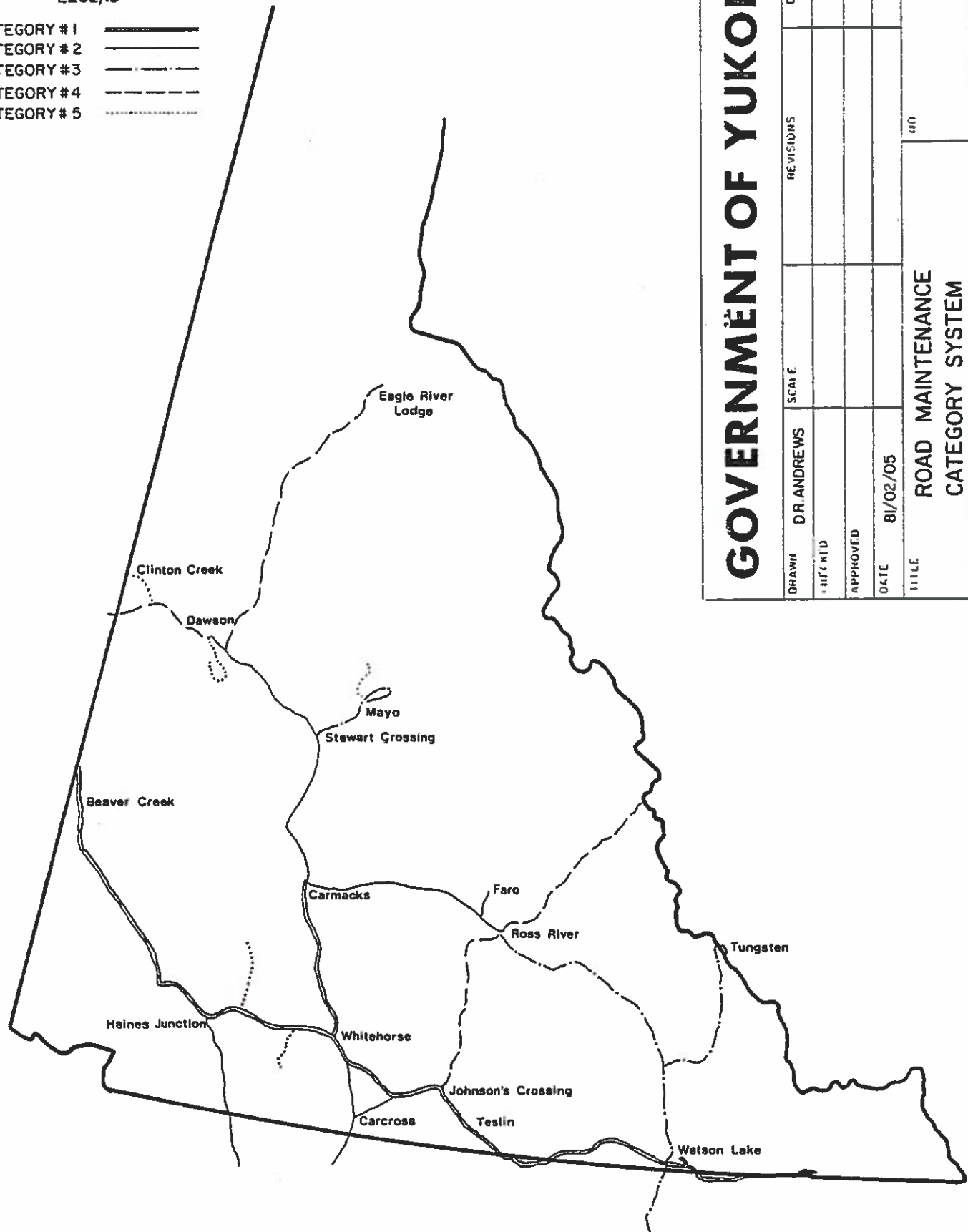
Management and Replacement of Road Equipment - Highways

Background

- 4:5 1. The management reporting system within the Department provides information on the expected and actual use of all road equipment as well as the operating cost. If operating costs appear to be excessive, investigations are made and decisions taken as to whether to extend the life of that equipment or to replace it. If the decision is to replace it, the item may be replaced with the same or a similar item from funds in the Road Equipment Replacement Account. The item that is replaced and declared surplus is either sold or taken out of active use and put into "sundry equipment". If a piece of equipment is sold, the proceeds are credited to the Road Equipment Replacement Account.
- 4:6

LEGEND

- CATEGORY #1 
- CATEGORY #2 
- CATEGORY #3 
- CATEGORY #4 
- CATEGORY #5 



GOVERNMENT OF YUKON

DRAWN	DR. ANDREWS	SCALE	REVISIONS	DATE
DRAFTED				
APPROVED				
DATE	81/02/05			
TITLE	ROAD MAINTENANCE CATEGORY SYSTEM			
				116

2. When the Department is not actually replacing a piece of equipment but is purchasing an entirely new type of equipment, the funds for the purchase are provided for in the Department's capital vote. This new item then becomes part of the Road Equipment Replacement Account inventory.

Analysis

1. The Department does not provide any detail in the Estimates of equipment it intends to acquire, either from its capital vote or the Road Equipment Replacement Account.
- 4:4 The Committee notes the commitment undertaken by the Deputy Minister to review and make suggestions on reporting methods that might be used to allay some of the concerns expressed by the Committee about the Road Equipment Replacement Account with regard to legislative control over the public purse and the acquisition and replacement of road equipment.

5. Recommendation

The Department should be more accountable to the Legislative Assembly for the purchase and replacement of road equipment by providing details of the equipment to be purchased or replaced.

Classification of Roads and Highway Maintenance Data Base - Highways

Background

- 3:3 1. The classification of roads is based principally on usage and demand. The importance of the road to commerce is considered along with actual volumes of traffic. Roads in Yukon are classed by numbers one to five. The maintenance objective is to maintain the

constructed standard. However, it is possible that a road of a "high" standard has some sections of a standard which are actually lower than a different road of a "low" standard because upgrading has not occurred.

- 3:7/8 2. The Department has a Maintenance program which covers existing roads. Maintenance camps are individually responsible for the "inventory" of roads and portions of roads in their area. Maintenance costs, however, are not broken out in the reporting system by each specific road in the camp "inventory" so that the Department is not in a position to determine how much money is spent on the maintenance of a particular road.

Analysis

1. The Department's criteria for maintenance standards are well defined for each type of road surface and activity related to that road. Since construction standards determine maintenance costs and maintenance costs are based on maintenance standards, there is a correlation between road classification and maintenance classification.

2. While there is a correlation between road classification and maintenance classification, there is an overlap of the related criteria making it difficult to understand the need for two classification systems. A road of a certain type, certain volume, certain traffic, should be maintained and operated to a certain standard or if it cannot be maintained to that standard it should be redeveloped or reconstructed to that standard.

3. The maintenance classification of a road determines the maintenance effort to be put into that road. The cost of maintaining a road may increase substantially

because the original construction standard was not high enough. The situation therefore could arise where the road could have a high maintenance classification but the priority for reconstruction could be low or high, depending on the standard to which it has been built or rebuilt. The essential link between the maintenance and reconstruction criteria is not apparent since there are common denominators such as traffic volume. The selection of portions of roads for reconstruction therefore becomes largely judgemental.

4. The reporting system presently in use is based on camps and activities related to all roads in the 'inventory' of that camp. The system does not identify the aggregate maintenance cost for each road within the system, either on a maintenance camp basis or as a whole.

6. Recommendation

Criteria for maintenance and for reconstruction should be the same since maintenance standards are based on reconstruction standards.

7. Recommendation

The Department should develop a reporting system to identify the maintenance cost of each Yukon road both by individual maintenance camp for each class of road in that camp and for the road as a whole.

Transfer of Funds - Highways

Background

- 4:2 1. Minor transfers of funds can be made between activities with the approval of the Area Superintendent. Requests for more significant transfers must be referred

to the Chief Highway Superintendent who may or may not refer it to the Deputy Minister.

Analysis

1. The procedure for approving transfers of funds is not clearly defined, thereby weakening management's control over road maintenance activities. The Committee recognizes that transfers of funds are necessary for administrative convenience, but the transfers should be made within established limits and clearly defined guidelines and procedures.

8. Recommendation

Clearly defined guidelines and procedures should be established with appropriate limits for the transfer of funds between activities.

Programs - Public Works

Background

6:1/2 1. Among other things, the Department of Highways and Public Works is responsible for the construction and maintenance of buildings and for the provision of office accommodation and mechanical services for all government departments and, in some cases, Local Improvement Districts. If a department has identified the need to construct a major facility, it is that department's responsibility to establish the requirements and request the funding. Up to this point, the Department of Highways and Public Works has little input other than advice as to possible costs. After funding has been granted, the Department is responsible for overseeing the project.

Analysis

1. As each department requiring a new building facility is responsible for identifying the need, establishing the requirement and requesting the funding for it, there is a fragmentation of the Government's capital construction program because many departments are involved. Public Works with the available expertise could act as the coordinator for the construction program of all departments so that long-term planning could be done centrally and more efficiently.

9. Recommendation

The Department of Highways and Public Works should be responsible for the coordination of the Government's construction program.

10. Recommendation

If funding is granted to any department contemplating the construction of a facility, the Department of Highways and Public Works should be responsible for the planning, development and delivery of that facility.

Project Management - Public Works

Background

1. As an example of project management, the Dawson City Sewer and Water System was selected by the Committee for review because of reported problems associated with it.

6:6 2. Acting on a request from Dawson City, justification and programming for the proposed system came from the Department of Municipal and Community Affairs. The

Department of Highways and Public Works, in consultation with the Department of Municipal and Community Affairs, engaged a consulting engineering firm to design improvements to the existing water system. When preliminary work showed extensive problems in that system, the consulting firm was given the go-ahead to study the entire sewer and water system. Subsequently, the decision was made by the Department of Municipal and Community Affairs to replace the entire system.

3. Work began in the Spring of 1979. Shortly thereafter, the Dawson flood occurred, which created major delays and some additional costs. The project was substantially complete in late 1980.

Analysis

1. Because Public Works has only civil municipal engineers on staff, as opposed to a range of engineers with varied specialized technical skills, it may not have been in the position to analyze and evaluate effectively the design proposed by the consulting firm.

2. The Deputy Minister of Highways and Public Works states that he would like to have an analysis done of the project; that is, the decision-making process and the final results with a view to isolating decision points for future control and review. Because of insufficient information, the Committee is unable to come to any conclusions with respect to the Dawson City Sewer and Water project.

3. The Committee would like to be apprised of the outcome of any analysis undertaken by Public Works of the Dawson City Sewer and Water System, since it is unable to conclude whether Public Works generally followed all the criteria established for project management.

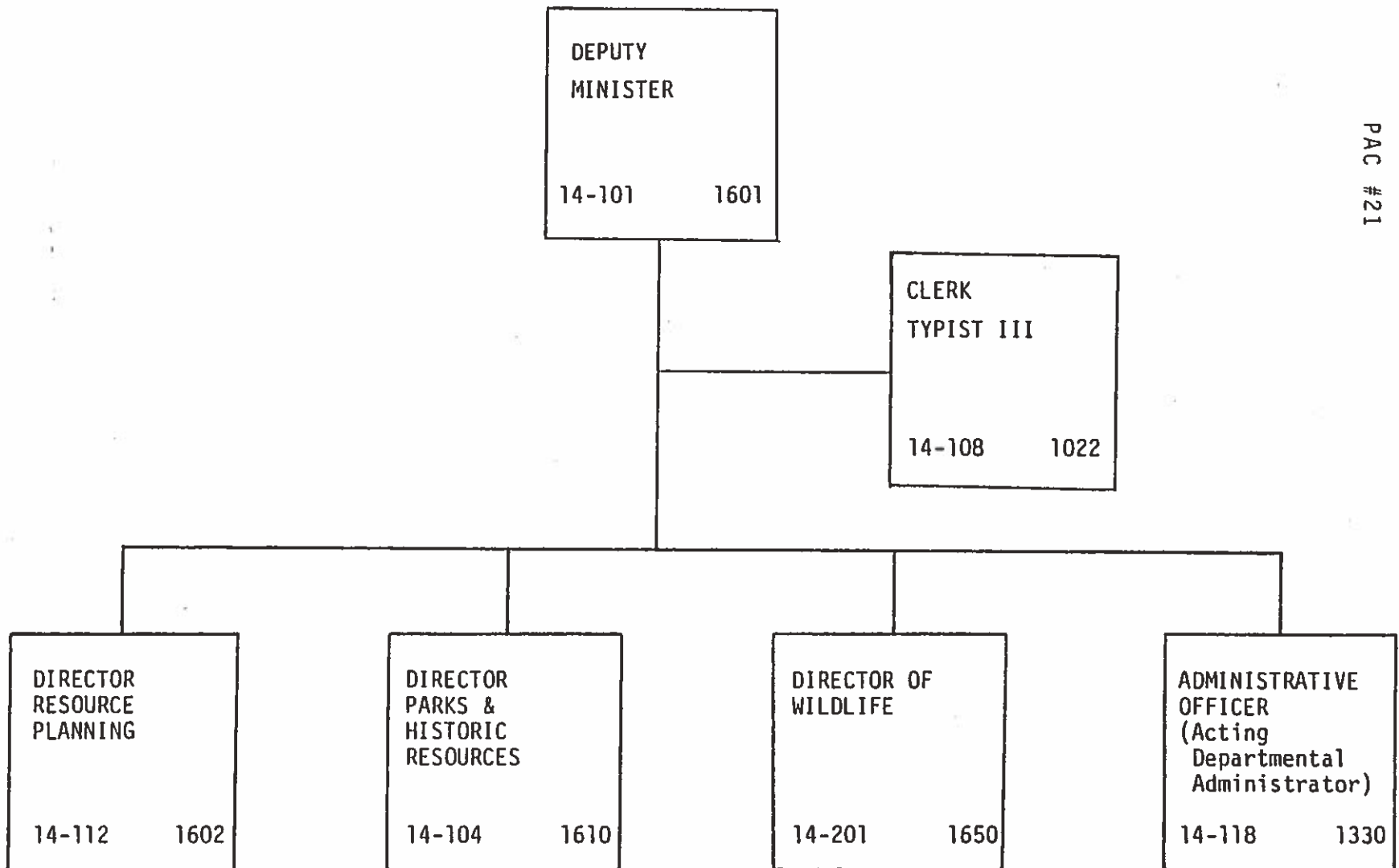
11. Recommendation

The Department of Highways and Public Works should ensure that it has the expertise to analyze and evaluate fully and effectively project proposals.

DEPARTMENT OF RENEWABLE RESOURCES

CHART NO. 1

Organizational Chart



PAC #21

DEPARTMENT OF RENEWABLE RESOURCES

Introduction

The Department of Renewable Resources was the second Department selected for review by the Committee. Departmental witnesses were the Deputy Minister, Lynn Chambers, and the Administrator, Judy Phillips.

Goals and Objectives

Background

- 7:1 1. The goal of the Department is "the wise use and management of Yukon's renewable resources for the benefit of present and future generations." There are four branches within the Department: Wildlife, Parks and Historic Resources, Resource Planning, and Administration.
2. The Wildlife Branch and the Parks and Historic Resources Branch account for about 90% of the operating expenses of the Department (approximately 60% and 30% respectively.)
- 7:1 3. The goal of the Wildlife Branch is "to maintain the Yukon fish and wildlife population at, or enhance them to, carrying capacity levels for public enjoyment and benefit, now and in the future ... by protecting and managing the populations and their environment on a sound scientific basis." There are fifteen objectives stated toward reaching this goal.
- 7:2 4. The goal of the Parks and Historic Resources Branch is 'to provide a broad range of outdoor recreational and educational opportunities and to conserve unique and

representative aspects of Yukon's historic and cultural heritage and natural resources for the benefit of Yukon residents and visitors.' There are five objectives stated toward reaching this goal.

- 7:1/2 5. The goal of the Resource Planning Branch is to "plan and guide the use of Yukon's natural resources ... for the optimum benefit to Yukon residents."

Analysis

1. A number of the Department's stated objectives go beyond the Department's mandate as they relate to responsibilities that have not been fully transferred to Yukon, for example, managing the Yukon's forest resource so as to satisfy present and future demands, maintaining clean air and pure water, and making land available for various land uses. It would appear that the Department is confusing long-range plans, that is, what is likely to happen in the future, with immediate goals and objectives. The latter are budgeted for; the former are not. This makes legislative control difficult.
2. As the goal of the Resource Planning Branch is to "plan and guide the use of Yukon's natural resources ... ", there is some confusion as to whether the term "renewable resources" or "natural resources" is more appropriate.
3. The Parks and Historic Resources Branch was formed in 1978. Prior to that it was in the Resource Planning Branch to which it was transferred from Tourism in 1974, and to Tourism from Highways, when it was campgrounds, in 1972. Since 1974, there have been a number of areas "reserved" (on the books of the Department of Indian Affairs and Northern Development) for future Territorial parks but they have not as yet been transferred. In fact,

there are still no territorial parks in Yukon.

The Committee has difficulty in relating the activities of the Parks and Historic Resources Branch to "renewable resources". The Committee notes the commitment (as found in the 1979-80 Yukon Annual Report) to review the long-term goals and objectives of the Branch, and fully agrees that such a review is necessary.

4. It would appear that there is a lack of understanding in the Department as to what is meant by "goals and objectives". Section 4.2.1 of the Financial Manual states, in part, that

Management sets certain objectives which it tries to accomplish through the efforts of the people it directs. In this sense, it looks toward a final goal through a series of steps and processes.

Objectives should define what can be achieved with the funds allocated and, where appropriate, against which performance can be measured. Activities are the steps or processes taken to achieve those objectives which combined lead to a goal, as the end to which the effort is being directed.

12. Recommendation

The Department should undertake only those activities which clearly fall within its mandate and should state goals only to the extent of its mandate.

13. Recommendation

The Department should define its objectives in terms of the activities for which funding is being requested so that, wherever possible, performance can be measured against these objectives.

Date Base - Wildlife

Background

1. The Department states that it is attempting to obtain information in regard to wildlife population levels. According to the Department, once a good information base is established, the Department will monitor what is happening to the population itself. Much of the information, both in wildlife population and wildlife harvested, is gathered informally by trappers, hunters, or outfitters and through the return of hunter questionnaires.

Analysis

1. The Department does not have an adequate data base from which to provide sound wildlife management policy advice or to effectively plan and manage its activities. Much of the information presently available is based on "intuition" and is "interpretive". The Committee finds it difficult to understand how wildlife resources can be managed when 'you don't know what you've got 'til it's gone'. *

14. Recommendation

The Department should develop a solid wildlife data base.

Hunting Licence Fees - Wildlife

Background

8:4 1. Hunting licence fees for resident and non-resident hunters were established by comparative rates with

* With thanks to Joni Mitchell

provincial jurisdictions. The Yukon licence fees are generally speaking "on the low side" in comparison with other jurisdictions where the fee/cost rate is about 1:4. The Department advised that it is currently reviewing the fee structure.

Analysis

1. The Committee was concerned to note that hunting licence fees were established simply on a comparative scale with provincial jurisdictions. Cost/benefit did not seem to be a determining factor. According to the Main Estimates, 1979-80, hunting licence revenues were approximately \$255,000. The operating costs of the Wildlife Branch were approximately \$1.4 million. This works out to a fee/cost ratio of approximately 1:5.5 which is much lower than other jurisdictions.

15. Recommendation

The Department should review its hunting licence fees with a view to ensuring a reasonable economic return to the public purse.

Summary of Recommendations

1. Delegation of Authority

Ministers should be responsible for all delegations of financial signing authority within their departments.

2. Long-Term Planning - Highways

The Department should undertake a cost/benefit analysis on the feasibility of developing longer term planning with regard to the construction and reconstruction of Yukon highways.

3. Accident Plotting System

The Department should develop an accident plotting system for all Yukon roads.

4. Personnel Data - Highways

The Department should further break out its manpower planning and personnel data to show the work-base location of departmental employees.

5. Road Equipment Replacement Accountability

The Department should be more accountable to the Legislative Assembly for the purchase and replacement of road equipment by providing details of the equipment to be purchased or replaced.

6. Maintenance and Reconstruction Criteria

Criteria for maintenance and for reconstruction should be the same since maintenance standards are based on reconstruction standards.

7. Maintenance Cost Identification

The Department should develop a reporting system to identify the maintenance cost of each Yukon road both by individual maintenance camp for each class of road in that camp and for the road as a whole.

8. Transfer of Funds

Clearly defined guidelines and procedures should be established with appropriate limits for the transfer of funds between activities.

9. Construction Program Coordination

The Department of Highways and Public Works should be responsible for the coordination of the Government's construction program.

10. Facility Construction Responsibility

If funding is granted to any department contemplating the construction of a facility, the Department of Highways and Public Works should be responsible for the planning, development and delivery of that facility.

11. Evaluation of Project Proposals

The Department of Highways and Public Works should ensure that it has the expertise to analyze and evaluate fully and effectively project proposals.

12. Mandate Limitation

The Department should undertake only those activities which clearly fall within its mandate and should state goals only to the extent of its mandate.

13. Performance Measurement

The Department should define its objectives in terms of the activities for which funding is being requested so that, wherever possible, performance can be measured against these objectives.

14. Wildlife Data Base

The Department should develop a solid wildlife data base.

15. Hunting Licence Fees

The Department should review its hunting licence fees with a view to ensuring a reasonable economic return to the public purse.

Witnesses Who Appeared Before the
Standing Committee on Public Accounts
1981

Department of Finance

Andy Johnston, Territorial Treasurer
Art Nutt, Director of Financial Operations
Tom Roberts, Budget Director

Internal Audit

Ken Sherwood, Director of Internal Audit

Department of Highways and Public Works

Larry Blackman, Deputy Minister
Kurt Koken, Assistant Deputy Minister

Department of Renewable Resources

Lynn Chambers, Deputy Minister
Judy Phillips, Administrator

Department of Government Services

Derm O'Donovan, Director, Supply Services
Rob Fuller, Manager, Systems and Computing Services

FORMAL HEARINGS: EVIDENCE



The Yukon Legislative Assembly

Issue No. 1 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Tuesday, January 20, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisors from the Office of the Auditor General:

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

Andy Johnston, Territorial Treasurer

Arthur Nutt, Director, Financial Planning and Systems Development

Tom Roberts, Director, Budget Bureau

ORDER OF REFERENCE

ORDERED, THAT Messrs. MacKay, Graham, Hibberd, Lattin and Penikett be appointed to the Standing Committee on Public Accounts;

THAT the said Committee be empowered to examine and enquire into all matters referred to it by the House and to report from time to time their observations thereon;

THAT it have the power to send for persons, papers and records, and to examine witnesses under oath; to sit during periods when the House stands adjourned; and to print such papers and evidence as may be ordered; and

THAT the Clerk of the Legislative Assembly be responsible for providing the necessary support services to the Committee.

(October 22, 1979)

ORDERED, THAT the Standing Committee on Public Accounts be empowered to sit while the House is prorogued.

(November 13, 1979)

ORDERED, THAT the membership of the Standing Committee on Public Accounts, as established by Motion #31 of the Second Session of the 24th Legislature, be amended

- (1) by rescinding the appointments of Mr. MacKay and Mr. Lattin, and
- (2) by appointing Mr. Byblow and Mr. Hanson to the said Committee.

(November 13, 1980)

EVIDENCE

Tuesday, January 20, 1981 - 9:30 a.m.

Mr. Chairman: The Public Accounts Committee, meeting one, will now come to order.

Good morning ladies and gentlemen. Welcome to the first formal hearings of 1981 and the second round of meetings for this Committee.

I think I would like to point out at the outset that the Public Accounts Committee, in my view, is an important institution and a landmark in the road to responsible government in Yukon. It is so because, I think, basic to the notion of responsible government is the ideal of parliamentary control of the public purse.

This ideal is sought by two principal devices in our system: one, the Legislature adopting the Estimates, the budget for the Territory, the plan of expenditures; and, secondarily, after those expenditures are made, having them reviewed by this Committee on behalf of the Legislature; this Committee, in turn, reporting to the Legislature on our recommendations and our consideration of the manner in which those funds are spent; and then finally our debate and reference of that debate to the Auditor General who audits the accounts of the Territory and begins the whole cycle over again.

This Committee, of course, is interested in seeing that the money voted by the Legislature was spent as it was authorized, and spent with proper regard for economy and efficiency.

I want to emphasize that this is a committee of the whole Legislature. The Committee will, at all times, attempt to work as a team. The dialogue between us is not a dialogue as normally occurs in this House between Government and Opposition or between one political party and another but it is a discussion between the Legislature and the administration.

We will be calling before us this year, witnesses from the Departments of Finance, Renewable Resources and Highways and Public Works and possibly one or two others. We will be examining the Territorial Accounts for the fiscal year 1979-80 and the Reports of the Auditor General thereon.

As I said, I hope we will do so, as we did last year, in what I believe was a fair and non-partisan manner.

I would like to welcome again, this year, Mr. Raymond Dubois, Deputy Auditor General of Canada, and Mr. Harold Hayes, Principal in the Auditor General's Office. These gentlemen were of great assistance to us in our deliberations last year and we look forward to that same cheerful cooperation this year.

Visiting with us today, as well, is Mr. John Kelly, Assistant Auditor General, who is heading a project entitled "Canadian Legislatures and Their Auditors: A More Effective Partnership". Mr. Kelly will be interviewing present and past Members of Yukon's Public Accounts Committee, as well as witnesses appearing before the Committee during the 1980 formal hearings. We are pleased to have you with us, Mr. Kelly.

It is my pleasure now to welcome back Mr. Andy Johnston, Territorial Treasurer, who will be answering the Committee's questions on matters outstanding from last year. Appearing with Mr. Johnston are Mr. Art Nutt, Director of Financial Operations, and Mr. Tom Roberts, Budget Director.

I understand Mr. Johnston's presentation today has four parts, the first of which is a description of the new organization of his department. The second part, I understand, is a review of our Committee's recommendations from last year which we will be going over one by one. The third part is a financial management systems status report and Mr. Johnston has some documents tabled on that subject. The fourth part is the form of the Estimates. Rather than dealing with those in a great lump, I would like to break them up and, as we go through each part, to allow as complete a questioning as Members of the Committee wish. I hope that is agreeable with you, Mr. Johnston. I understand you have a statement; would you proceed?

Mr. Johnston: Yes, Mr. Chairman.

Mr. Chairman: did you want me to stop at the end of each section? Is that your intention?

Mr. Chairman: Are you going to summarize your whole presentation first, or is it broken down into the parts I indicated?

Mr. Johnston: It is broken down into those parts, yes.

Mr. Chairman: When we get to the end of each one of the parts, I would appreciate it if you would stop and then we could allow questioning on that portion before we proceed to the next part.

Thank you, Mr. Johnston.

Mr. Johnston: Mr. Chairman, Committee Members and Committee advisors, the Department of Finance is pleased to be back for a second year before the Government of Yukon's Public Accounts Committee. The Committee's 1980 Report was well received and further substantiates the role these hearings play in the financial management of the government's resources.

Today, before answering the Committee's questions, I would like to briefly cover the current organization and staffing of the Department of Finance; updates on earlier responses of the Minister of Finance to the Committee's recommendations; and lastly, the status of FMS projects.

Number 1, the organization and staffing: I have distributed the high level organization chart of the Department of Finance which uses the format required by the Public Service Commission. There are several changes from the chart found in Appendix I of your 1980 Report. I want to point out three that you should be aware of. The first one is that the Deputy Minister now has two senior financial managers reporting to him rather than three. These are the Director of Financial Operations and the Director of Financial Management.

Secondly, the Department of Finance now has an Administrative Officer to take some of the administrative pressures off of the senior financial managers which allows them to perform their financial function in a better manner.

Lastly, the budget and systems development responsibilities have been merged under the Budget Director. This allows us to hire analysts who can be both budget and systems analysts, depending on the time of year and the priorities in the department.

There are a number of other minor changes at lower levels but I do not think they are appropriate for discussion at this time.

The person years are divided up approximately the same as on our last report. We have a total of 39 at this point in time, four under administration, 28 under financial operations and seven under financial management. The Department of Finance currently has six vacancies. These positions are in various stages of recruitment. I must say that most of them are at the middle to senior levels within the department. The lower level staffing is pretty well all in tact at this point in time.

Are there any questions, Mr. Chairman, on the organization and staffing?

Mr. Chairman: Just before we proceed with questions, Mr. Johnston, I will recognize Mr. Hanson.

Mr. Hanson: I move that the Organizational Chart be appended to the Report.

Mr. Chairman: Thank you, Mr. Hanson. We will take that as a notice of motion.

Mr. Byblow: The Committee certainly appreciates the format of the witnesses' presentation. It makes questioning much easier to have a written draft in front of us.

Perhaps the witness could indicate why the restructuring of the department took place. Was there a principal objective in mind?

Mr. Johnston: Mr. Chairman, organizations should be flexible to reflect the current priorities of the enterprise that they are part of. Also, at times they reflect the philosophy of the individual in charge of the organization at the time. I suppose both of those items came into play in this re-organization.

What I wanted to do was put the operational functions, the accounts receivable, the accounts payable, the day-to-day paper flow, under one senior individual. This seems to make sense to me in that at year-end one individual has to be responsible for producing the financial statements and the Territorial Accounts. Unless he has responsibility for all of the areas concerned, it is more difficult to coordinate this effort.

At the same time, Mr. Chairman, I wanted to perhaps make the Department of Finance organization chart more of a pyramid structure with fewer people at the top and large numbers as you go down within the department into the lower levels of positions. I have attempted to do that.

The third major change was introducing the Administrative Officer. I think that has been lacking in the department. We had senior financial people making pretty good salaries doing things such as variance reports, producing budgets for our own depart-

ment, looking after staff recruitment requests and lining up interviews, that kind of thing, which I felt was not a financial function but was an administrative function.

I believe this has come into force even more now in that the Public Service Commission is decentralizing some of their functions and we will be taking on a greater number of personnel functions in the near future which will put more pressure on the administrative person, so I am quite pleased that I have him in place.

Mr. Chairman: If I may make a supplementary on that: you mentioned the problem of fairly senior and high-salaried people performing routine or lower grade functions such as preparing variance reports, has this particular occurrence been the subject of discussions between yourself and the Public Service Commission?

Mr. Johnston: I am sorry, I do not understand the meaning of the question, Mr. Chairman.

Mr. Chairman: You have a concern about senior people doing functions such as variance reports which could be performed by less well-salaried people. Is that a problem which you have discussed with the Public Service Commission?

Mr. Johnston: I would like to go back and change one word, "preparing" variance reports. The Administrative Officer coordinates. Each individual branch manager prepares his own section. The Administrative Officer coordinates, arranges for the typing, this kind of thing.

Yes, in answer to your question, we have talked to the Public Service Commission in that that was part of our substantiation to have an Administrative Officer in our department. We took one of our existing man years and converted it to an Administrative Officer.

Mr. Chairman: I recall, last year, you were expressing concern about the quality of some of the variance reports which seemed to indicate that people in some departments may be less than adequately trained to perform that function; you are now indicating that there may be other people who are over-qualified to be performing that function.

Mr. Johnston: I think that because we are the Department of Finance, we are the opposite of every other department. All of our people are financial people and they end up doing everything. What I attempted to do was get someone in who did not particularly have a financial background. Although he does have a B-Com, his experience has not been totally financial.

That is why I wanted to clarify that one word, Mr. Chairman. He in fact coordinates the preparation. Each branch manager who is responsible for a responsibility area does his own branch report, indicating the reasons for variances and the corrective action to be taken.

Mr. Byblow: Under the restructuring that has taken place, are you reasonably satisfied that it has achieved the desirable improvements that you originally set out for?

Mr. Johnston: I believe it is working towards that, Mr. Chairman. The structure has only been in place for a couple of months. I, myself, have noticed a lot of the things that came in the mail before I handled because there was nobody else around to give it to because they were busy on some other financial project. I am passing them on to the Administrative Officer who is doing a lot of the leg work for me and coming up with suggested solutions which I review and either agree or disagree with.

So I believe, from my own point of view, it is in better shape. I know the reports that were prepared, for example the Main Estimate submissions for our own department and the variance reports and so on, are more timely from our department now to the Budget Branch, where, in the past, we probably were one of the departments who had difficulty getting them in on time.

Mr. Byblow: The increase in your staff, as you have reported, is essentially two man years over last year. I note that you have reported six vacancies. Perhaps I could query on that area. Are you encountering recruitment problems? This does seem to be an excessively high number.

Mr. Johnston: Mr. Johnston, I will answer that in two parts, if I may, the first on the increase in man years: the last organization chart that I gave you reflected the man years in effect for the 1979-80 budget year as 37.3. During the budget discussions for the 1980-81 year, that went from 37.3 up to 38.7 man years. That was to introduce a Taxation Accountant into the system.

During the current year, we recovered a man year from the Pipeline Office which we sent over there approximately two years ago. As well as recovering the man year, we recovered the incumbent, Mr. Tom Roberts, who is back with us now as the Budget Director.

At that point it was felt that the Pipeline needed a full-time financial individual. Now that most of the full-time work has been done, we, as the Department of Finance, are helping them on an ad hoc basis as required. So, we have recovered a man year we gave up two years ago.

On the second part of it, on the recruitment, I do not think that we are having a major recruitment problem as far as the system goes, but we are having difficulty recruiting financial people. I think the system is in place to do it, it is just a matter of - for example, we have a high level position right now that we have a fair number of applicants on and that is probably because the salary is quite high. At some of the lower levels, if there is nobody available in Yukon, it is hard to attract people up here for, we will say, \$15,000 to \$20,000. So, in that sense it is difficult, but the system is in place to make it as easy as possible.

Financial people are in short supply. The Province of Alberta just brought in, or at least were trying to bring in, a couple hundred from the United Kingdom, so it is a hard field to get people in. It is also a hard field to keep them in, they are quite mobile.

Mr. Byblow: What is the distribution of the vacancies you have in terms of the levels?

Mr. Johnston: At this point in time, at the very top level we have one vacancy. We have the Director of Financial Management who left at the end of November. Looking at the financial management area, there is a total of seven man years. Within that area the Director of Financial Management is vacant and we also have two budget system analysts that are vacant, so there are three in that area. The other three are basically in the revenue area. We have a Fuel and Tobacco Tax Administrator and we have a Tax Accountant and a Revenue Accountant. I understand, in some of those cases, as I say, the recruitment is in various stages. We have made some offers to some individuals; others are at the interview stage and others are at the advertising stage.

Six is not abnormally high. We have been up as high as eleven, I can recall, in the last couple of years; we have been down as low as one or two. It does vary.

Mr. Byblow: I suppose, as in the operation of any kind of firm or government agency, the vacancy rate of positions affects the operation of that department? How critical would you assess the present vacancy in terms of fulfilling your objectives towards the expanded role of the department?

Mr. Johnston: Mr. Chairman, that statement is correct. It does certainly affect the performance of the department. We are fortunate, however, in that we do have some individuals on staff who are quite capable and, in fact, have been with the Government of Yukon for a fairly lengthy time.

An example would be the budget process that we are going through now. Although the Director of Financial Management, who has been in charge of that for several years now, has left us, in fact, left us really before the process got very far underway, we have been able to use Mr. Roberts, who has been with us, I think, for about six years in various capacities and also another individual, Mrs. Loreen Francis, who has been with us for two years now, to pull them off what they were doing and - well, Mr. Roberts is not in the budget area, but pull Loreen off of her work to help on the budget.

So, I think that we do have some flexibility within the system but certainly I would like to be full-staffed all the time; it would help the situation.

Mr. Byblow: Would you say that it is conceivable to improve the vacancy rate by increasing the amount of internal training?

Mr. Johnston: That raises a very important question, Mr. Chairman. The Department of Finance, at least in the two and a half years I have been here, has developed a lot of staff from within the department and promoted them to higher positions. I recall one individual who has gone up, I think, about three times in level with the position, four times, as a matter of fact. Unfortunately, she left us for another company, we trained her so well.

But, we do try to develop our own staff. We encourage them to take accounting courses which are offered in town, both lecture and also through correspondence. We have a large number of

junior staff on these courses. As well, we do try to recruit people who we think will be promotable in the future, so I do not say that we hire over-qualified staff, but we make sure that they have the potential to develop into more senior people.

So, we try to accomplish that. As a matter of fact, right now we have a session going on for the full week with an individual from a software company which we have purchased our general ledger package from, training a number of people from within our department and from other departments in the government. We continually do try to encourage and help develop staff in financial management within the department and from within the government.

Mr. Byblow: Would you be able to assess a percentage of internal recruitment that takes place promotion-wise?

Mr. Johnston: I would think at least half. As a matter of fact, I believe I am being conservative with that number, I think it would be higher if we actually looked at the numbers. I have a hard time recollecting in my own mind any external recruitments, other than one or two, in the last year.

Mr. Byblow: With respect to the six vacancies that you have, do you foresee any problem in filling these within the next period of time, say, a month or two?

Mr. Johnston: I would say within two months most of the positions now that are vacant would be filled, but by that point in time there could be other vacancies. Unfortunately that is the vicious circle we are in.

Mr. Byblow: In the Committee discussions of last year with respect to training programs there was an indication that the internal training programs were on an ad hoc basis and you suggested that you would like to see this improved. Would you say that this has improved?

Mr. Johnston: The Public Service Commission held a number of meetings with various departments, ours being one of them, where they were requesting ideas for internal training, or training of staff whether they be internal or external individuals involved. We, since that time, have been appointed to serve on a committee headed by the Public Service Commission and I believe, as well-, I am perhaps speaking out of line here, I think they have formalized the training function within their own department but I cannot speak as to the details of that.

So, in fact, it is improving. We have made a number of recommendations and are in discussions with them. We think it has improved so far. We think it will improve even more as this Committee gets rolling.

Mr. Chairman: Perhaps we could move along then, Mr. Johnston, to the next part of your presentation. We may wish to go back with a couple more questions on this that may occur later, so we will not close it off finally. Perhaps you could continue.

Mr. Johnston: Yes, Mr. Chairman.

The second part of my presentation covers the recommendations found in your 1980 Report. I would like to update the response for activity that has taken place in the interim period on Recommendations 2, 7, 8, 9, 10 and 13.

On Number 2, the Report of the Auditor General: with much cooperation between the Department of Finance and the Auditor General of Canada, the Territorial Accounts for the Government of Yukon and the Annual Report of the Auditor General of Canada covering fiscal year 1979-80, were tabled in the Fall Session. I believe this will help the Committee in their hearings this year because they have been tabled.

Mr. Chairman: Mr. Johnston, could I just get straight from you, you said that you were going to update the response to the Recommendations 2, 7, 8-

Mr. Johnston: Recommendations 8, 9, 10 and 13.

Mr. Chairman: Recommendations 8, 9, 10 and 13. Just to make sure we are perfectly clear, Recommendation 3 will be dealt with in your discussion on the FMS Status Report which will come later in your presentation.

Mr. Johnston: That is correct.

Mr. Chairman: Recommendations 4 and 5, though, can we expect some update from you on those recommendations?

Mr. Johnston: The difficulty I have with that, Mr. Chairman, is that the Minister of Finance indicated the system that was in place was adequate; at least that is my interpretation of the response. Certainly, I can discuss it but I have no update on it.

Mr. Chairman: Okay, fine, but if we have any questions on that, you will permit questions on them, then?

Mr. Johnston: My intention is to just indicate where I believe there has been activity on those items.

Mr. Byblow: In the past, there have been indications that there was some problem in receiving the Auditor General's Report in time to finalize and table the Territorial Accounts by October 31st. You have indicated that there was no problem with it this year; do you foresee any problem with it in the future?

Mr. Johnston: Mr. Chairman, that depends on many items. This year we were able to table the Territorial Accounts on October 31st, which was the last day, and that was with an awful lot of effort on the parts of both parties involved. Due to the uncertainty of staffing in future years, and this year as well we had a report that was not qualified in any way, there were no problems. If, for example, major problems were encountered in a future year, certainly the attempt will be made to table them by October 31st. I believe the actual report of the Auditor General covering a few items that he wanted to mention to the Assembly was tabled in November. There is no legal requirement for that to be tabled by the end of October.

So, I do not see a problem; the systems are in place, it is mainly a matter of people being available.

Mr. Byblow: With respect to the tabling of the Territorial Accounts and the Auditor General's comments, do you think that there should be a deadline for that tabling to expedite your office, your department, to finalize it?

Mr. Johnston: Sorry, Mr. Chairman, is the question covering the report of the Auditor General or the Territorial Accounts, or both?

Mr. Byblow: The question is really covering the Territorial Accounts, with regard to you.

Mr. Johnston: I think there should be a deadline. It is like a lot of other operations that we perform. If you have a deadline, you tend to work towards it and attempt to meet it. It should be a realistic deadline; I think that is the major point here.

The deadline was changed a few years ago from, I believe, the end of December to the end of October. It was tightened up on us and it does allow us approximately six months after the end of the year which should be adequate. However, because it is a government organization, there is a lot of red tape, particularly in Ottawa. Again, I cannot speak for the Auditor General but there are quite a few levels of approval, quite a few processes that they go through once they finish with us in June or July of each year.

So, I think the deadline is reasonable but it is relatively tight and I do not see a problem with that at this point in time. I cannot see leaving it wide open so that there is no deadline.

Mr. Byblow: I am a bit unclear, Mr. Chairman. Is there presently a deadline specified in some legislation for the Territorial Accounts to be tabled?

Mr. Johnston: Yes, by the end of October of the October following the year-end. So, if we are looking at March 31st, 1981, the Territorial Accounts should be tabled by the end of October of 1981.

Mr. Byblow: Okay, so that deadline does exist.

Mr. Johnston: It does exist but was not met prior to last fall. It was not met in the last few years; I cannot speak for several years ago.

Mr. Byblow: In terms of expediting the entire general audit, is there any improvement that could be done in those functions that you do following the year-end to expedite the Auditor General's audit when he arrives in June, say?

Mr. Johnston: Well, the year-end process, Mr. Chairman, is quite a lengthy one and we have, in the past, developed a year-end manual which we produce about the end of January each year, which is sent out to the Auditor General and is sent out to all the departments. It also addresses items that we have to do. It is a fairly lengthy document, possibly 30 or 40 pages - I do not have one in front of me - but this facilitates the year-end procedure. It is changed as new things arise or as we come up with better systems and procedures. It covers things such as taking inventory, when invoices have to be in to get on the accounts payable for the year and so on.

As well, the Auditor General comes up during the fiscal year to do an interim audit; they will be here in February of this year. So there is quite a bit of preparatory work for year-end. Again, it is

just a matter of volume and I do not think we could cut down the time very much unless you just hire more people. It is always possible but possibly impractical.

Mr. Byblow: You are doing the preparatory work that is done immediately after the year-end, and prior to it of course, as well as after the Auditor General's Office examines the books. Between the time that he leaves the Territory and the time that the audit is finalized, you suggested earlier that that is where the deadlines seem to have difficulty in being met. Is there any expediting that can be done in that time? On the calendar year, this would be between July and October.

Mr. Johnston: That is right. I believe a lot of expediting was done in the past year. The Auditor General's staff left, I believe, perhaps by the middle of July. There were a number of phone calls back and forth. As they go back to their Vancouver office, they send copies to the Ottawa office, so you see the difficulty. We are in Whitehorse, and the staff who did the audit is in Vancouver and the staff reviewing are in Ottawa. It is very difficult getting changes back and forth in the mail, and phone calls, and with people on holidays. It is quite difficult to coordinate. I think there was quite an effort done this year and we were able to just get in under the gun, if you like.

I cannot speak for the procedures in either the Vancouver or Ottawa offices. I would hope that they are fairly efficient.

Mr. Byblow: Mr. Chairman, perhaps at this point, I see the witness is prepared to address Number 7. Would he be prepared to address 3, 4, 5 and 6, at all?

Mr. Chairman: Perhaps if we agreed, we could go through the responses that Mr. Johnston indicated that he was prepared to do. I think Number 7 was the next one. Three, I think, would be covered in the Financial Management System section which is the next part of the witnesses' presentation. Rather than hearing from Mr. Johnston on 4 and 5, if Members of the Committee have questions on 4 or 5, we can come back to them when we have finished all that Mr. Johnston has to say on his section.

Mr. Johnston: you have prepared a statement for us. I would appreciate it if you could read, in connection with each of the points, each of the responses to our Report into the record so our Members can respond to them.

Mr. Johnston: Mr. Chairman, perhaps I will cover 7 and 8 together because they cover roughly the same topic. Number 7 concerns the Internal Auditor. In May of 1980, a Junior Internal Auditor — I do not like the word "junior" but I could not think of another one to use — commenced work. In November, 1980, a Director of Internal Audit, or the Chief Auditor as he was referred to in the report, commenced work. Hopefully, with both person years staffed, the mandate of this unit will be carried out. I am sure that Mr. Ken Sherwood, the new Director, is available for questions if required.

Number 8 is recommendations concerning the Internal Audit Committee. Recently the Chief Auditor, the Director of Internal Audit, produced an internal audit workplan. As well, Mr. Pearson, the Minister of Finance, became Chairman of the Internal Audit Committee.

I would not want to get into too much detail in this area, Mr. Chairman, because it is not my area of responsibility as the Committee pointed out last year.

Mr. Chairman: Very briefly, because I think we probably will call the auditor before us, are you still a member of the Internal Audit Committee?

Mr. Johnston: Yes, the Territorial Treasurer, the Deputy Minister of Finance, whichever title you want to use, is a permanent member of that Committee.

Mr. Chairman: From your knowledge, can you recall how many times the committee has met since last we met in this forum?

Mr. Johnston: I do not think that the committee has met, Mr. Chairman, to my recollections, since the last meeting of this Committee.

We did not have a Director of Internal Audit and we did not have an internal audit workplan prepared by that position. Both have just recently become available and that is all I can say towards that.

Mr. Byblow: I believe we were provided with a copy of the internal audit schedule. My question would be of a more general nature.

Would you be able to describe the composition and function of the Internal Audit Committee?

Mr. Johnston: There is, as far as I can recall, a terms of reference, Mr. Chairman, but I do not have them in front of me.

The composition, I can tell you, maybe not the individuals, but the make-up. At this time the Chairman is Mr. Pearson; the Territorial Treasurer is a member; the Chief of Internal Audit is either a member or an advisor, I forget the actual capacity; several other Deputy Ministers are members. The other Deputy Ministers were going to be on a rotational basis so that a number of Deputy Ministers can kind of get a kick at the cat.

I cannot recall the actual terms of reference. It was to provide guidance and assistance to Internal Audit and also to give the Internal Auditor more clout with departments. As I recall, they were to approve work plans, review audit reports and recommendations and ensure that the work was done. That is just off-the-cuff; I do not have it in front of me.

Mr. Byblow: It is your understanding that the Internal Audit Committee will be meeting, even though it has not met.

Mr. Johnston: Mr. Chairman, I have not had any discussions with the Minister on this. I would assume that the new Director of Internal Audit would be discussing that, and the procedure that he would be recommending. I am not privy to if that has happened or, if they did, what the discussions were.

Mr. Chairman: Mr. Johnston, did you want to go on to your next point?

Mr. Johnston: Number 9 was a recommendation concerning the Road Equipment Replacement Account. The Department of Highways and Public Works, under their new Deputy Minister recently appointed, and the Department of Finance have agreed to work together on an Executive Council submission on this item. That submission is not finalized and there is nothing concrete to report yet. I do not even know what the recommendations will be.

Mr. Chairman: Do you know when this agreement was made to do this study?

Mr. Johnston: Pardon me, Mr. Chairman.

Mr. Chairman: The Departments of Finance and Highways have agreed to work together.

Mr. Johnston: We are hoping to have it to the Executive Council prior to the end of this fiscal year.

Mr. Chairman: When was this agreement forged, though?

Mr. Johnston: I believe I corresponded with the Department in December suggesting this. Upon my return from vacation in early January, the department had had time to review my memo and had agreed to do this.

We have had verbal discussions over the fall. The department has ideas about the submission, the way that they would like to see it proceed. It is a matter of coming to a consensus between the two departments, hopefully, and presenting it to Cabinet.

Mr. Byblow: Do you have any idea when this study may be completed?

Mr. Johnston: I indicated, Mr. Chairman, that we would like to have the submission to Cabinet by the end of March, which is the end of this fiscal year.

Mr. Byblow: During Committee discussions last year there was an indication by yourself that you had hoped to make a recommendation to the Executive Committee. I do not imagine that there was any concrete recommendation.

Mr. Johnston: The difficulty that I had, Mr. Chairman, was that there was a vacancy in the Department of Highways. The Deputy Minister position was vacant for, I believe, about six months. It has only been since late summer or early fall that we have had an individual in that capacity and we had a lot of catching up to do. We are just catching up on this project, if you like.

As I say, we did talk about it in the fall and there was some correspondence in December.

This individual, I would say, as well, Mr. Chairman, has had some experience with these types of accounts before and I believe his input would be quite valuable to the government.

Mr. Byblow: The Auditor General's Report also makes reference to this particular fund. It also makes reference to its increased authority over some time earlier. I suppose that I am curious as to why that particular fund accumulated so rapidly.

Mr. Johnston: The authority had not been increased, Mr.

Chairman, in several years. Mr. Nutt, do you recall the year that the original amount was put in? In 1971? I thought it was the early '70s. The increase went through in the Spring Session, I believe, so that is eight or nine years. I would think that if you took the price of other items in that time span, the increase might not appear to be that large. As well, the operations of the government have expanded because we have more roads to maintain.

Mr. Byblow: Still, I am curious about whether there has been any change in the method of capital accumulation in that fund, or it was just the normal depreciation factor that increased.

Mr. Johnston: The fund basically is a method of accumulating funds to replace road equipment. It was felt by the department that they needed a larger limit on the maximum funding that could be left in that account because their requirements for road equipment had increased drastically as far as numbers and value went over those eight or nine years. Hopefully, that accounted for most of the increase in the limit.

I might say that the limit that we had approved in the Assembly has not been reached yet. We did not want to get caught as we did, and it was pointed out by the Auditor General that we had gone over the limit, so we put in a limit that we have not reached yet.

Mr. Byblow: Can I ask who has authority or what is the authority for expenditure under this account?

Mr. Johnston: Mr. Chairman, depending on the circumstance, there are a couple of different manners of using funds out of this account. The department involved may replace equipment if it is the same kind of equipment — in other words, a grader for a grader, a bulldozer for a bulldozer — for example, operational requirements having changed, maybe oil chip versus gravel surfaces, if they wish to change the type of equipment. In other words, for a piece of equipment to put down oil chip versus a grader, they have to come to the Territorial Treasurer with an explanation of that. He has to review it — which I have recently, as a matter of fact, — and either agree or disagree. If he agrees, they go ahead and purchase the new kind of equipment. If he does not agree, they do not go ahead.

So, there is a fair control on them. It simply is, at this point in time, the department has the authority only for replacement of similar equipment. They cannot go out and increase the numbers or change the kind of equipment they have.

Mr. Byblow: The authority for expenditure by the department is limited only to the replacement of identical equipment that is being replaced.

Mr. Johnston: They could be slightly different, but roughly the same piece of equipment, yes.

Mr. Byblow: There is no requirement to have this perused or confirmed or approved by your department.

Mr. Johnston: Not at this point in time, no. If it is one piece for one piece, we do not peruse that.

Mr. Byblow: I suspect, Mr. Chairman, that we will be getting back to this later on. Just one last general question, are you prepared to comment on whether or not you are satisfied that there are adequate controls in that account?

Mr. Johnston: That is one of the issues, Mr. Chairman, that will be covered in the submission. Because we have not finalized it, I cannot say much, but the department head in Highways and myself believe we should strengthen the controls in it. I cannot say what the new controls would be, but we feel there should be some changes.

Mr. Chairman: Mr. Johnston, Recommendation 10 from last year, which you agreed to comment on, I would ask, if it is agreeable to you, if we could leave that until after you have done the FMS Report, because I believe it is sufficiently important and it is a fairly positive development and would be of great interest to the Committee. I think we would have quite a lot of questions on that, and perhaps we could leave that as a separate item for you to make a presentation on, following the section on the FMS status report. Is that agreeable?

Mr. Johnston: Yes. I might say we are quite pleased with the development in this area.

May I go on, then, with 13, Mr. Chairman?

Mr. Chairman: Please.

Mr. Johnston: In delegation of authority, Mr. Chairman, the recommendation last year covered the ministerial responsibilities. In the last year, our Cabinet Ministers now have been given full signing authority for their departments under Sections 18, 19

and 20 of the *Financial Administration Ordinance*. This means that items over the limit of the Deputy Ministers are now approved by their Minister and do not require the approval of the Commissioner.

We feel that this is a large step forward in making the administration accountable.

Mr. Chairman: Mr. Johnston, are you generally satisfied with the situation in this government about the understanding of the delegation of authority? You will, I am sure, recall last year, there was some — let me call it "confusion", to be polite — on this question, particularly in the one other department that came before us. In your capacity as Treasurer, we talked about your authority and your role and your responsibilities quite a bit last year, too, and you were concerned about the erosion of that. On both counts, are you satisfied now that the delegation of authority, or the understanding of the delegation of authority, in this government is clear and complete?

Mr. Johnston: As far as I am aware, Mr. Chairman, it is clear. The new Commissioner's Order that put this system into place covered not only this but other minor technical changes and the whole package was processed for the Internal Management Committee, which is, as you know, a Permanent Advisory Committee of Deputy Ministers, and explained quite fully at that point in time. As well, in the meantime, my staff has gone to departments explaining the new system, so I would have to say that I am under the understanding that departments are cognizant of the current situation.

Mr. Chairman: We might get into this later. Is the Commissioner's Order regarding delegation of authority included in the manual which you have issued?

Mr. Johnston: Not that I am aware of. Mr. Roberts, is that in there?

No, but the Commissioner's Orders, Mr. Chairman, are distributed to all departments. The manual that we are putting into place covers more of the theory and philosophy of financial management, not the actual procedures in place in this government.

Mr. Chairman: I am a layman and you are the expert, but does it not seem to you that there might be some room in the manual for such an important document?

Mr. Johnston: Well, I think the intention of the manual, Mr. Chairman, was to communicate to departments, as I indicated, the theory and philosophy of financial management in a number of areas, the budget process, expenditure control, the role of the Department of Finance and so on.

A lot of other items which are day-to-day practices in this government are covered by procedures and Commissioner's Orders and so on, regulations which are issued to all departments. We attempted not to duplicate; however, we might have covered some of the theory of expenditure of control. As a matter of fact, we have this whole chapter which has been drafted — I believe this is Accounting and Control of Expenditures, and within here we do talk about commitment recording, review of commitment records, account verification, and so on. So, the theory is discussed in this chapter, Mr. Chairman, that will be issued shortly, but the actual procedure for signing authorities is covered in the Commissioner's Order.

Mr. Chairman: I see we are drawing close to the appropriate time for a coffee break, since we are about halfway through your presentation, Mr. Johnston. Perhaps we will adjourn for ten minutes and come back.

Just before we do adjourn, though, I would say that I have three documents for tabling: the Territorial Accounts for the Government of Yukon, Fiscal Year 1979-80; the Report to the Council of Yukon Territory on "Any other matter arising from the examination of the Accounts and Financial Statements of the Government of the Yukon Territory for the year ending March 31st, 1980"; and finally, the Yukon Legislative Assembly Report of the Standing Committee on Public Accounts, Together With the Evidence, April, 1980.

Are there any other questions on the matter of delegation of authority before we adjourn?

Committee stands adjourned for ten minutes.

Recess

Mr. Chairman: I call Committee to order.

When we broke for coffee we were in the middle of your presentation. I believe you are now ready to move on to the Status Report on

Phase 2 of Financial Management System Projects.

Mr. Johnston: Mr. Chairman, I would just like to take a second to clarify one or two points that were raised just before we broke; one was on signing authorities. In fact, in the manual in Chapter 2, covering Financial Management and Control Process, an Overview, we do indicate delegation of authority and the general philosophy behind it. Then the actual policy existing in this government and the procedures to be followed were processed as an Order-in-Council.

Mr. Chairman: Thank you for that clarification, Mr. Johnston.

Mr. Johnston: The FMS Status Report, Mr. Chairman, as you know I have distributed copies of a detailed status report and I believe substantial progress has been made since we last appeared before the Committee.

The following projects, in our opinion, would require further reporting on at the next meeting. The numbers I have assigned, Mr. Chairman, fall in line with the order they were in on the schedule that we gave you last year. Number 1, the Financial Administration and Accounting Control Manual; Number 5, the Revenue and Recovery Recording and Collection Procedures; Number 6, Internal Charge-backs; Number 7, Commitment Accounting; Number 10, Account Verification and Pre-Audit Function. In other words, if the Committee accepts our recommendations on the report, these would be the ones that we would be left with as having to report on next time around.

Just in closing, Mr. Chairman, I would like to say that I have attempted to provide some overview information which may assist the Committee. The Department of Finance is ready to respond to other questions.

Mr. Chairman: Mr. Johnston, can we just very briefly go over each one one by one, because I think we may have detailed questions?

Mr. Johnston: Do you want me to read them into the record, Mr. Chairman? Okay.

The first project was the Financial Administration and Accounting Control Manual. This project is progressing steadily towards completion. There are 16 chapters contained in two volumes. The following statistics are self-explanatory. There are eight chapters which have been completed and distributed to departments; two chapters have been approved but not yet printed and distributed; one chapter has been drafted, but the review has not been completed within our own department; there are four chapters currently in the drafting stage; and one chapter, Chapter 15, is for the on-going usage for issuing financial directives and that would be a live chapter, if you like.

Mr. Chairman: Mr. Johnston, accountants are well reputed for their exactness and precision. I wonder if you could tell me what the phrase "we hope to finalize the manual shortly after March 31st, 1981", means.

Mr. Johnston: Mr. Chairman, the word that we have on the drafting is that the final chapters that are left are relatively short and they are all currently in progress. We hope that the initial drafting will be done by the middle of April. At that point in time, for the ones that we would not have reviewed by then, those final four, the department would have to review and make any corrections they felt necessary. I might just hold a draft up for you, the drafts were just typing on paper as you can see here. The drafts, once they are approved by our department, are then put on the format that is found in the manual, the actual manual format.

We would hope, then, that the printing of these last chapters, after the review, would hopefully be done by May or June. It takes several weeks to review them and then, again, a couple of weeks to get them printed and distributed. So we are looking at the final distribution of all chapters by about the end of June, as an outside date.

Mr. Hanson: Has there been any difficulty, really, in drafting that? Is that what has caused this delay? Has there been any particular problems with it?

Mr. Johnston: We had indicated, Mr. Chairman, that we had hoped to have the whole manual done by the end of March this year. In fact, we feel now we will probably be about three months later than that.

The drafting has been more complex than we anticipated. Some of the chapters are quite lengthy, I believe a hundred pages for the budget chapter. That does not mean that that quantity represents quality, but what we have had to do is review the manuals in place in other jurisdictions, the provinces, the territories, the federal

government, and so on, and use that as resource information and then try to customize it for what takes place in Yukon. We have used a consultant for a lot of this process, with some assistance from our own departmental staff. The drafting is relatively unscheduled. As I indicated, it was hoped it would be done by the middle of April.

The review process then takes quite awhile because within our own department we only have several people who want to get a crack at it, by the time each one of these managers has a chance to read a hundred pages and make their comments, and we incorporate those comments into the draft if they are valid, and so on. Then the difficulty arises, it has to be retyped; we do not have the modern word processing equipment that some organizations have and it is a matter of retyping the whole thing to incorporate these changes and get it into the proper format. So, it does take quite awhile. I guess it is just a combination of many things as to why it is several months later than our projection.

We do feel there is a good job being done on it and certainly we have had positive feedback from the departments that have had the opportunity or taken the time to read it.

Mr. Hanson: So you say it will be completed by the end of June, that is more or less a definite date.

Mr. Johnston: We hope to have it all printed and distributed by the end of June.

Mr. Chairman, we did, on the initial distribution, send one, through our Minister, to yourself, as Chairman of this Committee, and I believe you are on the mailing list so you have been getting the updates as they come out. You would continue to get those updates and will be able to see that they are all in place.

Mr. Chairman: The Committee appreciates that, Mr. Johnston, and hopes it continues.

The next item is Department of Finance Operating Manual.

Mr. Johnston: The Department of Finance has an operating manual which is in place and it will be updated as new or revised procedures or systems are implemented. This project is considered complete at this point in time, Mr. Chairman. We do have a copy for tabling if the Committee so desires.

Mr. Chairman: We would appreciate that.

Mr. Johnston: I might say, Mr. Chairman, that prior to this manual there was an earlier manual which was in existence and this, we feel, brings the current procedures in place in the Department of Finance on various functions we perform up-to-date.

Mr. Hanson: It is actually in place? You say the project is completed? Is it working? From your experience, is it working or does it seem to be working?

Mr. Johnston: Mr. Chairman, the answer to that is yes. The manual covers the actual procedures we follow in doing certain functions within the department. For example, what we might do to process a tobacco tax return from a company in Yukon, it indicates the forms that we use, the steps that we take to check this return. It has samples of forms, refers to the form numbers, at least. That means that an individual starting within our own department, new on the job, can take that manual, pull out the section that applies to their job and should be able to do the job by reading the instructions.

Mr. Hanson: I can remember from personal experience, about a year ago we were running into problems, one person had left your department and no one had sent out severance slips to the people who work for the Tourism Bureau. The casuals had not been sent their slips and were unable to draw unemployment insurance for about five months. This manual, I presume, would take care of all that.

Mr. Johnston: Well, Mr. Chairman, that was probably an operational problem with not enough staff to get the work out.

The manual, yes, does cover the payroll operation, I would assume. I am afraid I cannot recall the exact section on separation certificates, but I would assume it is mentioned in there.

Mr. Chairman: Before we finally leave the subject of manuals, Mr. Johnston, I wonder if I could just ask you one question? Last year you expressed a concern, I think you said that the authority control exercised by the Treasurer perhaps had, to some degree, been passed to the departments in many areas. That was in previous years prior to your coming here. You had talked about the problem of having the role and responsibility of the Treasurer properly understood by other agencies in this government and, I believe, expressed the hope that the manual was one of the instruments that would be employed to improve this situation.

Could I just briefly ask you to comment on the financial health of your relationship with the other departments? Do you feel that your legislated authority is held in proper regard by the other departments at the moment?

Mr. Johnston: Mr. Chairman, perhaps I could answer that in two parts. We indicated last year that we wanted to communicate what we felt was the role of the Treasurer and the Department of Finance in the whole chain of financial management in this government. Chapter 1 of the manual covers the whole chain and included in there is the role of the internal auditor, the Auditor General of Canada and, low and behold, under 1.6, the role of the Department of Finance, and, further down, 1.6.5, the role and responsibilities of the Treasurer. So, we have communicated what we believe is the role and this manual was approved by the Minister of Finance so we believe that the government believes this is our role.

Certainly a number of departments have made comment to me after having had a chance to peruse this manual. I think it is a matter of continually reminding them, through our own actions and initiatives, that we have certain responsibilities.

So, the role has been communicated and I think, on the second part, it is up to us, and hopefully with the support of Cabinet, to flex our muscles when we have to and indicate that there is a central agency responsible for the overall financial control of the government.

Mr. Chairman: You are perfectly happy with the description of that role as it is now included in the manual?

Mr. Johnston: I am happy with the description. There are some times when we think we are left out when we should not be and we make that well known so it is quite awhile before it happens again.

Mr. Chairman: The next point is the Transportation Policy and your report on that may be very brief.

Mr. Johnston: Yes, Mr. Chairman. After extensive research by the Department of Government Services, which was started when I was Deputy Minister in 1979, I believe, and continued on with the current Deputy Minister, a submission was made to Cabinet to adopt a new transportation policy for the Government of Yukon.

After Cabinet approval was given, appropriate steps were taken to enforce this policy. A transportation section was created within Government Services. Chapter 11 of the Supply and Services Manual on Transportation was issued October 15th, 1980. As a matter of fact, yesterday I received in the mail an update to that chapter, so it was even updated since October. Again, we are a flexible government, we have to continually change with the times.

So, we consider this project to be now complete.

Mr. Chairman: Could I ask if the Committee has any more questions on that?

Perhaps we could then proceed directly to the next item, 4, Electronic Data Processing Policy Manual, which, again, I gather your report may be very brief.

Mr. Johnston: Mr. Chairman, there are three projects, Number 4 is one of them, that have been transferred to the Department of Government Services. I have not included anything else in my report on any of those three projects other than that statement because I did not feel it was under my responsibility to comment on them.

Mr. Chairman: Could you, just for the record, give us some idea of the date of the transfer in case we want to follow-up with the new department.

Mr. Johnston: The department itself took over the operational responsibilities for these three areas on December 1st, 1978 and we have been trying to get them off of our desks since then because we really could not control what they are doing. As a matter of fact, it is even questionable whether something like an electronic data processing policy manual is even financial in nature.

At the time it was put on the list that branch was part of the Department of Finance; that is why we identified it as a project.

Mr. Chairman: However, last year you did give us something of a progress report on the project. You talked about getting it off your books, is there any further progress for you to report since your report to us last year?

Mr. Johnston: My understanding is that there has not been any change in the status since last year.

Mr. Chairman: Thank you, Mr. Johnston. Perhaps we could go on to Item 5 on this list of FMS Projects, which is the Revenue and

Recovery Recording and Collection Procedures.

Mr. Johnston: Yes, Mr. Chairman. The Government of Yukon asked the Audit Services Bureau, who were under contract at the time performing internal audit, to review this area.

As a result, it was recommended that a computerized system for maintenance of accounts receivable subsidiary ledgers be developed. I might just clarify that: that is sundry accounts receivable. Our major systems, for example, property tax, are computerized at this point in time. They have been for quite some time.

It is agreed that a computerized sundry accounts receivable system would be beneficial and, as a result, one of the available software packages has been reviewed by our staff. Further investigation of other packages will be conducted in the 1981-82 fiscal year, with hopefully a recommendation then being submitted to the Systems Priority Committee, which is a committee that has been set up to review requests from departments for new computer systems. We would have to go through that committee to kind of get our request in queue to be implemented.

Mr. Chairman: Is that a committee of your department or Government Services?

Mr. Johnston: I am on that committee, but it is a committee chaired by the Deputy Minister of Government Services, with, I believe, two or three other Deputy Ministers on it and I am one of them.

Mr. Chairman: Thank you, Mr. Johnston. Perhaps we could then go on to Number 6, which is the matter of Internal Chargebacks.

Mr. Johnston: Yes, Mr. Chairman. The initial review of this project revealed two distinct problems: the first one being that the Government of Yukon lacked a proper work order system for user departments to request work to be done by the Department of Highways and Public Works. The second problem that was identified was that user departments were not properly informed of the details of charges made against their budget for the above mentioned work.

We will initiate development of a work order system in 1981-82. The second part of the problem has been resolved by providing the user departments with computer reports detailing these internal chargebacks at the end of each accounting period. Prior to these computer reports, a department might be charged with a thousand dollars; they knew it was for work done by Highways, but they did not know what it covered. The computer report now lists the individual items that were covered by that thousand dollar charge.

Mr. Chairman: It is interesting to note that I have heard similar comments, perhaps not always in this polite language, in the cafeteria in connection with this subject. Let me just ask, to be specific for a moment, one occasionally hears the comment that a department might call to have a light bulb changed; they sometime later will notice a charge listed on their computer account which has no back-up, no detail, no explanation from DPW. If they pursue it, in terms of trying to get some detail, they are astounded about the amount of the charge for changing light bulbs, since there perhaps is an innocent perception that they might have been able to do it more cheaply themselves. What your comment seems to suggest, though, is that the problem would be solved if a proper work order were completed in the first place, then the person making the request would have a record of the request and would be able to make DPW accountable for whatever charges were incurred.

Mr. Johnston: We cannot resolve the problem of the charge being too high, but what the work order system would do is allow the department to identify the problem in writing, authorize the work to be done and indicate the account to be charged within the department. The Department of Highways and Public Works, then, would use it as a document to go ahead with the work. It would probably be a multi-part document, I would expect, with one of those parts going back to the department after the work was done, indicating the cost involved and possibly materials, labour and so on, maybe details of the work done.

Mr. Chairman: Let me ask you this question. You say it is not possible to perhaps resolve the size of the charge. Last year I recall Mr. Wilson expressing some disappointment that systems to measure efficiency and economy were primitive in a government this small and perhaps changing light bulbs is not a major expenditure, but over a period of time, presumably, it can add up. Are you saying at this point, as Treasurer, you have really no ability to comment on or exercise any financial control over that kind of

expenditure or charges from one department to another because they are internal or because it is not a large enough matter to warrant your attention at this point?

Mr. Johnston: What I am saying, Mr. Chairman, in relation to this particular project, that developing a work order system will not address the amount of the charge involved to the departments.

In our manual that we have issued there is one chapter on program evaluation, whereby we indicate the theory and philosophy behind that and that, in fact, there should be a system set up for programs within the government to be evaluated on a systematic basis and that there should be a central agency involved in coordinating this effort but that departments should do a lot of the leg work, as I said, on a scheduled basis so that a program gets looked at maybe every four or five years. I am saying that that should be addressed, but it is not under this particular project.

Mr. Chairman: You used the word "should". You are suggesting that at this point in time, were you alarmed or outraged at some charges of this kind, were they to take place, there is really nothing that you, in effect, as Treasurer, could do?

Mr. Johnston: Well, at this point in time I believe it is under my mandate, but it has not been something that we have practised to any great extent. The systems have not been developed; certainly some of the departments within the government do evaluate some of their programs periodically but it is not systematic, it is not on a regular basis.

What I am saying is that we have identified this in our manual as being something that we should work on. We have laid out the groundwork for it. I think that is a step in taking on greater responsibilities in this area.

Mr. Chairman: Let me not pursue this now, Mr. Johnston. Perhaps we could get back to this at a later time.

Are there any other questions on this point from the Committee members?

Mr. Hanson: Well, I think we are all well aware, as political people, that we could cite cases on this chargeback system within the government for hours but there would be no point in it because the Department of Public Works also uses this to get at the L.I.D.s and bills back all the money, so there is no particular point in complaining needlessly on it; it is not going to do any good, I guess, at this time.

Mr. Chairman: We will put that down as a philosophical dissertation from Mr. Hanson.

Perhaps we could move on at this time, then, to Commitment Accounting, Mr. Johnston.

Mr. Johnston: Yes, Mr. Chairman.

We discovered that the Comptroller General of the Government of Canada had some concerns as to the legal requirements for commitment accounting contained in the *Federal Administration Act*, and was studying this project in detail.

We spoke to Mr. McCrindell, Mr. Murray, and Mr. Austin of the Comptroller's office some months ago. They indicated that it would be extremely beneficial for us to wait for their report, tentatively scheduled for completion on October 31st, 1980, prior to getting deeply involved in these projects ourselves.

Even the federal financial watchdogs have trouble keeping to schedule completion dates as they recently informed us that their report would not be ready any earlier than the end of March, 1981, which is six months later than their earlier estimate.

We spoke to them quite recently, within the last few days, and they again indicated that we should wait for their report before proceeding and perhaps re-inventing the wheel, so we are doing that.

Mr. Chairman: An unusually provocative statement from the Treasurer.

Mr. Johnston, could I ask you, surely when you are referring to the federal watchdogs, you are talking about the Comptroller General, not our friends at the Clerk's Table here.

Mr. Johnston: That is correct, Mr. Chairman.

Mr. Hanson: On this new project you have here of re-inventing the wheel, that is quite an interesting one and I was just wondering if you had read this study of Procedures and Cost Effectiveness by the federal government on planning capital acquisition projects? I wonder if you have taken that all into consideration when you are re-inventing the wheel.

Mr. Johnston: I am not sure, Mr. Chairman, where that docu-

ment was obtained from. I would have to have a look at it to see if I have ever seen it before; I get lots of mail and lots of studies and reports. I do not recall it off hand, but if it is a report that we could use in this project, we certainly would like to have a copy of it.

Mr. Hanson: I am sure you have it.

Mr. Chairman: Are there any other questions on this point?

Perhaps we could move onto Number 8, Asset Control.

Mr. Johnston: Yes, Mr. Chairman. Again, this is a project that has been transferred to the Department of Government Services. I should perhaps clarify what I think is intended by this project.

As I mentioned last year, asset control is certainly a very important subject to the Department of Finance. There is a system in place at the present time for obtaining approval to purchase assets, there is a system in place for recording these purchases. There is also a system in place for transferring or getting rid of assets, disposing of assets. The last two items, transferring and disposal of assets is watched over by the Board of Survey, of which the Treasurer is chairman.

At this point in time, we are not aware of any problems with the current, fairly manual system of keeping track of our assets. We are continually trying to improve, as we are in most of our operational areas, this particular function. Recently we redesigned the form for the transfer and disposal of assets. We are currently looking at the policy and procedure covering the operation of the Board of Survey and the other functions of asset control. What, I believe, is intended by this particular project is computerizing the asset control work that is done by the Department of Government Services. As far as I am aware that is not being proceeded with at this time.

Mr. Chairman: You have explained, I think, some continuing interest in this area. The asset control, I guess, might arguably be under your responsibility or Government Services' responsibility. It would be a management decision or a political decision, one way or the other.

Mr. Johnston: I think, Mr. Chairman, that along with a number of other financial functions in the government, we are responsible for ensuring that an adequate system is in place. We do not perform all the financial functions in the government.

In this particular case, the Department of Government Services performs this function. We are satisfied, until indicated otherwise by the internal audit or the Auditor General of Canada, that the system is adequate. This is talking about whether it should be a manual system or a computerized system. In most cases, computerizing a system saves you time and manpower, but I know the study recently done by the Department of Government Services on their computer indicates they have got a backlog of five years for new system requests.

Whether this is more important than a lot of those other items that are in this five year backlog, I am not sure. I think that is what is being addressed here; it is not whether or not there is a system in place.

Mr. Chairman: Perhaps then we could move on to Item 9, Training and Career Development, Financial Orientation Training.

Mr. Johnston: Mr. Chairman, a training coordinating committee, of which Finance is a member, has been established by the Public Service Commission. Several training seminars have already been held under this new format.

In addition to the above, Finance, with the assistance of the Public Service Commission, will be developing a financial orientation package for new employees. It is intended that this package will also be suitable for long service employees who desire some form of refresher training. This is done on more of an ad hoc basis rather than on a formal basis.

At present, Finance does present financial training sessions on specific topics as the need arises. I quoted one example earlier today where we have a week long session in progress right now on our general ledger package. This type of training is an addition to the proposed package and will of course be continued. With the establishment of this Committee, the project has been moved, if you like, to their project list from ours. I understand that the Committee has met several times and that there has been progress in the training of employees in this government.

Mr. Chairman: Mr. Johnston, I wonder if you could just elaborate a little further on the role of the Committee. You have emphasized the training here. You will recall as well last year, there was

some discussion about cooperation between yourself and the Public Service Commission in connection with the hiring of financial officers in government.

Mr. Johnston: That has been accomplished.

Mr. Chairman: Well, I ask you whether it has been accomplished because you will also recall a case this year of which I wrote to you concerning the Financial Officer in one of the departments we are going to be studying where, in fact, I believe I am correct in saying, that the Board that hired the person did not include one of your officers or a financial officer at all.

Mr. Johnston: Yes, we did check that out. In fact, we were bypassed in that case, Mr. Chairman, but that could happen with any system that is in place. The Public Service Commission has agreed that we will sit in on certain levels of financial recruitment in other departments and we do this on a fairly regular basis. We might get missed the odd time but that is the only case that I am aware of, the one you had pointed out to me last year.

As far as the role of this Committee, I think I would like to refer this question to Mr. Nutt who was our original member on that committee.

Mr. Chairman: Mr. Graham, do you have a question?

Mr. Graham: Yes. Mr. Johnston, in this particular case I believe that the employee who was hired for the department in question was already working in a financial position with another department in the Government; is that not correct?

Mr. Johnston: I have honestly forgotten who the employee was.

Mr. Nutt: Mr. Chairman, I think it was a promotion from within that department.

The Training Coordinating Committee basically is not restricted to financial type training; it is just general training on a government-wide basis. The committee members, which were drawn from a representative number of departments, put forward what their department foresaw as training needs. As an example, I believe there is a course on public speaking and report writing going on now in one of the meeting rooms.

In fact, that Committee has not expressly dealt with financial matters. It may or may not, depending on the consensus of opinion.

Mr. Byblow: In the seminars that are being made available and the orientation package and any other programming that may be put in place, what emphasis is placed on financial management training in other departments, outside of Finance, where financial matters can be discussed, broadened?

Mr. Johnston: Mr. Chairman, the current session on the general ledger package is a good example because we have representatives of the three corporations attending these sessions, as well as representatives from the Computer Services Branch and Government Services, and people from the Department of Finance. So we have involved four other branches, corporations, if you like, in this particular session because it was applicable to them. Depending on the subject at hand, we would invite the appropriate individuals from other departments.

Mr. Byblow: So that takes place as a normal course of events.

Mr. Johnston: As well, we put on sessions during the year on how to do variance reports, on how to do the budget. We have sessions at the end of the year to supplement the year-end manual that we issue to go over with departments their responsibilities at year-end and how they are to handle certain things. We answer questions and so on. There is an awful lot of it going on now.

Mr. Chairman: Perhaps we could move on to the next item which is Account Verification and Pre-Audit Function.

Mr. Johnston: Mr. Chairman, this project is presently underway and will be completed by April 1st, 1981. It should be noted that this review commenced some two months in advance of the projected start date that we gave last year and Finance will report on the completion of this project.

Mr. Chairman: I see Item 11, Central Shipping and Receiving, is another project which has been transferred to the Department of Government Services. Mr. Graham seems to be taking over the world. It would seem to make sense to talk about 11 and 12, 12 being Invoice Processing, centralized or decentralized in the same breath, would it not, Mr. Johnston?

Mr. Johnston: They are tied together, Mr. Chairman.

Mr. Chairman: Perhaps you could proceed, then.

Mr. Johnston: The present system of invoice processing is

basically decentralized. It has been reviewed and we have found that re-emphasizing and monitoring our current procedure is more than adequate. This matter was reviewed in conjunction with the account verification and pre-audit function as that function is part of the invoice processing.

It should be noted that the Department of Government Services, should they at some point in time decide to develop a system of central shipping, that we would reassess the situation. Under the current situation it would be relatively difficult to centralize the invoice processing.

There is nothing wrong with the system the way it is.

Mr. Hanson: If you are out talking to people who have sent bills into the government to get paid, I disagree with you very much and as a political person I hear all about it. I am sure every other political person in the government has heard about bills being held back for eight months, ten months and it is a big problem and we are all aware of it.

I, personally, would like to see something done about it because we get tired of apologizing for it and then it happens again. I do not know what the answer is. That is why I am sitting here asking you.

Mr. Johnston: Well, I think, Mr. Chairman, my statement was correct. There is nothing wrong with the system. I am not saying that the people using the system are using it properly.

To quickly explain the process, the invoices are received by the department that requested the service or materials and they attest to Sections 19 and 20 of the *Financial Administration Ordinance* after receiving the items; they then process the invoices on to us in the form of batches. The Department of Finance simply inputs the batches into the computer and cheques are issued off the computer three times a week. The hold-up is in the departments getting them to us. I would say batches are in our office no more than one or two days before they are input into the computer, normally.

The system is in place for the departments to do the job in a speedy manner or a not-so-speedy manner. We constantly remind them that, in fact, it is their obligation to meet the terms of payment on the invoices. One control that we do have in place and that we have re-emphasized recently is the fact that we receive all of the statements from suppliers and we reconcile those. Where there are a lot of outstanding, old invoices in certain departments, we then bug the department to process the invoices.

Certainly with a centralized system, all you are going to do is change the responsibility from the department that ordered the goods and materials to ourselves to process the invoice quickly. That will work if we do a good job and it will not work if we do not do a good job. So, all I am saying is that either system will work fine if the people do the job.

Mr. Chairman: Mr. Johnston, you described the system as being a fairly good one; unfortunately, somebody has described it recently, I think, as being the slowest system in this government and that obviously is a concern to Committee Members.

Mr. Hanson: Well, it would seem then, in certain cases, if the receiving end got it and before it turned it over to a department, had it signed for and is received, I think the invoicing could start there, then, could it not?

Mr. Johnston: Well, I do not—

Mr. Hanson: In certain items, I realize, it would be hard, but in other cases, ordering stuff that would come in to the receivers, rather than going to the department for the final billing, it should be signed right there before they get it.

Mr. Johnston: There are, certainly, a number of different systems that could be used, whether centralized or decentralized and you are explaining a possibility of one. We really have not investigated what system we might go to if, in fact, we did, because right at this point in time it does not seem appropriate to change because of the circumstances.

Mr. Hanson: Well, it is appropriate if you are at our end of the stick where we get beat with it all the time. I would like to see it straightened out.

Mr. Chairman: Could I just ask a question on a related point, Mr. Johnston, or perhaps describe a case that all of us hear about, and not just invoices, but a complaint in the case of, I think, casual back-pay, which Mr. Nutt will know about, recently. Ordinary citizens, who are due such back-pay following the Collective Agreement, do not understand why it takes months, especially where, if they had worked for a small business where small businessmen have the money in the bank, they can write a cheque right then and there and give it to them the same day. In fact, the

Labour Standards Ordinance would probably require them to do that, but we are exempt from that.

You made the comment earlier this morning that computers, as a rule, tend to save you time and money, but there seems to be a widespread and perhaps not unfounded impression by some citizens out there who are due money from the government that, in fact, computers in some cases do not save them time and money but, in fact, cause long delays in terms of them receiving cheques. Perhaps this would be a good opportunity for you to correct that impression if it is a wrong one.

Mr. Johnston: The computer end of the accounts payable system, Mr. Chairman, is quite quick. As I indicated, we issue cheques three times a week and the batches are input every day. The tardy end of the system, if you like, is the manual processing in the departments before they get to us, so I do not see any credibility in that particular statement.

Mr. Chairman: Let me ask you a specific. What is causing the delays in processing invoices and sending them to Finance for payment?

Mr. Johnston: I would like to refer this to Mr. Nutt because he is involved in the operations on a day-to-day basis. He may have some of the major reasons.

Mr. Nutt: Yes, Mr. Chairman. It is very difficult to pin it down to one reason. Every time we do the research, or whatever, it is a different reason. We have had cases where departments sit on invoices for three or four months, change in staff, coming back to the vacancy problem we have. We alluded to the problem in our department but it is prevalent throughout the whole government. If financial people are away, program managers sit on it. Because of the decentralized nature of some of our operational areas, and I am not saying they are the only ones that do it but I will pick on the Department of Highways, for example, shipments go to various highway camps; there is a failure to communicate between the camp and the central administration area, so the invoice never comes in until the company, as they have done recently, sends follow-ups or what have you. That is why we are encouraging, and especially with the local suppliers now, we are in the process of re-emphasizing the fact that we want the statements to come into the Department of Finance. Do not send it to the department. As Mr. Johnston pointed out before, we pay invoices every second day. So, in terms of paying the invoices we have on hand, there is no delay. We crunch those things out every second day, as the computer run for accounts payable, but we cannot pay what we do not have.

Mr. Chairman: What about payroll?

Mr. Nutt: There is a valid problem and it has not been addressed here, but one of the major undertakings in my area that we have been looking at this year is a new payroll system. The system we have in effect now has been in since we got our first computer, which is about 1972, I believe. It was designed for an organization of about 200 people. Counting casual employees, our current staff load is probably 2,000. Our data processing people have patched that system, re-written it, amended it, to the point that you cannot do it anymore.

When it comes to a case of retroactive pay, and I do not want to get into too much detail, but I will give you an example: with casual employees, they are hourly rated. People on the Highway system especially work a tremendous number of overtime hours in the summertime, as an example. One facility we do not have on our computer because of lack of space, we cannot distinguish between time and a half hours and double time hours. That is very critical when it comes to calculating retroactive pay. What I am getting at is that all that has to be done manually, so, with terminated employees, as it states in the *Public Service Commission Ordinance*, we have to pay any retroactive pay to any employee who worked 35 hours or more. So, it is an awful lot of work.

We are not saying that there is not a problem, but we are hopefully going to address it this year by going to a new payroll system.

Mr. Chairman: The new system would solve that problem for you?

Mr. Nutt: It can then automatically calculate the retroactive pay for us.

Mr. Johnston: Mr. Chairman, I might just add that we mentioned last year that a new payroll system, although not on our original list of projects, was a high priority. The other thing I should have mentioned on retroactive pay is that, as well as the six

permanent positions in payroll, we have had three casuals on staff for months now and they have all been working several nights a week and weekends and it has cost this government thousands of dollars in overtime pay to process these retroactive pays.

So, we are hopeful with a new payroll system, and we are looking at January 1st, 1982 — I do not want to be held to that but that is what we are looking at internally — we think we can resolve a lot of this and cut down on overtime.

Mr. Hanson: Have you attempted in any way to make the general public aware of these problems; I mean by a newspaper advertisement about billing and, as Mr. Nutt said about our problems with payroll being slowed down. I mean, if the public are aware that there are problems, a lot would kind of listen and not be so critical. We are not giving them any information and if they knew that their bill was not paid in 60 days, they could send the bill right to you. It might help if they knew, through publicity, that they could do that.

Mr. Johnston: Well, first of all, on the accounts payable, there may be problems. What we are trying to do, rather than telling everybody we have problems, is correct the problems.

Certainly, if an individual phones or writes in about a particular problem, we check that out and identify what happened and perhaps relate it to the individual. We have not taken out ads to suggest that we might have a problem processing invoices. I think the difficulty is that you hear about the problems but you do not hear about the 95 percent that get paid on time. I think there are a lot who get paid on time, at least our cheques have indicated that.

Mr. Chairman: Mr. Johnston, I see our time is running out this morning. All of us want to hear from you on the form of the Estimates because that is a project we are all very interested in. Would you feel comfortable starting that now. I understand you are totally tied up tomorrow morning. I would not like to decide this question in advance, but the Committee might like to get back to a couple of other questions with you sometime in the next two weeks in our hearings and we could talk, perhaps negotiate with you about what might be an appropriate time.

Would you now feel comfortable giving us a brief description of the form of the Estimates project?

Mr. Johnston: I think, Mr. Chairman, it might be wise because it might help you in formulating questions for a later date.

Mr. Chairman, we have distributed a sample of the forms that may be used in the presentation of the Main Estimates to the Assembly this year. I say "maybe" because it certainly is the prerogative of Cabinet to make modifications to these as we get into a detailed discussion of the Main Estimates in the next few weeks.

I think the recommendation last year, Mr. Chairman, if I recall correctly, and we made the commitment as well, was that the Department of Finance would look at improving the narratives provided in the Main Estimates for the 1981-82 Mains. We have, in fact, with the help of the Auditor General, gone much farther than that. We have changed the whole thrust of the Main Estimates that will be received by the Assembly this year. We have gone from a document which concentrates on the financial end to a document which we feel concentrates on narratives, statistics and so on which support the policies of the government and indicate the policy thrusts of the government.

The financial information, although presented in this new form, is at a higher level, not as much detail involved.

Mr. Chairman, if everybody has the package of forms in front of them, I could start at the front. You might see they are stapled together in a strange way. That is because they will be printed on both sides when they are done.

Mr. Hanson: I would like to have both the status report on page 2 of the FMS Project and the form of estimates documents tabled to be appended to the Report.

Mr. Chairman: Thank you, Mr. Hanson. We will take that as notice of motion.

Mr. Johnston: Mr. Chairman, the first page will be similar to previous years and it will indicate the Minister, Deputy Minister and the departmental objective, but the departmental objectives have been reworked with departments and, hopefully by the time they are presented to the Assembly, we will have ministerial approval as well.

The financial information will show a dollar and a percent change from the Main Estimates of the year before, the percent

being new.

As well, at the bottom of that front page, Mr. Chairman, we will have highlights that the department may wish to comment on, general highlights which may cover just major or overview items for the department. Each individual program, as well, will have room to indicate changes from the year before.

Mr. Chairman: That might be a new program or a new objective or—

Mr. Johnston: It could be a new program. For example, Municipal and Community Affairs may indicate that another local improvement district was formed during the year, that kind of thing, something fairly major.

For information, we will have the expenditure, revenue and capital information, as well, but that information would not be voted.

If you could turn over, and you have to turn so that you have got the two pages facing you like that, as they will be printed. The next section then will list all of the programs within that department and, again, there is some financial information, along with the percent of change and we will also show you the actual for the most current year that is available.

The page facing that will show an organization chart for the department which has not been presented, at least not recently, in the Main Estimates. You will be able to see the tie-in between the programs administered by the department and the manner in which they are organized in order to carry out these functions. There may be, as well, some other information on that page at the bottom of the organization chart.

The organization chart, as well, will show, within each block, within each branch, if you like, the dollars and person years which would tie-back into the programs normally. So you would see a block for administration, maybe, of four person years, \$100,000 and the same program listed on the lefthand page.

What we are attempting to do, Mr. Chairman, with this document, as in the past, is go from the large to the small. So we started with the first page showing an overview of the whole Department, the second two pages start breaking it down into programs, and then if we can flip over to the next two pages, we have each program broken down by activities within the program.

At this level we hope to indicate the program objectives, and again some dollar information, the upcoming year's estimates compared with the forecast for the expenditures for this current year, and the actual for the year before. So you have three years of information: one year an actual; the next year an estimate; and then a projection for the future year. As well, we plan on breaking down the person years — we are calling them "person years" rather than "man years" — into continuing casual or, if you like, permanent and casual, whatever terminology you wish to use, which has not been shown before.

On the page facing that, Mr. Chairman, we would like to show for that particular program some statistics and an explanation of changes in that program from the past year to this year. The statistics could be a number of things. For example, in Finance we might show the number of Home Owner Grants issued in the last years for the Home Owner Grant program. In Highways, we might show the number of gravel roads, kilometers of gravel roads, oil treated roads, paved roads for the last three years, and you could see the change in the thrust of the government going from gravel to another type of surfacing.

In Municipal and Community Affairs, you might have information concerning the ambulance service they provide, or the inspections they provide as part of their function or the assessments they do; that kind of information.

Then the explanation of changes may say simply that this is a new program or the program has decreased from last year for these reasons, or has increased substantially because of these other reasons, whatever the situation might be. I cannot give you an example offhand, there, but you can see the kind of information I am talking about.

In some cases, Mr. Chairman, that second page will not be adequate for a program because there will not be enough room, so if we flip over to the last two pages I have shown, there is a page called "Supplementary Information" on the left. That would be used for a number of reasons. It could be used to supplement the room for statistics and highlights or changes in a program. Or, we might use that page, for example, some departments have revenues and recoveries that we want to record and show to the

Assembly, that particular page would be used for that. Because revenues and recoveries vary so much from department to department, we did not try to standardize a page for that. We might later on as we progress over the years.

The last page I have shown, Mr. Chairman, indicates the expenditure summary by standard object for the whole department. As we showed last year in the Main Estimates, standard objects, personnel being one, others consisting of a number of standard objects, transportation and communication and so on down that list and then the last one being transfer payments. Again, the total to be voted would equal the total on the very front page of the department that is to be voted for that department.

All the way through you can see the tie-in. On the very front page we have a total expenditure to be voted and then, on the second page, we will have a total of all the programs which have totalled up to that. On the last page, there will be a total of all the standard objects for the department totalling up to that. So you can see different cross-sections, if you like, of the expenditures within the department.

I have not given you any pages, Mr. Chairman, which show narratives or statistics or figures because the ones I am working with right now are actual live data and it is confidential. I have not had time to mock-up pages for you. I would think that the forms are relatively self-explanatory. I am hoping that they will be, that we will not have to do the other job.

Mr. Chairman: For my own part, let me comment, Mr. Johnston, I think this looks excellent. I think the form proposed here is a considerable improvement over the present format and I think even if it assists us only in trying to relate the budget to previous years' expenditures in some more meaningful way it will be very useful. I think the expanded narrative is very good.

I must say, for my own part, that if this Committee has had some role in providing some incentive for this project, I think it has done something useful.

Are there any questions?

Mr. Graham: It is tremendous.

Mr. Byblow: I am certainly impressed with the format, as well. Just one minor question: is it premature, when this estimate is being prepared, to show any variance on the previous year's forecast?

Mr. Johnston: Well, what we will show, Mr. Chairman, is the most updated information on forecasted expenditures for that department. Certainly there is also a column showing the estimates for last year at a higher level, certainly the two pieces of information could be looked at in conjunction with each other, although they are on different pages, and you could see the relationship.

We thought that comparing the future year's estimate with the current year's forecast would be more meaningful than really comparing it to last year's Main Estimates because many things happen during the year where the government approves interim appropriations or people overspend or underspend for various reasons. We thought that what you actually spend this year is more important than what you forecast that you would spend because it is a better basis for looking at the future year's budget.

Mr. Chairman: Mr. Johnston, many of us on the Committee may have other questions which we want to get back to you with at some other point, but time is running out for now and I understand you will not be available tomorrow morning so we will have to defer that pleasure.

I want to thank you for the document on the form of the Estimates. Because we are going to be doing two other departments, Highways and Public Works and Renewable Resources in the rest of this week, I wonder if I could ask you, briefly, if, as Treasurer, you have any concern about any of the financial systems or management control systems in either of those two departments?

Mr. Johnston: Mr. Chairman, I had not really given that much thought. I should say that I am not aware, at this point in time, of any major problems we are having with those two departments. If I were aware, I would be hesitant — I would have to watch how I said it, I suppose. I honestly cannot think of anything major that has come to my attention in the last little while.

It is like all of the departments in the government, there are times when certain material that we ask for is prepared well or not well or timely or not timely, depending on situations, but I cannot say as an overall statement that they have major difficulties in the financial areas.

Mr. Byblow: To put the same question in a different way, I suppose it is safe to say that the FMS projects now in place are an evolution of the FMCS study of 1976. Very briefly, are you satisfied that FMS does fulfill all the recommendations of that study?

Mr. Johnston: Mr. Chairman, that report from 1976 was certainly a major component in coming up with a list of projects, as well as our own thoughts on what we needed in this government. We held interviews with every department in the fall of 1978. We decided last year that, at the committee level, the list of projects that we had been working on and completed and the ones that were left to do, would cover the majority of points raised in that 1976 study, at least the major ones that we were in agreement with. I think that was agreed by all parties. Yes, I am fairly confident that that is the case.

Mr. Chairman: We have run out of time, Mr. Johnston. I would like to thank you, Mr. Art Nutt and Mr. Tom Roberts for being with us this morning. As I indicated, we may have some other questions and we may need to call you back later; however, we do appreciate your having been here this morning.

The Committee will now stand adjourned and will reconvene immediately in Executive Session in the Caucus Room.

Thank you.

The Committee adjourned at 11:38 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 2 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Wednesday, January 21, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Foltwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisors from the Office of the Auditor General:

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

Ken Sherwood, Director of Internal Audit

L.W. Blackman, Deputy Minister, Department of Highways and Public Works

Kurt Koken, Assistant Deputy Minister, Department of Highways and Public Works

EVIDENCE

Wednesday, January 21, 1981 - 9:30 a.m.

Mr. Chairman: Ladies and gentlemen, meeting two, formal hearings, Standing Committee on Public Accounts, will come to order.

The agenda for today is: we are going to be looking first at the question of the internal audit, principally to review the recommendations in the Public Accounts Committee Report of 1980. Following that subject, we will be moving on to the Department of Highways and Public Works, dealing first with the Highways Branch.

Our first witness this morning is Mr. Ken Sherwood, the Director of the Internal Audit and I would like to welcome you before the Committee, Mr. Sherwood. I hope your short stay here will be pleasant.

If you have no opening statement, I am going to ask Mr. Byblow to lead off the questions this morning.

Mr. Byblow: Thank you, Mr. Chairman. Good morning, Mr. Sherwood.

I have before me a position description, in the form of a hand-out, of the Director of Internal Audit. The position is also referred to as the Chief Auditor and Internal Auditor.

I also have a copy of the internal audit schedule in the form of a memorandum prepared by yourself to the Government Leader. By way of introduction, could you briefly describe the emphasis of your activities in terms of the internal audit functions since you have arrived? In other words, what have you been concentrating on?

Mr. Sherwood: Mr. Chairman, presently, I have been concentrating on learning the financial accounting and reporting systems of the Government of Yukon. This involves reviewing the system, reviewing my position as Director of Internal Audit and the position of Internal Audit within that system.

Mr. Byblow: In reviewing the internal audit schedule that you have prepared, you outline, in essence, a fairly comprehensive and thorough workload. Could you comment on that in respect to the staff available to you and the job before you.

Mr. Sherwood: The audit work plan is strictly that. It is a plan to give myself and my staff direction in the audit procedures that we will take in reviewing the system of the Yukon Government.

It does not extend any further than that. It is subject to change; it is just a guideline that will give us the direction to approach our position in a logical manner.

Mr. Byblow: Just to try and zero in on something a little more specific, how do you view your reporting relationship within this government? I am referring to the departmental relationships, the executive reporting responsibilities that you have, and essentially how you see your office fitting into the scheme of financial management of this government.

Mr. Sherwood: My office would fit into the scheme of financial management in that it would be a reviewer of the system and would report the findings of those reviews to the top level of management in that system. In the case of the government it would be the ministerial levels.

Mr. Byblow: I am not too clear; perhaps I did not hear. Who is your immediate reporting superior?

Mr. Sherwood: Organizationally?

Mr. Byblow: Yes.

Mr. Sherwood: The Government Leader.

Mr. Byblow: I note in the description of your position, and I am referring to the hand-out description, that you report both to the Government Leader and to the Internal Audit Committee. Could you comment on this seeming contradiction?

Mr. Sherwood: I also state in the position description that I report to the Internal Audit Committee. It is an advisory committee.

The Internal Audit Committee, as I see my position, is my liaison with the departments and the functioning section of the Public Service.

Mr. Chairman: Mr. Sherwood, can you tell me, at present, who is on this Internal Audit Committee?

Mr. Sherwood: Yes, I can, Mr. Chairman. The Minister of Fi-

nance is chairing the committee; the Treasurer, the Commissioner of Public Service, Superintendent of the Department of Education, the Deputy Minister of Government Services, the Deputy Minister of the Department of Highways and Transportation.

Mr. Chairman: Thank you. Can you tell me how often this committee has met since you have come into your position?

Mr. Sherwood: To my knowledge, this committee has not met since I came into this position.

Mr. Chairman: I do not want to put you into an unfortunate position, but can you tell us if you know if it expects to meet sometime or have you not had need of its advice yet?

Mr. Sherwood: I have not had need of its advice to date, until the submission on this plan which was submitted to them on January 2.

Mr. Byblow: How do you see your role developing in relation to this committee? You have said that essentially it has an advisory function. Could you elaborate on that?

Mr. Sherwood: My reporting responsibility is to the ministerial level, being the ultimate heads of the departments of the government. My working level is with the Public Service at the functional level of the departments.

I require liaison between the two and I see this committee as being that liaison giving me representation at both levels of the departments.

Mr. Byblow: In the Financial Administration Manual, there is Section 13.5 that outlines the Audit Committee in terms of its role and function within the financial management of the government. There is a considerable list of objectives and duties that they are to perform according to that outline. One of them refers to the review and approval of long term internal plans and audit objectives, work schedules, reports and recommendations. To be specific, have you prepared any long term internal audit plans?

Mr. Sherwood: Just the one that you have a copy of which I feel will stretch from two to four years to cover all of the systems within YTG.

Mr. Chairman: If you could excuse me one minute, perhaps just so we can be clear about the documents that we are referring to, I could ask Mr. Hanson to move that the three documents which are in this discussion be appended to the report.

Mr. Hanson: I move that these three documents be appended to the Report.

Mr. Chairman: Let the record show that the Executive Compensation Plan Position Description—

Mr. Hanson: — Management Plan and Internal Audit Schedule.

Mr. Chairman: Thank you, Mr. Hanson.

Mr. Byblow: There is one area that I am still not too clear on, Mr. Sherwood, so I have to go back, and that is the general reporting nature of your office. As an Internal Auditor, your responsibility is to the executive branch of government and you said immediately the Government Leader. At the same time you are working in conjunction with the various departments in fulfilling your mandate to oversee proper financial management and controls.

If a situation arises in which there is some problem with respect to the financial management, you report this to the Government Leader. What then happens?

Mr. Sherwood: The Government Leader would have the responsibility of carrying it to the Cabinet, to the Ministers, so that the political level of the Public Service is aware of the problem and it would be their responsibility to act on it.

Mr. Byblow: Does the Audit Committee serve any function in the particular instance I have described?

Mr. Sherwood: Yes, it does. It serves a function as an advisory basis. The information that I present to it will be basically made up of information gathered by reviewing their own departments. It will give them an opportunity to review what I am going to present and to advise me on how it could be presented and where I may be misleading in my terminology. So, I see them as the advisory link to the political side.

Mr. Byblow: I think that clarifies it in my mind.

A further question, how do you see your role with respect to the Auditor General's Office, as an external auditor?

Mr. Sherwood: With respect to the Auditor General's Office the internal auditor functions, or should function, as a key internal

control within the system. That is basically the inter-relationship. They should be able to use the work that I do. We have overlapping areas in which case they should be able to rely upon the efforts of my work in their review.

Mr. Chairman: Mr. Sherwood, would you briefly describe the nature and kind of communications that you would expect to carry on with the Auditor General's Office in your term?

Mr. Sherwood: There would be a mutual review of working papers, requests for information going back and forth. I would be able to use their reviews of year-end work in my reviews and I would request access to their files, to their knowledge systems documentation. They, in turn, would do the same with me; they would review my files, my documentation, as a normal audit procedure in their year-end work in assessing the controls of government.

Mr. Byblow: Mr. Sherwood, in reviewing the position description in the form of the hand-out and comparing it to the description of the Internal Auditor as outlined in the Financial Administration Manual, there appears to be some variance in the description. Could I inquire of you who composed the hand-out job description?

Mr. Sherwood: I did.

Mr. Byblow: Would that have been prior to your appointment?

Mr. Sherwood: No, subsequent to my appointment.

Mr. Byblow: In that there is a difference between the hand-out description and the Financial Administration Manual description, do you have any comment on that? I suppose to emphasize it, why was one not the same as the other?

Mr. Sherwood: Because one was my interpretation of my position, as was requested by the Public Service Commission, what did I feel that I should do. The wording may not be the same, but I believe that the concept is very much in line with the Financial Administration Manual.

Mr. Byblow: In the hand-out job description or position description, it is clarified that your purpose is to review legislation agreements, policies and other documents to establish audit requirements. Is this a capability that you will be able to accomplish in the next year?

Mr. Sherwood: That is a capability that we are in the process of doing right now.

Mr. Byblow: In the reference to the design implementation and supervision of the audit programs, this would be interpreted as an examination of the existing systems. Is that correct?

Mr. Sherwood: It could be interpreted that way. It is, in effect, a carry-on of 1.1, based on the review of the legislation agreements and policies, the next step after you have defined your audit requirements is to design a program to meet those requirements.

Mr. Byblow: I note in the description, as well, that you consider the position as one of a liaison between the political, Public Service department heads, external auditors and Audit Committee. Now, you have described that fairly well. In previous questioning, the one area I am not too clear on is how do you view your liaison with the political level? How do you serve that function?

Mr. Sherwood: By political level I mean ministerial level or the ultimate department head.

Mr. Chairman: I have just one question, Mr. Sherwood. You spoke earlier in terms of the Audit Committee as an advisory group — I think that was the word that you used — does the Audit Committee have any role in following up any of the audit report recommendations that you may make?

Mr. Sherwood: That is a question that may best be answered by the chairman of the Audit Committee. In my interpretation, yes, they would follow them up with recommendations back to the department, being a group of department heads.

Mr. Chairman: I know that it is not your committee to call but do you know when the Audit Committee might be meeting or have you been advised of a meeting coming?

Mr. Sherwood: I have not been advised of a meeting. I would think that they would go when I presented something to them.

Mr. Chairman: (Inaudible).

Let me just ask you, Mr. Sherwood, we had some confusion last year about the Internal Audit Committee which is partly why you are here this year. I should explain. I believe we were told by someone in Finance that Mr. Pearson, the Government Leader, was chairman of the committee and Mr. Pearson then came and told us that he was not and that it was the Commissioner at the

time. Mr. Pearson is definitely chairman of that committee?

Mr. Sherwood: That is my understanding, yes.

Mr. Chairman: Let me ask you one last question in connection with that committee: since your appointment, have you issued any reports other than your internal audit schedule which might be the subject of discussion by the Internal Audit Committee?

Mr. Sherwood: We do not work quite that fast. I have been operative for two months, Mr. Chairman, and we are currently in the process of reviewing the central accounting system following the audit work plan. We have not yet completed our review and we have not yet issued any report.

Mr. Chairman: Thank you, Mr. Sherwood.

Ladies and gentlemen, for the next half hour we are going to be dealing with the Department of Highways and Public Works and I think it has been the wish of the Committee that we proceed logically and that means talking about highways first.

I would like to welcome as witnesses today Mr. Ken Blackman, who I understand is the new Deputy Minister of the department, and an old friend, an old hand, Mr. Kurt Koken, who has been with the department almost since it began, I hear.

Mr. Blackman: I understand you have an opening statement that you would perhaps like to read to the Committee, which might lead into questions.

Mr. Blackman: I could read it, Mr. Chairman. I do not think it is full of meat by any stretch of the imagination.

Also, just to correct the record, it is not Ken, it is Larry or L.W.

Mr. Chairman: Thank you, Mr. Blackman.

Mr. Blackman: Mr. Chairman, Committee Members and advisors, I must first apologize to the Committee for my lack of knowledge of the operation of the department during the period under review, which is 1979-80. I have been in the position for just over five months and I have been almost exclusively concerned with the day-to-day operations of the department and the preparation of budgets for 1981-82, variance reports and similar concerns that occur at this time of year.

The next paragraph is no longer correct, Mr. Koken is here; however, I would be happy to bring before the Committee any other members of the department as may be necessary as the topics unfold.

There are a series of charts attached which provide an overview of the organization of the department. Chart 1 shows the direct reporting channels and responsibilities to the Deputy Minister and the Minister. It also defines, very briefly, the main areas of activity within the department. The following Charts 2 to 8 show the organization and staffing of the various sections.

Very briefly, the responsibility of the department is to provide the highest possible standard of roads and airports for the use of the travelling public and the best possible facilities and public buildings within the limits of the funding.

In addition, the department provides technical and professional engineering services to most communities in Yukon through the Department of Municipal and Community Affairs. As the only department with professional engineering staff, technical advice is provided to other departments or agencies when requested.

The responsibility of the Deputy Minister is the management of the department's resources which are provided directly or indirectly by the Legislature. This includes planning, programming, budgeting, implementation and fiscal and quality control of Public Works through the direction of available staff. The Deputy Minister is also responsible for advising the Minister on policy within his area of responsibility and the implementation of government policy when established.

A further duty of the Deputy Minister is service on a variety of committees, including the Permanent Advisory Committee on Economic and Social Development, Northern Exploration Facilities Program, Accommodations Committee, the Audit Committee, Yukon Disaster Committee, Advisory Committee on Northern Development and Transportation, which is a federal-territorial group. In addition, the Deputy Minister has been appointed as a Director of the Roads and Transportation Association of Canada.

I might also add at this point that I keep hearing of other committees of which I am a member, another one this morning.

The authority of the Deputy Minister is based on the *Highways Ordinance* and financial regulations, as delegated by the Commis-

sioner. This is somewhat less than clear-cut during this period of political transition. The authority of the Deputy is also affected by the Public Service regulations, labour agreements and similar items. The exercise of the authority should not be tied blindly to the regulations since common sense dictates consultation with the Minister and other authorities as being prudent practice.

The scope of activities may be best demonstrated by the fact that the department is responsible for 4,400 kilometers of road, ten Arctic B and C airports and 188 buildings, ranging from a dozer shed to this building we are meeting in today.

Resources include a permanent staff of 292 and up to 200 casual employees, that is an average of 200 during the summer months. Funding is in the range of \$20 million for O&M and the department manages annual construction programs in the range of \$20 million.

The department also recognizes its role in government as a service agency and the impact its activities have on most other departments and agencies. Unlike most government agencies, Highways and Public Works is fundamentally a production organization often more closely related to private enterprise than the Public Service.

Pages could be filled with the detailed activities of the department's individual duties and responsibilities. I trust, however, that the foregoing provides a sufficient overview to be a basis for further discussion.

Mr. Chairman: Mr. Blackman, let me just emphasize before we start since you were not here to hear our introductory remarks yesterday that this Committee is not concerned with policy issues at all. As you will understand, perhaps from previous experience in other jurisdictions, we are primarily concerned with the administration of public monies during the period under review and the period leading up to that, money that was voted by the Legislature.

Mr. Hanson is going to lead off with questions this morning, but could we have a motion for tabling the documents, Mr. Hanson?

Mr. Hanson: I would like to move the tabling of these documents for appending to the report. The documents are: Government of Yukon Department of Highways and Public Works, Departmental Structure.

Mr. Chairman: Thank you, Mr. Hanson, that is a notice of motion.

Mr. Hanson: Mr. Blackman, we are well aware that your departments here are well in the public's eye, so some of our specific questions are going to be maybe a little bit embarrassing but it is not a personal thing. As politicians we have to answer to people when they ask us the questions.

However, I would like to start off with a line of questioning that will be mainly on management. I would like to have you outline the objectives of the Department of Highways. I must point out at this time that we split Highways now into the maintenance and the construction and we are on the maintenance part.

Mr. Blackman: I think, very simply put, the objective is the best possible road conditions for the money available; in other words, service to the travelling public, service and safety, in a nutshell.

Mr. Hanson: What type of management systems does the department have in place to fulfill its objectives?

Mr. Blackman: There is a maintenance management system which is locally known as the Jorgenson system, simply because it was developed by the consulting firm, Roy Jorgenson and Associates. It is a method of management by objective. It is very detailed. It is a very effective management tool when fully applied. It develops budgets from first principles; that is the application of a predetermined amount of labour, equipment, materials per kilometer of road or per activity. This is built up through the whole system through the inventory of roads which is available. This then translates into dollar requirement which becomes a basis of the highway maintenance estimates.

After it has been funded by the Legislature, then almost the reverse activity takes place. The funds are allocated to the various roadways, through the camps and back down to the individual activity.

Mr. Chairman: That is a very useful description, Mr. Blackman. Could you briefly go back to Mr. Hanson's first question about the objectives of the department because you were very brief and succinct and we appreciate that. Would you say, as a general statement, the statement of objectives of the department contained in the last Commissioner's Annual Report to the Territory is reasonably adequate from your point of view in terms of the

description, not only of your objectives but of your principal activities?

Mr. Blackman: I do not have that in front of me.

Mr. Chairman: It has not changed much over the years so it has obviously developed a kind of consistency.

Mr. Hanson: What kind of information systems does the department have to satisfy the information needs of its managers?

Mr. Blackman: Information systems — I presume you are referring to information flow. The activity on the roads which I personally feel is the key to the operation is what happens out on the road.

By means of daily and bi-weekly reporting systems, costing, work completed, that is grader pass miles, cubic meters of aggregate, tonnes of bituminous mixes, et cetera, as used in maintenance, the actual activity is reported back through the system. This is supposed to end up in a computerized report by camps. Eventually, I should get a report of the total system. This is then broken down. The Chief Maintenance Engineer would also get this. It is then broken down a second time to a report by area which each area superintendent would have for his review and then it should be broken down into the camp level and the foreman would see that.

In other words, if you find a problem in the total, you can then go the next level and check the areas. If you find that there is an area in which there is a problem, then it can break down to a camp. Unfortunately, the computer systems have not been performing as they are supposed to and the camp reports are just coming out in the last period or the second to last period. Up until just about now the system has been in the implementation stage, shall we say. We hope, particularly starting in the next fiscal year we will be able to get this quick flow.

In addition to this, there is a hand system, if you like — we will call it that rather than computerized — where all of the documentation coming in from the field is actually entered into ledgers along with commitments so that on a period basis each level manager can see what his status is or what the status of his activities are, cost-wise.

Mr. Chairman: We may well go back to any one of these areas that we are skipping over lightly now but I wonder, just as a case in point, if I could pursue this question of information systems just for a minute so that I will understand it.

Back in October I asked for some information about the number of employees in highway maintenance camps, not only for this year that is now under review but also for years previous to that. Our Clerk was kind enough to reiterate that request recently and I have your letter to our Clerk which says:

"I am attaching a copy of a memorandum from P. Roddick, Public Service Commissioner, which is self-explanatory.

Your request was referred to the Public Service Commission since that department maintains permanent staffing records for the Territorial Government. I regret that the information requested is not readily available."

Mr. Roddick then says to Mr. Blackman:

"Re: The Public Accounts Committee

"The information requested by the Chairman of the Public Accounts Committee is not available because statistics relating to staff establishment have not been, and are not now being maintained in a manner which would provide the information sought. I have some difficulty with the reference to persons because in any particular year, a permanent or part-time position may be filled with one person or more than one person.

"The Commission produces monthly reports reflecting approved establishment for each department and the number of persons employed by the department in permanent and part-time positions on the first and last days of the month. This report also indicates the number of casual persons on the books on those days. These figures do not provide a reliable picture of the number of casuals employed throughout the month or even at work on those days. In the course of a year, a great number of casuals are employed for some short periods and others for a maximum of six month periods. Consequently, these figures do not provide the information that can be related to casual man years. As far as I can determine, this kind of information has been collected since 1972.

"With respect to location, no statistics are available on a year to year basis indicating the numbers of YTG employees employed at various locations in the Yukon. Given reasonable advance notice,

we could provide information by department on the numbers currently employed at the various locations. I presume that in relation to your department, you could provide the information from your own resources.

"I regret that I am unable to provide you with the information requested."

Now, not to complicate this issue at all, because in your Chart 3, which you have tabled for us, you have given us the total number of employees, for example, I think, under the Chief Highways Superintendent. You have given them eastern highway, western highway superintendents, northern highway superintendent and so forth. That information is useful.

Let me explain what I really want to know, Mr. Blackman, and perhaps you could tell me if you can give us the information. You will forgive me if I got the impression after Mr. Roddick's memo that I was getting a bit of a run-around. I had trouble believing that you or your officials did not know how many employees they had at the different maintenance stations. I have trouble believing that.

More to the point, and this is the relevant point I wanted to find out because we are talking about performance evaluations and so forth, these are issues we are going to be getting into, productivity and questions like that.

I was interested in knowing how many employees there were at the different maintenance stations because they are each responsible for a section of road which had a certain finite number of miles and presumably it is possible at some point — perhaps not — to do some kind of calculations about the money spent on each section and the cost per mile, useful kind of information, I would guess, in a management system.

For comparisons, I was interested in knowing if those numbers have been increasing in Watson Lake, Dawson. We know in Destruction Bay that they may be going down, but that has been a very public issue. I was not interested in the political question there, but simply the management thing. Compared to a couple of years ago, what about Mayo, Stewart; how about Faro? It surprised me that that information was not readily available because I would have thought that management decisions about raising or lowering the number of employees in each of those stations would have been based on some kind of information about costs and the number of miles being maintained and so forth.

That is the kind of information I was looking for. I wanted now to ask you the direct question: is it available? I do not expect you to give it here now, but we might like to look at that later. If I am asking the question the wrong way, perhaps you could tell me how we could ask it so we could get the information.

Mr. Blackman: I think one of the problems was the scope of the question, rather than the detail. I would ask Mr. Koken to correct me if I come up with any errors.

I believe we could give you the permanent establishment in each location — that is readily available now — and for the past short few years, but going back to 1970, it becomes much more difficult.

The number of casuals fluctuates very widely throughout the various camps throughout the year, depending on whether you have just the routine establishment there or whether you have surfacing crews, crushing crews; these are moved in and out at random.

I believe we could probably give you the total establishment in most camps at a given month-end, but at any time during that month it would be different. The permanent establishment is no problem, it is the casuals that creates a problem.

Mr. Chairman: There are quite a few of casuals in your department. Some of them may be only for a short period of time, but I notice the figure in your statement gave 290 permanent and 200 casual, I think, in the year we are talking about. If it is possible to get any kind of figures on casuals, I would appreciate it, perhaps even month-end of some period would be useful.

I would like to see, for whatever years it is, three or four or five if that is possible, prior to the year we are talking about, the number of permanents compared to the number of casuals in those maintenance camps. If we could get a commitment to get that, I think we would appreciate that information.

Mr. Blackman: Mr. Koken advises me that it is not available by camp; it is by maintenance establishment.

Mr. Chairman: That is these regions under each superintendent?

Mr. Blackman: No, it would be by maintenance totally, so it is

not split by regions either.

Mr. Chairman: So it is not possible, you are saying, to be able to know how many employees there were — Let us take Destruction Bay because that is a public example. Let us not talk about the issue there but in other words you do not know how many employees there were last year, the year before or the year before, or the number of job positions or permanent staff at that camp. Is that the case?

Mr. Koken: No, this is not possible. We control the highway maintenance staff establishment by total numbers. They are now 140.

Over the years we have transferred positions from one camp to another, especially with the turn-over of the Alaska Highway in April of 1972. We abolished a number of positions by attrition. In certain camps, if a person quits we then abolish that particular position. This is an on-going process. An organization is living, it is in a constant movement of transfers. Camps are being closed down, temporary jobs are offered to employees in other camps, like the closure of the Boundary Camp. Closure of the other camps, we do not have it by camp.

Mr. Chairman: Mr. Koken, this is precisely the question I think we will want to get back into in some detail. I do not want to seem obtuse in asking the questions, but it seems to me your answers have really begged the questions we want to ask.

If you make a decision to phase out — I cannot remember your exact expression — a position at this camp or that camp, it assumes you are doing it on the basis of some management decisions that that person is no longer required because of some change in circumstance or that they are needed more somewhere else, which presumes that there are some management systems to measure the need for an employee in one camp as opposed to another camp. It is that kind of information we wanted to look at.

Mr. Blackman: Mr. Chairman, this comes back to the Jorgenson system. I have here a bit of information, if I may use it for some detail, I think it may help if I could use one activity as an example.

The surface grading of Class 1, Class 2 gravel roads, calcium treated, under the Jorgenson system, they have developed the fact that that class of road, on the average — this is an average over the Territory, not by specific camp — requires seven passes with a motor grader on each kilometer of road six times a year. We have a productivity standard of 83 pass kilometers per working day. From the inventories of the road system and the activity descriptions, we know we have a five man crew required that does this type of work. From that you can work out the number of man days which you have money to pay for and the types and numbers of machines and therefore the number of dollars you must have for machines, the amount of materials, tonnes of gravel or cubic meters of gravel, tonnes of asphalt and so on.

This dictates the crew size you must have. This varies from camp to camp, area to area, depending on the soils, types of traffic, volumes, rainfall, all this multitude of factors. As a matter of fact, I have had the chief maintenance superintendent, during the last short period, beginning work on defining the number of equipment units, the number of man hours required in each camp for the next fiscal year, based on our hoped-for budget. This is the method we will use to control the man hours.

As the road conditions change, one sort of drastic change that is occurring right now and started about a year ago in a significant way is the bituminous surface treatment that is being done to replace calcium.

This requires a different kind of equipment, different man hours, so you have to begin the change and we are trying to plan for that change for the coming years.

We also have to look at our equipment fleet, the types of equipment needed, this type of thing.

So this is the system which all flows back into man hours, machine hours, tonnes of material and this type of thing.

Mr. Chairman: I am sure we want to get into this more, Mr. Blackman. I want to go back to Mr. Hanson's general questions so that we do not get into too much detail now; however, I must tell you, as a layman, I have real trouble believing that the highway system does not know how many employees it has in Watson Lake, for example, and whether that is more than it was a couple of years ago or less than it was a couple of years ago.

Mr. Blackman: I am sure that that kind of information can be supplied by the various supervisors, but from what Mr. Koken is saying, it is not documented in that form. In other words, we cannot

give you a ledger or something of that type.

Mr. Chairman: Well, rather than asking for a ledger, Mr. Blackman, could I just ask you this, because it gets to a general administrative question that we want to get into.

Mr. Blackman: Surely.

Mr. Chairman: Would you see if it is possible to give Committee an undertaking now, perhaps for tomorrow or the next day, that we could get some kind of comparison, whatever is easiest for you, for the year under review and a year or two years prior to that, whatever you can do, and tell us, in the 22 camps you are talking about or in the regions, whether there are fewer employees in those camps or more employees in the camps. In other words, is your productivity going up? What we are looking for is a very crude productivity indicator because the number of miles have not increased that radically; we know what they are, we have got the records of the miles in your highway system. Later we expect you to be talking about the numbers in each category and the standards in each category, but we want to look at the number of employees who are responsible for those different sections and look at those crude, if you like, productivity indicators.

Mr. Blackman: Okay.

Mr. Chairman: So you understand the kind of questions—

Mr. Blackman: I see now what you are looking for and we will attempt to—

Mr. Chairman: We would like to have some form to allow us to look at that.

Mr. Blackman: I will attempt to tell you what we can do and then do it as early as we can.

Mr. Chairman: Back to Mr. Hanson. Thank you.

Mr. Hanson: That brings a whole new line of thought to my questioning, but I will stick to what I have with me. I will get back to you later on.

Does the department have any sort of performance standards?

Mr. Blackman: Yes, this again goes back to the Jorgenson system. The whole system is built on a pre-determined standard number of pass kilometers that a motor grader should accomplish in eight hours, the number of tonnes of asphalt that should be placed per working day. I think these are performance standards.

Then there is a reporting system that reports the number, in fact, which have been done.

Mr. Hanson: Is the actual performance measured against the standards, though? Is it done or is it just information collected but not—

Mr. Blackman: There are productivity reports which indicate the amount of work which has been done which you can compare to the amount of work which was budgeted; that is man hours, machine hours, et cetera, pass kilometers, tonnes of material, cubic meters and so on.

Mr. Hanson: Is the Jorgenson system based on engineered standards?

Mr. Blackman: Yes.

Mr. Hanson: If so, are comparisons made between standards and actual?

Mr. Blackman: Yes.

Mr. Chairman: Let me ask you, Mr. Blackman, if I could get in just very briefly, is there some very brief statement of the Jorgenson system in a document form?

Mr. Blackman: I am afraid not. There are manuals some inches thick which I am sure would—

Mr. Chairman: Mr. Falle has a question.

Mr. Falle: I would like to know, on this Jorgenson report, or what you are basing this study on, on new graders, the old graders that used to go at ten miles an hour and your newer graders go a lot faster and are able to do a lot more work, does your report sort of balance it out? In 1950 you could probably do ten miles of road with a grader and now, I do not know, I am just saying you could probably cover 30 or 40 miles with two or three graders. Is your report flexible enough to allow you to make an accurate comparison?

Mr. Blackman: There are two parts in the answer to the question. First of all, if we take motor graders, which seems to be the typical machine which is considered, the grading speed for the motor grader is no different today than it was 30 years ago. They will run faster and they have got more power but the actual speed

at which you can adequately perform good work has changed very, very little in those 30 years.

The second part of the answer would be that all of the standards are based on averages. The rental rates of a class of machines are based on the average for the fleet. The oldest machine in the fleet is going to be costing a lot more in mechanical repair and this type of thing than the newest, but you cannot deal with each individual unit; you deal with classes of units. In other words, motor graders are a class, so the average productivity, the average costs are used for that class of machine in the fleet.

Mr. Falle: Getting into the motor graders, we see orange ones and yellow ones, are there any standards, is there any move within the government to standardize their equipment?

Mr. Koken: Not any more. We used to standardize our caterpillar equipment, but, as you well know, the prices of caterpillar units are so high that we were forced to buy cheaper units. Champion is now a good grader; it is manufactured in Canada. We bought a lot of Champion graders over the last few years. The market is open, we have dealers, we can get parts in Whitehorse, which used to be a problem. About 20, 23 years ago we had a lot of problems there. We do not have those problems anymore so we are not standardizing the graders.

Mr. Falle: We will get back to this later.

Mr. Byblow: I have just one general question on the Jorgenson system. How was it derived? Is it a standard Canadian highways maintenance manual?

Mr. Blackman: May I first make a general comment? If I get into too much detail that you do not want to hear, please cut me off. I do not know where to start in some of these things. With this one I will start at the beginning.

Jorgenson Associates was originally an American firm. It was formed by a man by the name of Jorgenson, who had been the chief engineer of a state highway department in the United States, was a senior officer in the Bureau of Public Roads. He formed a company with a management consultant who had been head of the School of Business Management, I believe in Georgia.

My first involvement was in about 1963 or 1964. As a consulting firm they were selling this service to the various state highway departments in the United States. The first activity in Canada was in Ontario, starting in the very early 1960s. I spent some time in Ontario to see how the system worked before I imported it into the area where I was employed at that time.

I do not know how many provinces use it, but it is a basic management system developed from fundamental sort of things. It is, in my opinion, a good system.

Mr. Hanson: Do you regularly do comparison analysis on performance with provincial operations for other jurisdictions?

Mr. Blackman: No. It is very difficult to compare because you are dealing with different climate, different terrain, different materials, different climatic conditions, different traffic volumes; all of these things have massive impact.

The only reasonable comparison that I am aware of is the Alaska Highway in Yukon and northern BC. I have not got any specific information, but I have been informally told that our costs are lower and our standards are higher.

That is informal advice you get from other people who are in the know but who cannot make official statements.

Mr. Chairman: Presumably, if there is another province perhaps in western Canada using the Jorgenson system in its northern road system, there might be some published information that, if you wished to, you could compare our performance with theirs.

Mr. Blackman: I would hope to do this on an informal basis from time to time through the highways organizations. There are certain contacts one has through these organizations and normally the easy way to get this information is informally and indirectly, but it is useful and these comparisons are often made.

I am not aware, and I have not had an opportunity to make such a comparison since I have come to Yukon.

Mr. Chairman: Perhaps it would be a good time now to break for coffee. We will reconvene in ten minutes.

Mr. Hanson: is requesting 15 minutes. Okay, 15 minutes and then we will come back with some more interesting questions.

Recess

Mr. Chairman: I call Committee to order. We are talking to the

Department of Highways and Public Works. Our witnesses are Mr. Larry Blackman and Mr. Kurt Koken. Mr. Hanson has the first question.

Mr. Hanson: Are records kept for production, time reports, vehicle logs, in different types of activities?

Mr. Blackman: I did not hear the beginning of your question, sir.

Mr. Hanson: Are productivity records kept on time reports, vehicle logs and are they kept by type of activity?

Mr. Blackman: The productivity reports are based on activities; that is the budget. The term I was trying to think of earlier and could not remember was "zero-based budget". It is set up on the basis of pass kilometers per motor grader and the report that comes back in is on the accomplished pass kilometers.

Then, of course, you have complete records of man hours, machine hours, which relate back into costs.

Mr. Hanson: Then you do have time reports. Grader 1016 is run by so and so for eight hours that day.

Mr. Blackman: Eight hours, ten hours, the operator. Yes, of course.

Mr. Hanson: Well, you pay a man twice a month. I mean, some months in our system of paying, we get three pay cheques a month, and yet we have no way of getting a record of how many men there are in each camp. Supposedly every two weeks they send in a time report from that camp and he is paid on the basis of those time reports, and yet we have no record of who or what amount of people are in that camp?

Mr. Blackman: His time comes in as so many hours worked and then payment is made. His address is whatever bank he selects, so that his address is a bank, in effect, not a road camp.

Mr. Hanson: But you still send him a statement of his earnings.

Mr. Blackman: Yes, to his mailing address.

Yes, it would be possible, I think, I am not sure — Mr. Koken and I were debating as to whether or not it is possible — to go back to time sheets and so on, which would be a massive job.

Mr. Hanson: I would say not. Even the area supervisor would probably have that down.

Mr. Blackman: Well, we—

Mr. Hanson: The camps have that down in their records as to how many men they have had working there. They keep a copy of the time, I presume. I have never worked for the department.

Mr. Blackman: This afternoon we will attempt to determine specifically what is available.

Mr. Hanson: Okay, thank you.

Mr. Chairman: Mr. Blackman, just on the point, because as we were speaking at coffee, we were fascinated about the prospect of having these, because you have up to 400, almost 500 employees, we were almost certain since most of them seem to be reasonably happy that they were getting their pay cheques so you knew where they were in order to do that.

Mr. Blackman: We know where their banks are.

Mr. Hanson: Does the department have documented work procedures, for example, regarding maintenance procedures on vehicles and equipment?

Mr. Blackman: Yes, I believe there are standard procedures. I think the mechanical division lays this out, do they not?

Mr. Koken: This starts with a circle check in the morning by operators. Is this what you are referring to?

Mr. Hanson: More or less, and the state or repairs that the equipment is kept in. I will name a specific incident. Recently, I think this winter, you sent a truck to one of the grader stations in my constituency. The motor was burnt out before it left here and it was shipped from your garage here up to a location in the bush where they do not have a mechanic to fix it and that is the only truck they have in that area now.

I wonder how come such a vehicle was sent out on the road to a bush camp that does not have a mechanic there or the parts to fix such a truck?

Mr. Blackman: May I ask, sir, what camp that was?

Mr. Hanson: Stewart Crossing.

Mr. Blackman: No, I am not aware of that particular incident. I am aware of one.

Mr. Hanson: In the last week I had occasion to go into the garage to see the foreman, who is a personal friend. They started

up the truck, and I am not a union member but I would have become a union member if I had worked for the government on that day to say that nobody was to drive that truck, because I am sure nobody could work in the garage after that truck was started in the garage and had to be backed out. That truck had come, this fall, from Whitehorse, or over the course of this winter, from a maintenance shop down here and it is a hazard to the person's health who is trying to work in that garage.

So that is why I am kind of interested in these records. We will be coming back to that garage thing on another day, I guess.

Does the department maintain statistics on its operations, analysis of trends, as well?

Mr. Blackman: What do you mean by trends?

Mr. Chairman: Let me give you an example of the kind of trend that we might be interested in. You talked about not having one kind of grader anymore. You start to notice that, for example, the maintenance costs on one brand of grader are going up, as a trend, not on the one particular unit but as an average, say Champions - I do not know if you use just the types Mr. Koken gave, or that the cost per mile on one section of highway seems to be escalating on a year-to-year basis. What we are asking, do you have those kind of comparisons which you can readily make, or a system which allows you to make those kinds of comparisons?

Mr. Blackman: In the case of equipment, yes. The equipment is examined in great detail as to operating costs once a year. A detailed examination of the whole system is made once a year in which the class of equipment is reviewed, the costs, and the individual units within the class are examined, in which you determine which units are not performing to the average — if you can use that term. Then you attempt to determine why they are not performing. This may be the signal that they should be disposed of and replaced, maybe it is a type of equipment or maybe it is an operator who, notwithstanding the condition of the equipment when it went to the field, is hard on it. All of these things have to be taken into account. You try to trace back why machine X is costing more than others.

Mr. Chairman: That kind of system is something we will be interested in talking to you further about later on.

Let me ask you, though, presumably you talk about a machine getting to a point where its maintenance costs are so great. You then presumably have some kind of management standard whereby you say, "Okay, this thing is costing us so much; when it reaches this point we write it off or we shut it down or we get rid of it."

You have those kinds of standards in your management system, do you?

Mr. Blackman: I would prefer to say that there is a general level of performance, but I think when you get into heavy equipment that each unit is looked at as a specific case and rather than a standard, it is compared to the group as a whole.

It is very difficult to set "standards", as such. One of the usual comparisons is what are our rates in comparison to private industry.

Mr. Chairman: That is, in some sense, another management standard.

The Jorgenson system, does that include some of these other things we are talking about?

Mr. Blackman: It includes the equipment management system, as well.

Mr. Chairman: Mr. Blackman, it seems that a lot of your systems depend on this Jorgenson system and I think it would probably be useful for all of us in the Committee to understand it better. If you are totally fluent on the subject, perhaps you might like to talk at greater length about it now. If you would rather prepare yourself I wonder, given that option, if you would be prepared either to do that in some detail now or perhaps defer to tomorrow morning at some time and give us a longer presentation, uninterrupted, about the system?

Mr. Blackman: The basic system is really quite simple; it gets complex in the detail. I believe I could talk about it now and then any areas of concern you may have or for further depth, I may need to go back and get more information.

The system is based on two concepts, really. One is zero-based budgeting and the second is standards of work activity. On the Yukon highway system there are some 50 different activities defined which are involved in the maintenance of the road system.

Those may be expanded slightly as the surface types tend to change.

Each activity is defined; there is a standard set for it. The requirements in machine hours, man hours, material to reach that standard, is defined. We take a relatively simple but multi-item sheet like this and you simply take the inventory of the highway, which has the numbers of culverts, the numbers of meters of guardrail, the numbers of miles of gravel surface, the width of the surface, and that all feeds, in a set way, into a form like this. This then defines the numbers of man hours, equipment hours and so on.

This then is the current system which we are looking at in some depth this winter for modifications. It is set up by each camp, then the budget is developed for that camp and from the camp it goes to the area — it is being put together — and then from there to the total system. This defines the work that should be done on the average; it provides the funding for it; it defines the number of man hours, the kinds and types of equipment that you need.

Now, one thing that has to be done is periodic review of the standards originally established. Your road conditions change, traffic volumes change, and so on, so these overtimes have to be adjusted.

Very basically, that is the system. There is a certain amount of paper generated in the field which reports the man hours for pay purposes, the machine hours for pay-back into the equipment replacement account, the number of pass miles accomplished in those hours. That is the cycle that occurs. There is really not a great deal you can go beyond that. That is the system. From there it becomes the detail. If you want to look at snowplowing, for example, there are five regions established within Yukon of different snowfall intensity; therefore your equipment and equipment hours and man hours are different per road kilometer in Quill Creek as compared to Haines Junction. There is a significant difference in requirements.

Now, I am not sure what else I can tell you, other than in response to questions.

Mr. Chairman: We may ask you for more detail, Mr. Blackman. We have some questions all ready.

Mr. Byblow: In the calculations that you make in this Jorgenson system, in the field — all of these factors have been worked into the system — out of which you come up with this calculation that determines your man hours or whatever other aspect that you are looking for. You are still applying it against a standard, you said, which derived from this master Jorgenson system.

Mr. Blackman: The Jorgenson system is really derived from the standard. A standard is established and then that is the basis on which this all revolves.

Mr. Byblow: Is that standard calculated in the field from the system or is that standard a pre-determined level of service?

Mr. Blackman: I refer to the standard of service. You determine, for example, that on the average, a calcium treated gravel surface requires six workings — if I can use that expression — per year. That is the standard you establish. This is a judgment which is made partially from experience, practice, engineering knowledge and the response from the public. If the public indicates they are not satisfied with that standard of road surface then you have to go back and look at this.

Then, of course, this involves budgeting provisions and all the rest of it.

Mr. Byblow: It is that standard that I want you to zero in on. Earlier we asked whether that was an engineered standard, whether the standards established under the Jorgenson system were engineered standards and I believe you said they were. Is that correct?

Mr. Blackman: I do not really know what you mean by an engineered standard. You can use engineered standards in design, but in maintenance it is a practical or practised standard rather than an engineered standard. The way of accomplishing the standard is engineering.

Mr. Chairman: Let me try it this way, Mr. Blackman. Is the standard an average based on previous performance or is the standard an ideal which engineers say, "With this equipment, under these circumstances, these roads and this climate, you should be able to achieve this"?

It seems to me that we could have a standard which is a standard grade for kids in school, C grade; or you can have the standard which we are aiming for, A-plus. I want to know what kind of

standard you have.

Mr. Blackman: I think we are talking about two different standards. There is a standard of service, that is the condition of the road. There is a standard of performance, how much work or how many dollars does it cost to perform that level of service.

The level of service is determined historically, I guess, by what has been considered an acceptable level of service to the public. There is a tendency with engineers to say that we should be doing better, we should be spending more money, but there is a reluctance to make more money available. I believe this is a question of compromise.

Mr. Chairman: I have trouble using the word "compromise" with standards. Let me just try to give you an example.

Say I am running a highway system in the eastern Arctic; there are only ten miles of road there, for example, and I am in charge of it. The way I have always run it is that I have two graders and a crew of six and whatever, so my person years to maintain that ten miles of road is not a very good ratio compared to any standard down south, but there is a standard established.

So, a new man comes in to replace me and he might report to his supervisors, "Well, I am maintaining the standards, I am keeping up to the old standard." To have a standard based on that kind of historical experience, to me, would be very poor.

What we are interested in is whether this Jorgenson system gives you an ideal or an objective based on some criteria other than history; in other words, the criteria that the machine should be able to do this. If we want the roads at this kind of public standard, we should be able to have these kinds of performance goals, if you like.

Mr. Blackman: The performance standards, which you are referring to now, are based — Jorgenson has very broad experience in this field. They are probably the leading firm in North America, or were when I was directly involved with them. They have broad experience in how much work a motor grader, a bituminous distributor or any type of road maintenance equipment should do and how much should be accomplished by a man in an hour.

I would suggest that the standards, as established, are objectives which should be met at a high level of performance. Now, you can always increase that.

Mr. Chairman: The Jorgenson system, then, gives you those performance standards, they give you those objectives?

Mr. Blackman: That is right.

Mr. Chairman: As a general rule, are you able to effectively measure your historical standards or your actual performance standards against those ideals, if you like?

Mr. Blackman: First of all, my reference to historical standards was for the service standard to the public; that is the condition of the road which was historically acceptable in Yukon. I was not referring to performance standards as historical. They should be ever-changing. As you apply better technology, better equipment, better systems, better manpower training, you should raise those performance standards. That is the target, the ideal that should be strived for, or is strived for.

Mr. Chairman: I am sure we will want to ask you later how well you are doing in the department, according to Jorgenson, but first I recognize Mr. Falle.

Mr. Falle: Before I ask you one question, are you completely satisfied with this Jorgenson system?

Mr. Blackman: Me?

Mr. Falle: Yes.

Mr. Blackman: No.

Mr. Falle: I think maybe we are getting the feeling here, because we, on the Committee do not really understand it. It seems to be very flexible and it seems to be based on average, not engineering standards. They are not engineering standards like were in some of Mr. Koken's contracts that I bid on when I was in private life. Those were engineering standards. I knew what I had to do and I could bid accordingly.

This Jorgenson concept seems to be quite variable and I do not know whether it leaves you the flexibility to just say, "Okay, this road needs not only just pavement, it also needs blacktop on the side", or whatever. I am not too sure it leaves you people the flexibility that is required. I was just wondering that from your comments.

Mr. Blackman: First of all, I think what you are referring to — The example you use is not a maintenance function, it is a capital construction, which is a different thing altogether.

Mr. Falle: I realize that.

Mr. Blackman: I have some trouble applying the term "engineering standards" to maintenance. Maybe it is a very fine line.

The standard is established on the basis of the average work. Now, I would be most critical of an area superintendent who insisted that that standard be applied to each and every mile in his area. It is impractical; it would not work. It would give terrible results.

This is the average resource he needs in his area and, in practice, he will have some areas where the clay content in the sub-grade is different, where the aggregates that are supplied are different. He needs more effort, if we can call it that, or more funding, in one section of his area than he will in another.

The final measurement is: what is the condition of the road? When you go out over the road, if it is not good then something needs to be done. The system is built on a budgeting control system, but any good supervisor varies the activity according to the conditions in that area.

Mr. Falle: It seems to me, from your telling us basically about the duties of the superintendent, the highways maintenance people, it leaves an awful pile of discretion to your local area manager, say in Beaver Creek or Dawson, the person who is the boss of that particular area — whether he is a foreman or a superintendent of that particular grader station or whatever, I do not know. There is an awful lot at his discretion. The whole system seems to be based on his decision if the condition of the road is the ultimate goal. Am I not right?

Mr. Blackman: No, I do not believe so. The final decision — it depends on degree. The area superintendents are the first line of control.

We have three areas, the northern, eastern and western. These people direct the foremen of grader stations. They dictate, shall we say, or state the activities that should be emphasized, cut back, or increased, depending on funding available and the condition of the road, the weather conditions and all the rest of it.

Mr. Chairman: I think Mr. Falle is getting into an area that I know we will all want to get into in some detail later, so we will not pursue it farther down this road.

You just a moment ago, though, in answer to his first question, gave a fascinating answer which I would like to pursue now. You said that you were not totally satisfied — that may have been your language — with the system. Could you elaborate a little bit on what the problems in the system are as you see them or what additional systems you need.

Mr. Blackman: Well, I have a lot of work to do on this yet. I feel very strongly that the activity base should be broken down a little finer. That is, I am not happy with the fact that all the reporting in the system is based on camps. I think it should be on roads and camps. In other words, you do not have a precise definition of the costing, shall we say, on the Alaska Highway versus the Klondike Highway in the Whitehorse camp. The reporting systems and the budgets are built up on the basis of the camp and the activity. I would like to know what effort is put into an activity on a road. Then you could compare the Alaska Highway at Swift River to Teslin. Then you could measure the performance of the foreman, the operators, more accurately, this type of thing.

When you lump a number of roads in different areas it becomes very difficult to do this.

Mr. Chairman: It is a fascinating problem having a budget system based on camps and not having personnel records based that same way, but let us get back to that later.

Mr. Blackman: We are concerned more about man hours than we are about person hours.

Mr. Chairman: Yes, okay. I think we agreed to defer that. Earlier this morning, and this ties in with your comment just a moment ago, you said that the Jorgenson system was a good management tool when it was fully implemented, I think was the phrase you used. The system is not now fully implemented?

Mr. Blackman: It has not been possible to implement it fully to date because of the capacity or performance of the computer systems. That, to my knowledge, is now rectified. In the next fiscal year, we will be able to go down to the camps — I think that is correct, is it not, Mr. Koken?

I think it was accounting period nine where we got the first camp printout. That is the key: to be able to go to a foreman and say, "Okay, here are your resources." Then in each period, we could say, "This is what you have done; why do you not do better?" Or, "Do less, you are spending too much money," as the case may be.

Mr. Chairman: Again, we may want to get back to the Jorgenson system, Mr. Blackman. I think that if we have some specific questions perhaps we will give you some kind of notice of those because it is new to us, but it is obviously important that we understand this tool because it seems to be basic to your management system.

Perhaps we could go back to Mr. Hanson who still has a lot of the survey questions that we want to ask, which I had originally intended we would ask before we got into any detail at all.

Mr. Hanson: Thank you. You cannot keep a politician quiet.

Mr. Chairman: You cannot keep a good man down.

Mr. Hanson: My next question is - we are talking now specifically about trucks, cars, graders, payloaders, et cetera — I do not think you have cars anymore - the purchase of these vehicles or equipment. Is the need defined and established before going ahead with the purchase of the heavy equipment? Before you go ahead and buy it, is it defined and established that you really need it? Is the real need defined? What we are trying to get at here is: 1, myself, pass by some of these yards with tractors that are used in summertime for five or six months, sitting seven months of the year parked against the fence. We have no need of them because we do not use them in winter time. I think we use them in summer time for hauling equipment around or use them for pulling the water tankers.

So, when we buy this stuff, is it really defined that we need it, or can we go to private enterprise and get that same equipment at a reasonable price and not have our money tied up in equipment sitting up against the fence seven months of the year?

Mr. Blackman: There are a number of comments that can be made here. I cannot comment on the detail of review in the past, but I can say at this point, now, such reviews are made but there are a number of factors that come into it, particularly costs and availability.

I believe that the department should control or own basic essential equipment. Now, there are two groups, some of it is common, gravel trucks, for example, loaders. There are other types of equipment which are not commonly owned in private enterprise; it is not practical for private enterprise, bituminous distributors, for example. So you have these two groups.

On occasion, and they should be kept to a minimum, equipment should be held in the fleet so it is available at all times when required. Now, over the years I have seen over and over again, cases where it is decided, "Well, we do not need to have this in our fleet because we can go out and rent from private enterprise whenever we want it." Then, under certain circumstances when you want it you cannot get it. This does not happen a lot but there are certain classes of equipment that you have to protect the roadways in this way. I believe that in almost every case that equipment is justified when it is purchased.

There is equipment in the fleet, and I cannot be too specific about this, but there was a lot of equipment which was turned over by Canada when Yukon took over maintenance of the Alaska Highway system. You referred to tractors, now there were a number of crawler tractors that were available then. I believe there was earth-moving equipment, scrapers, in that system and I do not believe now we would buy construction equipment, as I would call it, from the fund. If you need this for a specific project, you go out and get it from private enterprise.

Mr. Blackman: Does that answer your question?

Mr. Hanson: In a way, but we are going back on the fleet. For instance, let us take a cat, I can name several of them around the Territory owned by the department, and we move one from Dawson to Mayo every spring to open the back roads. Invariably, all the roads have to be opened in Dawson before that cat is moved from Dawson to Mayo. Every time, as soon as it gets to Mayo, it breaks down; so it has to be hauled back to the shop or the shop mechanics have to be brought out to fix it. I am just wondering what the cost is. We have cats in the Mayo area that could be hired to do that specific job. The cat that they have up in Dawson is now pretty near as old as the Chairman, I suspect. It should now be outdated and local ones used.

Mr. Chairman: It is all a plot against Mayo, I am sure.

Mr. Blackman: I think we would be looking carefully at replacing that particular class of equipment.

Mr. Hanson: I am wondering about the need to replace it when the two locations, Dawson and Mayo, have lots of local cats available to do that job. Why should we now, when we are talking about getting an eight, we are talking about what, a quarter of a million dollars?

Mr. Blackman: Well, when I said we would look closely at replacing, what I meant was that we would think very hard before we replaced it, if we replaced it.

Mr. Chairman: Mr. Blackman, some of Mr. Hanson's conservative colleagues might be a little worried that we are getting into an area of policy. I am sure we would agree that the question of hiring from private enterprise or having your own equipment may stray into that area. Let me try to be more precise in the kind of question we are interested in. I, for one, was fascinated with your statement this morning when you referred to resources which are provided directly or indirectly by the Legislature. I took the "indirectly" as probably being a reference to the Road Equipment Replacement Account about which we have expressed some concern because it appears to remove spending from legislative control.

However, the study on that question which you are conducting with the Department of Finance is something that we will now give you notice on that we will be asking about later.

What I want to know is: rather than the policy question that we may be straying into about private enterprise versus public ownership, do you have a system, a device, a technique, a form, a procedure to establish a need when you buy equipment? I will explain that we are especially concerned about this because the department has in the past and may continue to buy equipment from a fund over which we, as a Legislature, have no control. In other words, you can make the decision — and I would guess that you can make the decision — without any reference to a political master. That is merely a proper management decision in terms of buying equipment, but how do you come to the conclusion that in this place, at this particular time, that particular piece of equipment needs replacing. Or, you may have defined a new need for a piece of equipment in a certain camp or on a certain stretch of road.

Is there a formal process?

Mr. Blackman: Not formal, in that sense. I have to take the responsibility here. I would approve, or I do approve, the requests for purchase of this class of goods.

Maybe I can give you an example which might be typical. A need has been identified for bituminous distributors.

Mr. Chairman: Let us stop right there. How was that identified?

Mr. Blackman: By looking at our mileage of bituminous surface treatment and pavement and by our projected program of new application, our maintenance requirement over the foreseeable future, the number of hours per year that such equipment was required.

Mr. Chairman: The Jorgenson system helped you come to that conclusion, did it?

Mr. Blackman: Yes. "Partly" would be a better answer — the maintenance portion of it, as compared to what I would call more construction than maintenance. There is a need in both areas, but when you look at this it becomes obvious that you must have a bituminous distributor.

Now the work that has been done to date was done by a supplier outside the Territory. The bitumen or emulsion was purchased "on the road", so to speak. In other words it was to be sprayed. We paid for the spraying, we in effect rented the distributors from the supplier.

There are many problems with this so all of these things put together said we should have this type of equipment in our fleet. It was also very easily determined that we are going to have an excess of motor graders as the number of miles of gravel road decreases.

It then becomes necessary to get rid of motor graders and bring in a different type of equipment.

Mr. Chairman: I understand what you just said.

Take the first machine you talked about. You identify the need here and now to do work that may have been previously done by a contractor. When you are defining your need, do you refer to any

planning document that you may have about needs for the next five, ten, fifteen years, whatever may be the life of that equipment that you are contemplating the purchase of?

Mr. Blackman: The two items are the maintenance requirement, which is a continuing thing; the second thing is intended or proposed construction programs which are in the process of changing the type of road you are working on. Those are the two pieces of information you have to look at.

Mr. Chairman: I understand we are making the distinction here. We are talking about highways and we are really dealing more with maintenance.

However, presumably then it is a different order of problem if you are buying a piece of equipment which may be involved or used largely in construction initially, because you cannot know for much more than the next five years, I expect, what your real needs are in that area.

Mr. Blackman: That is correct.

Mr. Hanson: We are back on the buying of new equipment or "adding to the fleet", as you put it. Is utilization and productivity recorded and monitored when you get a new piece of equipment? Is it all monitored and checked out to see that it is being utilized?

Mr. Blackman: Yes.

Mr. Hanson: Each individual item is being monitored when you buy a new one.

Mr. Blackman: Each unit in the fleet is reviewed as to its actual usage during the year.

Mr. Hanson: Now I will have to go back to specifics here. Seeing that you are new at it, maybe Mr. Koken will know a little more of the history. I think we bought three new automatic tractors in the last year or so. We also bought three water tanks.

Now I would like to specifically ask if those water tanks are being used in summertime when we spray water on the road and, if not, why not?

Mr. Blackman: To the best of my knowledge they are in use, as well as a number from private enterprise.

Mr. Hanson: But are these three specific ones bought in the last two years in use now? Were they used last summer?

Mr. Blackman: We would have to check the records to give you specific information.

Mr. Hanson: I am only asking this question on the basis of the statements that have been given to me and I have no way of checking other than asking you to check to see if those tanks were, in fact, being used.

Are maintenance programs established in advance and monitored?

Mr. Blackman: Yes.

Mr. Hanson: Are decisions on in-house repair and maintenance versus contract based on complete cost analysis?

Mr. Blackman: You are referring to equipment?

Mr. Hanson: Yes.

Mr. Blackman: Yes, I think you can say that that is correct because we have to watch our mechanic charge-out rates as compared to those of industry and parts costs. These are the two major items in the repair, so I can say yes to the question.

Mr. Hanson: Are log books kept by vehicles and is it being checked that they are being kept up?

Mr. Blackman: To the best of my knowledge, there was a log book system in the past that was discontinued when the Jorgenson system was developed. We are now looking at reinstituting it.

Mr. Hanson: Does the department have records of maintenance costs by class or individual vehicle?

Mr. Blackman: Both.

Mr. Hanson: Are reviews made of the costs of maintaining equipment versus disposing and replacing?

Mr. Blackman: Each unit is examined as to maintenance costs and maintenance requirements on an annual basis and this is the point where a decision is made as to whether it is desirable to overhaul or replace, so it is reviewed on an annual basis.

Mr. Hanson: Does the department have an establishment laid out for managing projects?

Mr. Blackman: What type of projects are you referring to? Construction?

Mr. Hanson: Maintenance or construction, whatever.

Mr. Blackman: We are talking about roads, not equipment?

Mr. Hanson: That is right.

Mr. Blackman: If we are talking about the maintenance area, most maintenance projects, as such, that is other than routine maintenance, is managed in general by foremen who are designated for that. I would expect you could use, as an example, a road surfacing crew or a crushing project. These would normally be managed by a foreman who would be assigned to that work.

Mr. Hanson: You mean you manage it to his personal style, more or less.

Mr. Blackman: And to meet the requirements of the superintendent who would be overseeing the work.

Mr. Hanson: It would be the personal style of the area superintendent. The foreman, of course, listens to the superintendent and so it would be to his personal style then, it would not be to any criteria of the department.

Mr. Blackman: Oh, no, he has to meet expected production standards. I am not sure what you mean by style of management.

Mr. Byblow: I just have one short question before we adjourn and that is to do with the Jorgenson system. To your knowledge, how long has this government department applied this system?

Mr. Blackman: Three years, I believe.

Mr. Chairman: We are drawing close to our time of adjournment, Mr. Blackman. Let me, if I can, briefly review the kind of ground I think we want to cover in the next few days. We are going to be spending some time together so we may as well try to be fair about what we hope to get out of the relationship.

As you gleaned from the tone of questioning today, we started with Highways and we may spend some time dealing with the maintenance section, some of the criteria and performance questions. Just as a case in point, we may want to, and we will give you fair notice on this, talk about a specific section. I think all of us are able to deal with real examples. I do not know what section — we will have to talk about this in Committee — but we will want to talk about a real example in maintenance, a section of the road, or how you make certain decisions about what to do or not to do one thing or another. For example, it might be the Faro access road which is of interest to a certain Member of this Committee, or maintenance on the Elsa-Keno road which I gather is of interest to another Member. Included in that we may want to look at how you compare some of the equipment costs, fuel consumption, things like that, whether you monitor that for each piece of equipment or for each operator, and so forth.

I think then we may want to spend some time briefly talking about the garage system. We will then want to go to a major area and talk about construction a little bit, an area touched on by Mr. Hanson; in project management, how you make a decision about go or no go or the need, and then manage the project as it is being undertaken.

Then I think we would like to move into the other half of your responsibility which is Public Works. I think we will want to spend more time than we did this morning on the objectives of that department which will lead inevitably to some other questions, some of which came up in our hearings yesterday when we were talking with Finance.

I should mention in passing, we will want to ask you about the internal charge-backs, and also the Road Equipment Replacement Account Project Study which I understand you will be doing with Finance.

So that is really all for today. Thank you for being here. Thank you for being cooperative. I think we have learned a lot. We will look forward to seeing you tomorrow morning.

Committee is adjourned to Executive Session.

The Committee adjourned at 11:29 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 3 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Thursday, January 22, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisors from the Office of the Auditor General:

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

L.W. Blackman, Deputy Minister, Department of Highways and Public Works

Kurt Koken, Assistant Deputy Minister, Department of Highways and Public Works

EVIDENCE

Thursday, January 22, 1981 - 9:30 a.m.

Mr. Chairman: Meeting Number 3, formal hearings, Standing Committee on Public Accounts will now come to order.

This morning we are continuing with our examination of the evidence of officials from the Department of Highways and Public Works. We are still on the question of highways and dealing primarily with the area of maintenance.

We welcome again, this morning, our officials from the Auditor General's Office, Mr. Raymond Dubois and Mr. Harold Hayes and, back with us again, Mr. Larry Blackman, Deputy Minister, and Mr. Kurt Koken, Assistant Minister. Welcome again.

Mr. Byblow will lead off this morning. He would like to pursue, initially, Mr. Blackman, a question we skipped over very briefly yesterday and that was the basic question of departmental objectives.

Mr. Byblow: Thank you, Mr. Chairman. That is correct, Mr. Blackman, I think this morning we want to spend a brief time refining those goals and objectives of the department.

Yesterday, you said that essentially the department's goal was to provide the highest possible standard of roads and airports, and the best possible facilities and public buildings with the money available. That is a respectable goal, but I think you will agree that that is a very general one and it is the one that we would like to pursue for a moment.

In the context of that objective, and dealing only with the highways portion of your responsibility, does the department have an overall long-term plan in the maintenance and development of the Yukon highway system?

Mr. Blackman: The length of long-term is, in effect, what we would call two stages of the program which lead towards the ultimate objective. I gather what you are really referring to is "program", in my terminology.

I think we must speak about construction or capital first. Here we have a five year plan which is developed on various criteria. This five year plan is refined to a one year program, again, using the basic criteria. Our actual program for next year, for example, is the capital vote which the Legislature passed recently.

It is difficult to define a maintenance plan; in effect, the management system is the plan and that plan is simply to maintain what is developed in the capital area so it is a continuing, ever-changing plan depending on the circumstances from year to year. That is the change, the upgrading of roads require a different type of maintenance and so on.

I can go into the criteria if that helps in answering the question.

Mr. Byblow: We will want to know the criteria, but if I could just leave that for a moment I just want to be sure that I understand what your overall plan is.

You say that it is a five year projection of a capital that translates into a yearly program?

Mr. Blackman: That is right.

Mr. Byblow: And that is, in essence, the time framing of the plan?

Mr. Blackman: That is right.

Mr. Byblow: Does it extend beyond the five years? Is there a twenty year plan, for example

Mr. Blackman: No. To develop a twenty year plan you need an extensive lead study and that becomes more applicable, I believe, as you get much higher volumes of traffic movement and you have much more sophisticated data systems.

I think it is reasonable to say that in the foreseeable five years there is no question of need. For example, there is — I do not know whether you would call it a plan or a policy — for the reconstruction of the Klondike Highway which has been continuing for some time.

That, in fact, is a planned program; it is a continued part of the planning process.

Mr. Byblow: So, if I understand the formation of that plan, it is updated yearly so it is always with a five year projection ahead of itself.

Mr. Blackman: That is correct.

Mr. Byblow: Perhaps you could then get into those criteria that you use to develop that plan, the factors that the plan is based on.

Mr. Blackman: I think that the main items, and it is difficult to set down which one you consider first in order of importance. The condition of the existing road, the geometrics of the road, that is gradient curvature; how severe is it? There are basic standards which are used; how close does the existing road meet those standards? Safety is very critical. The traffic volumes are very important. A factor in looking at traffic volume is percentage of truck loadings and type and size of truck loadings, and then maintenance problems which you have on the road.

When you consider these — first I should say that generally speaking each of those criteria impinge on the other. In other words, bad geometrics create safety problems and yet, for very difficult to explain reasons, there are accident problems on sections of roads which, on first investigation, you cannot really say it is because of bad geometrics; there is something in driver psychology and you have to try to determine what is causing accidents.

What I am trying to explain is the impact of one criterion on the other. So in the final essence, I believe, you have to say that it is a judgment decision where you balance all of the factors. Various sections of the road are compared one to the other.

In the five year plan, the probable program for next year, at an early stage, are those sections of road which have the highest criteria, shall we say, or the high standing when you assess them. Each year you add new projects to the five years and the others in the plan move up.

Mr. Byblow: I am going to want to come back to those factors, but before I do, could I inquire with respect to the method by which you gather your information? You spoke yesterday of a method by which you had daily, bi-weekly reporting systems and that you intended to computerize these. No doubt, once this information is totally in place, it will expedite your department's awareness of the Territorial system, but long-term planning involves a broad spectrum of awareness. It is built in a futuristic sense, so I guess my question would be: how do you compile the data that justifies your planning?

Mr. Blackman: Well, there are two basic methods. The first is the actual inspection of the road system. The officers in the department report back on the problem areas. When you have bad geometrics on a piece of highway, it is known that they are there; they exist. The feedback from the maintenance system indicates maintenance problems. Generally your area superintendents bring forward areas or sections of roads which are a problem to maintain for some reason. These are assessed. Can they be corrected by reconstruction? If so, should you move that up in the criteria?

The ultimate method is a highways needs study. These studies can be computerized. In effect, each year you feed in accident data, maintenance costs, projected construction costs and so on.

One reason that it is difficult to look beyond five years is the current state of development, and I would suggest that it is particularly so in Yukon. We have to keep in touch with outside agencies; we have to have some idea of what the mining development people are doing. If a major project goes, it can change your whole requirement overnight, you could almost say. Then you must adjust to fit that.

Mr. Chairman: If I could just jump in at that point because this is an area that I was interested in. In the first part you were talking about internally generated data to really reconstruct or improve the system. In the latter part of your answer you were talking about new roads or expanding roads to new areas of mineral development or so on. It must be harder, I expect, to plan those things than it might be in some other communities where you can project urbanizing trends and so forth. Let me ask you about your access to the kind of information you need to do that planning. I know in many parts of the world highways evolve from what were originally footpaths and then they became cart trails and then eventually somebody came along and put some gravel on it, paved it. Eventually it evolved into something major. It may have gotten straightened out a little bit but there was not much planning in terms of the route.

Now, you have got a lot of cat trails over this Territory and you have got people who are getting access to develop minerals in much the same way. Given the federal control of lands and the fact that you may not always have enough information to do that kind of planning — Well, that is really the question: do you have enough information to say — Do you have a plan? For example, if a mineral deposit which there is already wide public knowledge of in

a certain area of the Territory, perhaps on the Northwest Territories border or north of Dawson City, do you have some rough idea or rough planning provision or contingency in the event that that deposit comes on stream and you have some idea where you might build a road into it or what kind of costs might be involved for this government?

Mr. Blackman: We are very busily, at this moment, developing or researching potential routes, probable suitability costs. We are working with other government departments trying to bring together the potential transportation corridors, possible townsites, the practicality of transporting the developer's product, the preliminary assessment of moving workers to and from. All of these things are going on. We do not know if the project will go or not but we cannot wait until after a decision has been made to start thinking about it.

Mr. Chairman: That must present a problem with the five year plan though, because in some sense, if you have got a five year capital plan, some major new project comes along, it could certainly askew the capital priorities that you have laid down. We might want to get into that problem because I am fascinated about what you do in terms of reallocation of resources, how quickly you can respond to a new need, such as might be developed by a new mine on the border of the Northwest Territories or something.

Mr. Blackman: That is beyond our control, Mr. Chairman. It then has to become a policy decision of government whether the additional funds are provided as an additional project or whether money is to be transferred from plan program into new program. That becomes strictly a policy decision.

Mr. Chairman: If you will pardon the expression, I am getting off track anyway, so we will go back to Mr. Byblow.

Mr. Byblow: If I could just get back to this entire area dealing with your assessment of a need, you have described the various factors that you take into account, the criteria you use to update your plan on a yearly basis in the long-term.

I guess what I am really interested in is how exhaustive that reporting ends up being. Once you have assimilated all this data, do you prepare a written report? Does it become part of the filing system? Is it handed up to hierarchy? Could you describe the final presentation on your research to update the plan?

Mr. Blackman: The final report and/or product of this work is essentially a program schedule or planning schedule indicating the proposed work and type of work, the probable cost range, or the magnitude of cost at this stage. In fact, I have a little difficulty in referring to this in the same terminology used. One does not sit down and write out a list of all the highways and say that from mile X to mile Y is in a certain condition, and so on. Normally, this is accomplished by "hours of consultation", I think would be a better way of putting it, between senior officers for the various divisions, areas of responsibility, that gradually put this together from their knowledge of the system.

Mr. Byblow: I guess the next logical question is: at what point does the result of your consultation, research and data accumulation become the plan? Where does it become approved to become part of the schedule, as you call it, or program?

Mr. Blackman: Well, the consultation process, in effect, is internal within the department and then with the Minister. This plan then goes to the Finance Committee or to Finance as part of their financial plan. This is when it becomes a document and this plan is really for information purposes to assist financial management in potential costs in the future. The program for the immediate year is then adjusted on the money available, which again, of course, is a policy decision.

Mr. Byblow: Earlier you described the various factors that are calculated in this decision-making process towards preparation of the plan and the program.

Mr. Blackman: That is right.

Mr. Byblow: I guess what I want to query is whether there are any over-riding factors that affect priority. To put it in other words, if you have two similar situations, and money available for only one, what is the determining factor to create a go-ahead on the one?

Now, I realize it is a difficult question. I want to try and refine the priority sense of decision-making.

Mr. Blackman: If you consider the maintenance problems, the safety factors, the geometric conditions of the road to be close enough between the two areas so that you cannot really define between them, then I think the key or the decision-making factor is

the traffic. In other words, for each dollar you are spending, how many people are going to be better served; how many dollars in freighting costs are going to be saved? If you are going to spend a million dollars on project X or Y, if you have twice as many people using X then you are serving more people by spending the money there.

Problems sometimes come in where you have projects X and Y and X is a little bit worse in condition but is much lower in traffic, then this becomes a very difficult decision as to whether you are going to spend money where a condition is not quite as bad but will serve many more people. In other words, it is value of the expenditure to the public.

Mr. Byblow: I have one question that follows from that and it relates to what the Chairman began querying you about earlier. It has to do with this whole business of determining priority and the criteria used.

Let us say that you have a public demand for upgrading a particular road or a portion of a road in your road system and you assumed that it does not correspond to your five year plan and it is not identified in your yearly program. Given those circumstances, could you describe what system you would apply to determine whether that road should be upgraded?

Mr. Blackman: I do not think we would make that decision. What you are referring to now is a public demand versus a technical analysis. This decision is a political one which is made by government, not by the department.

Mr. Chairman: Would that answer still be the case, Mr. Blackman, though, if you had identified a sudden new need; the population of a mine site doubled or some government installed a new recreational area, issued a bunch of new lots in an area? Presumably that new information, even though it had not been taken into account in your original five year plan, might cause you to change your program or your priorities, would it not?

Mr. Blackman: That is right, yes. If the various factors in the criteria change, you may be looking at your five year plan and something new happens which could not be foreseen and had not been taken into account, then each year as you revise your plan that particular project might be plugged into the middle, let us say two years away or even next year.

Mr. Chairman: Mr. Byblow has been sort of going at the method, the system. Let me ask you in real terms here and now or perhaps under the year-end review, if you had to list your maintenance priorities in the road system as it is in Yukon right now, could you tell me what they are? Are they by type of road or are they by road itself?

What I am asking is: is the Alaska Highway the number one priority or the Klondike Highway or Campbell Highway? Do you have priorities like that in your own mind, or are your priorities established by type of road?

Mr. Blackman: In fact, this becomes much more complex than we have been describing because when you talk in general terms, if it is the Alaska Highway there is, to this time at least, a Department of Public Works Canada program for upgrading the Alaska Highway. It would have to be an extraordinary circumstance before we were to take Territorial money to spend on the Alaska Highway for upgrading which is in fact being done by Canada from separate funds.

Maintenance is also paid for by the Government of Canada, so we have to look at the Alaska Highway system and have our program which we talk to Canada about.

Then, on the rest of the highway system, certain roads have been and are still being funded under the Engineering Services Agreement of Northern Affairs, which is a separate funding source. So, we deal with those as separate priorities.

Mr. Chairman: So in these respects you are not in command of your own priorities.

Mr. Blackman: That is right.

Mr. Chairman: Let me go back a step, you indicated earlier about the types of roads you have and the different geometrics of the standards. What are those basic types, just so that we can follow it through in the rest of the conversation?

Mr. Blackman: I think "classification of roads" would be a better term.

In the maintenance classification system, you have classification or Class 1.2C., which I can better, I think, describe by example. The Alaska Highway, calcium treated — the "C" means

calcium — on the average, the width is such that it takes more grader passes than a narrower road would. Class 1.2 can also be non-calcium. Much of the Klondike, for example, would be Class 1.2.

Class 3 is a stage where the maintenance standard is somewhat lower. In other words, you only make five regradings per year instead of six; less demand, less traffic volume, serving fewer people, this sort of thing.

Then you can drop down into the recreational roads, which are not a part of the highway system but are often referred to as "other roads".

Mr. Chairman: In that list you gave me from 1.C, 1.2., 3. and other, would that hierarchy still also be your maintenance priorities?

Let me ask you the question this way, because we are going to get into this later, if you had an absolute blizzard that covered the Territory, presumably it would be your decision to plow the Class 1 roads first.

Mr. Blackman: That is correct.

Mr. Chairman: If we had a flood and many of the roads in the Territory were washed out, those would be the first priority, presumably.

Mr. Blackman: That is right.

Mr. Chairman: Having given that description then, could you just tell us briefly, apart from the priorities that are not dictated to you but are provided for you with funds from senior government, in names of roads, what are the priorities in Yukon? Can you list them from memory?

Mr. Blackman: I think Mr. Koken would probably answer that better than I because I will miss some.

Mr. Koken: Class 1 would be the entire Alaska Highway; Class 1 would be what was commonly referred to as the Whitehorse/Keno Road from away back, this is the Klondike Highway from the Alaska Highway to Mile 104 where the Campbell Highway takes off. At that point, I believe, the old Whitehorse/Keno Highway becomes a Class 2 road from there on to Stewart Crossing, Dawson and Mayo.

Class 3 would be the section of the Campbell Highway from approximately the Faro turn-off to Watson Lake. In Class 4 you would get into the Tagish Road, the Atlin Road and similar roads which are not recreational roads but of low priority. Class 5 would be all recreational roads.

Now, I have not got a map with me here but we do have a coloured map which would show exactly the process.

Mr. Chairman: Having got that, just let me ask you to complete the circle on this question.

Mr. Blackman: given that description, which is very clear, when a road is placed in one category or another or one classification or another, it arrives in that classification by virtue of those statistics you have described to us earlier, the traffic volumes, the use, the geometrics and all those things, that is how it gets in those classifications. Is that right?

Mr. Blackman: No, sir.

The classification is based more on usage. In other words, you can have a Class 3 road which was, in fact, a better road geometrically, et cetera, than a Class 1 that had not yet been rebuilt.

Mr. Chairman: Traffic volumes are the general major criteria?

Mr. Blackman: Volumes usually are an excellent indicator. A typical example is the Alaska Highway, which is an international, extra-Territorial road, it connects most of the major communities; it is an arterial road. You could go back to the Roads Transportation Association Committee road classification system which tends to describe this, where roads are classified such that at the bottom you have collectors, the local collector arterial and expressway standards. But it is the purpose of the road, the use it serves rather than the number of people on it.

In other words, I could give better examples from outside of the Territory, if I may, but you may have two recreational areas where people run back and forth on Sundays; there is a lot of traffic, summer holidays and so on, but that would not put that road in the same class as a road which was important to commerce, to everyday living, so to speak, truck routes, all your supplies come through on it, this type of thing. So, it is usage or demand, the purpose of the road, rather than specifically the traffic.

Normally the traffic volumes fit with this, but not necessarily.

Mr. Chairman: So you take the economic factor in the hierarchy.

Mr. Blackman: Yes.

Mr. Chairman: This is clear and that is something other Members may have questions about.

I would like to ask you just one other question because you referred earlier in your remarks to safety as a very important criterion for you in terms of your maintenance priorities. Am I correct?

Mr. Blackman: The criteria I was using was the criteria for construction and the maintenance objective is to maintain the constructed standard.

Mr. Chairman: Let me just ask you about this safety question. Do you maintain safety statistics which you obtain from the RCMP or do they automatically report an accident or fatality to you? Do you automatically receive some kind of document or notice of that and the location on the road system?

Mr. Blackman: We receive information; one of my objectives is to develop a recording system for this information which stands out. You get piles of paper and it becomes very difficult to manipulate them.

Mr. Chairman: I know many municipalities have this system where the RCMP do notify them. The trouble is that many of them do not have anyone to do anything with the paper once they get it.

Mr. Blackman: That is the problem.

Mr. Chairman: You do not have that system in place now though.

Mr. Blackman: No, I think that is correct. We do not have a major accident plotting system. The data is collected and you have to go back and research it for specific information.

Mr. Chairman: It is supplied but not analyzed now.

Mr. Blackman: Analyzed only when the need appears, rather than having an on-going analysis so that it hits you between the eyes every time you look at it.

Mr. Chairman: Let me not belabour the point. It is an interesting area but I do not think that it is one that we want to spend time on today. Let me just briefly ask you one question, because I am reading some national documents about the way they make some decisions. Large municipalities particularly make decisions about upgrading or changing or re-orienting roads based on accident statistics. I know from my own personal experiences, as we all do, that there are bits of the roads in the system in Yukon which have been the site of many accidents. If you do not have those statistics by location, I presume that there are statistics of total accidents available to you in the Territory on an annual basis. Presumably there are some insurance bureau statistics or something like that that would be available to the highways system.

Mr. Blackman: I am not aware of them.

Mr. Chairman: Let me ask you about that because yesterday you indicated that you had had some informal information about how our performance compared with other provincial jurisdictions. I would guess that most provincial jurisdictions have some very good figures about the accidents on their road system and how they compare provincially because, as more and more governments get into the insurance business, this becomes of vital interest to them.

You talked about establishing this kind of statistic, is that kind of information something that you would be interested in obtaining? Would you find it useful to see how this Territory's road system performs according to the criteria of safety as compared to other jurisdictions?

Mr. Blackman: That kind of information is always useful. The value of the information is sometimes difficult to assess because of conditions and circumstances.

The problems are significantly different here. When we have six or seven hundred vehicles per day in the summer months, these are relatively high volumes. In the areas you are referring to, some roads may be running to twenty or thirty thousand per day. It is quite different.

Mr. Chairman: I do not want to get into the policy area but one can easily speculate the cost of analysis of the health system or the school system or implications for the alcohol corporation and so forth. Let me leave it there, Mr. Blackman, and perhaps turn you back over to Mr. Byblow.

Mr. Byblow: I will direct my question to Mr. Koken. When you were describing or classifying the various Territorial roads, I do not recall any reference to that portion of the Campbell Highway from the corner where it meets the Klondike to the Faro cut-off. What classification is that?

Mr. Koken: Off the top of my head, I would not know. I would assume that it would be Classification 2 but I do not know; I would have to check that particular part.

Mr. Byblow: At the same time, because I suspect we will be getting into this later, would you find out whether there is a different classification for that portion of the road on that same highway from the Faro cut-off to the town?

Relating to the classification, I am not too clear on the system that is used that may reclassify a road to a different standard. You have described the safety, the condition of the road bed in its original construction; you have identified traffic volumes; you have made reference to economic factors. Could I enquire then if there is a particular formula or is it just a general calculation and in the final analysis, an arbitrary judgment?

Mr. Blackman: I will have to go back a step to some previous comments. The criteria we referred to was for planning rather than for classification. Classification is basically a question of judgment, yes. Within certain limits, it is reflected in the regulations which set out the various highways, is it not?

Mr. Koken: As I understand it.

Mr. Blackman: Yes.

Mr. Chairman: Are there any other questions on this matter of objectives?

Thank you, Mr. Blackman, I cannot promise you that a brilliant question will not occur to someone else later on this subject. Would you be ready now to move on to the Jorgenson system about which we were talking yesterday? I understand you were going to give us a couple of examples of the way that system works.

Mr. Blackman: If I might? If I can go through the process, I suppose one might refer to it as a form of documentation.

It was suggested that we take the Stewart Crossing area as an example. The process begins in an inventory of the road and here we have an inventory summary. I can just read a few of the items on it if I may. Class 2C - this particular section in the Stewart Crossing camp - 201.1 kilometers. This camp also includes the Ethel Lake Road - 27.2 kilometers; the Pelly Ranch Road - 51.2 kilometers.

I previously referred to the development of those factors into the program. The snow classification is Zone 5.

I will not read the figures, but we have the square meters of bridge in place on each of the roads in the area. That kind of information is documented.

Then, taking two specific activities, surface grading is done six times per year. The man power requirements: operators - 5. I am referring to the current year. This was the program for this year, the fiscal year that we are now in. The labour charge-out rate is \$14.41 an hour. This means that for an eight hour day, the labour costs are \$576.40. It shows, for surface grading: three graders, two tankers, two water pumps and one pick-up. The charge-out rate for each of those pieces of equipment is listed and comes out to a daily total. I have similar information for surface blading. I could refer to snow removal: standard activity, two operators, the same labour rate, one grader, one dump truck. It says "one dump truck", but that would be a dump truck with one-way and/or sanding capability.

This then totals out to your daily costing of these items.

If I go back to the summary, we have the total pass kilometers. Then, in the productivity, we know how many pass kilometers one surfacing crew, as described, will perform in a day.

From this, and the fact that you are going to make six surface gradings per year, you know how many pass miles, how many man days, how many machine hours. On sheets such as I have in front of me, this all totals up. The total cost for surface grading is estimated for the year at \$845,000 in round figures. This becomes a program. This is the program of work for the year.

I mentioned earlier that the computer system has just become fully on line during the last couple of periods. I have printout sheets before me. This first one is expense analysis by region. I am sorry, there is one I should refer to first. It is the highways operational analysis. It is to the end of period 9 which is the period from November 13 to December 10, 1980. This was received in our offices on January 6th of this year.

Under highway maintenance, we have the estimated budget for the period, the expenditure for the period, for the year to date, estimated, actual, the variance, the revised estimate and free balance. This is the type of information which comes to myself and Mr. Koken. We can review it and find sections of the department which may have a problem.

From that, you then go to another printout which deals with highway maintenance only. This printout gives the same basic information, by area and broken into camps so that the superintendent of the north area can come to his budget for the Stewart Crossing camp for the period, the expenditure for the period, the variation in costs during the period, the budget year to date, the actual, the variance, percentage spent. He can check each of his camps and see where they stand and how they are doing. Then, if he finds, for example, in his opinion, Stewart Crossing camp — In fact, if I can read the totals: The budget year to date - \$991,000; actual - \$855,000; variance - \$136,000, approximately. I am rounding these figures as I read them. So there is a variance in Stewart Crossing. Why is there a variance?

The next breakdown is by camp. Here we have a page on Stewart Crossing. Take surface grading - the budget for the period was zero. The actual was zero. Of course, this is not the time of year when you are surface grading. The budget to date - \$183,600; the actual - \$147,500; the variance - \$36,000 underspent.

If you look at the surface blading, and these two are very similar, there is a shift from one into the other, depending on circumstances, the budget was \$5,000 to date; the actual - \$22,000; the variance was approximately \$17,000 overspent. This balances the under-expenditure on surface grading.

I think this gives an example of how this develops through the system and the reporting back. Then, if you want to go farther to see what surface grading is, in total, it is not that far off. It is slightly underspent.

You can then go to surface grading. The components, the make-up of that total are automobiles and trucks. There would be no automobile charges here but there would be truck rental charges from private industry. The budget is zero; the actual - \$51,000; the variance is \$51,000. This sounds way off but it, in fact, is not. The budget is made up on the basis that all of the equipment will be supplied from our own fleet and the known costs are applied in budgeting. Now, in fact, there are not enough trucks within our fleet to do all of the work; we know we are going to rent them, but for budget purposes, those rates are suitable.

The next item is external equipment rental. I am sorry — going back to trucks, on this particular item, those trucks will not be gravel trucks but will be water tankers.

External equipment rental, budget - zero; actual - \$12,000; rental of equipment - internal - budget \$124,000; actual - \$52,000, so it is underspent by \$72,000. This has to be compared to the total of the previous item which was \$63,000, in round figures, or there is about a \$9,000 variation in those items.

Other costs could be almost anything. Nothing is budgeted - \$275.00 was spent. Labour maintenance: budget - \$58,000; actual - \$31,000, so it is underspent by \$27,000. The reason for that is that we were not using our own operators, operating our own equipment. We were renting tankers, et cetera, and that included the operator. That is a contract rather than a split between labour and materials, but this demonstrates the report-back system.

Now the other item in which I think some interest was expressed was snowplowing. Snow removal: the budget for the period was \$1,300, the actual was zero. The budget year to date was \$3,300; the actual was zero, so there was an under-expenditure of \$3,000.

Now this was early in the year and I presume they had not had to do any snowplowing to that point. There are approximately fifty activities and each one is broken down in this way. Does that demonstrate the system satisfactorily?

Mr. Chairman: Mr. Blackman, I think we are all bursting with questions here, but perhaps what I could suggest is that we take a ten minute coffee break now, rather than interrupt you in full flight later. We will come back and begin questioning on this then.

We stand adjourned for ten minutes.

Recess

Mr. Chairman: The Committee will come to order.

We have just heard a couple of examples about the Jorgenson system from Mr. Blackman. I think we all have questions, but perhaps we could begin with Mr. Hanson, since he has a special

interest in Stewart Crossing.

Mr. Hanson: You mentioned the manpower as being five people at the grader station at Stewart Crossing; I would like you to name them, if you can.

Mr. Blackman: I certainly cannot.

Mr. Hanson: You cannot. How about Mr. Koken?

Mr. Koken: No.

Mr. Hanson: Could you tell us what the establishment is there? The establishment is for five people.

Mr. Koken: From memory, there is a foreman's position, and I believe three operator positions.

Mr. Hanson: Three operators.

Mr. Koken: Positions, I believe so, yes.

The mechanic, who was normally stationed at Stewart Crossing, as you may know, was transferred last year to Mayo. That mechanic is now in the Mayo camp establishment but serves Stewart Crossing.

Mr. Hanson: So the establishment really calls for four people then, not five.

Mr. Koken: Yes, but that may include casual employees. You are looking at summer crews when we hire casual employees, which are counted.

Mr. Hanson: You are saying that three operators and a foreman is a normal establishment for that grader station.

Mr. Koken: That is correct.

Mr. Hanson: Do you know how many are actually there at this time?

Mr. Koken: At this present moment?

Mr. Hanson: Yes.

Mr. Koken: I do not know, but I could check.

Mr. Hanson: It might be interesting to note. I am not being nasty about it, but at this present time there are two people there, a foreman and one operator. They were both in this truck I was telling you about yesterday, one in the truck spreading sand and the other fellow driving the truck. That was the total number of employees there last week when I was there.

Mr. Blackman: Mr. Chairman, I think we have to look at the winter operation; this calls for two as compared to the summer operation for surface grading. There is a movement of personnel for operations. In many locations you do not need as many men for winter operation as you do for summer, therefore your establishment should normally be graded to the lesser number and supplemented by casual employees.

Mr. Hanson: It is kind of strange to me, because I live up in that area. There are, I believe, four men and a foreman in Dawson City who have 53 miles of main road to maintain with no side roads in wintertime. At Stewart Crossing where there are 123 miles and two airports to maintain in wintertime — they clear the snow off — they have two people. Dawson has a total of six; Stewart Crossing has a total of two.

I would like to find out who is employed and is actually working at Stewart Crossing right at this time.

Mr. Blackman: Mr. Koken will get that information for you.

Mr. Chairman: While you are getting answers to a couple of questions on this general area, perhaps I could give these questions as notice, too, because I do not expect you to have the information handy.

I am wondering about the classification of this road, particularly from Stewart to Dawson City, if it has been increased or upgraded. I may be wrong, but if a road suddenly is getting a different level of maintenance or getting calcium, does that mean that it would move up to a different classification? Does the fact that it might be getting calcium move it up in classification or would it be moved up in classification and then get calcium? That is a question I would be interested in.

You understand why we have an interest in these numbers, Mr. Blackman?

Mr. Blackman: Yes.

Mr. Chairman: Mr. Hanson has just referred to the five or six in Dawson City; a couple of years ago, as I recall, there seemed to be eight there. So again, we are having trouble when we are trying to talk about, as we want to later, the bigger questions of productivity and so forth, the need for these numbers. Anyway, we are going to get to that later.

Perhaps, Mr. Hanson, before you get back to your questions about Stewart, let me ask Mr. Blackman, the first document you talked about under the Jorgenson system, which was your inventory —

Mr. Blackman: Yes.

Mr. Chairman: Who prepares that document?

Mr. Blackman: Well, the document was originally prepared by inspection. A consulting firm developed the system, working with our people. It is now updated on the basis of changes that are made in the system. For example, if a section of road is rebuilt, then it may very well change the number of culverts, bridges, road widths and so forth.

Mr. Chairman: Let us assume there are no changes in the road and let us deal with the possibility of the maintenance problem in the area you have given us. The particular sheet in connection with Stewart that we were talking about this morning —

Mr. Blackman: Yes.

Mr. Chairman: And the figures in the document you were talking about related to the current year, I think.

Mr. Blackman: Yes.

Mr. Chairman: Who prepared that update?

Mr. Blackman: We have an Administrative Officer who reports to the Chief Highways Superintendent. The physical updating is done by that person on information from the area supervisors. Now, that is as to changes in the road.

Mr. Chairman: What kind of information would the superintendent give? That the road is getting bad and we need to do some extra road this year? What kind of information would he give?

Mr. Blackman: What I was referring to, if we can use the Alaska Highway which is the easiest example, during the season, through funding from Public Works Canada, we may have put down fifty miles of bituminous surface treatment. That then changes the whole maintenance system; your inventory changes quite drastically. This information is provided to the officer who actually does the work.

Now if the superintendent has a problem in an area where he feels that standard maintenance is not suitable, he will go to the Chief Superintendent, who will likely come to me and say, "I need more money for this piece of road because of certain reasons."

My automatic response to that is: where can you save that much. This is the process.

Mr. Chairman: Let me zero in, though. On the sheet you gave us from Stewart, for example, the sheet was prepared for the current year, it was updated.

Mr. Blackman: Yes.

Mr. Chairman: The basis for preparing the sheet in this year would have been, presumably, the previous year's document.

Mr. Blackman: That is right.

Mr. Chairman: What would cause changes from year to year? Given that the road has not had new construction or new surface or anything like that, what kind of changes would be brought into that sheet and how would they get there?

Mr. Blackman: If there are no changes made then there would be no change in the sheet.

That is in the inventory sheet.

Mr. Chairman: Yes. Let me just go into the inventory sheet because that is what I am interested in. If nothing had changed, there had not been a major new construction or anything like that, that sheet would probably stay the same, having originally been prepared by a consultant. It would stay the same from year to year then, basically.

Mr. Blackman: Right.

Mr. Chairman: In other words, the number of miles of road, the number of man years, all those kinds of things.

What impact would a major variance have in one year? Say you had variance reports for that section for two or three years in a row; would that cause something to change in that basic document?

Mr. Blackman: It could. It would not change in the inventory, but it would change in the unit cost data and, more particularly, there is a final item which is referred to as "special projects", and you could very well find that there was a section of road which was just costing us far too much money to maintain; you could not maintain it properly. A decision might be made that this should be

reggraded. If that was to be done as a maintenance activity, it would come in as a special project, as separate from the routine maintenance.

Mr. Chairman: Let me zero in on this. Let us use the Stewart example, and I do not know any particulars in this case so let us talk about it hypothetically.

Take a look at the unit cost figure, which is listed on that first document that you have described to us, you have standards for the Territory, probably averages for the Territory. If that figure was much higher, for example, than the Territorial averages, what would be your response? Is that the place where you would notice that and start asking questions?

Mr. Blackman: The first response would be to determine why it was higher. Is it a physical problem such as material, soils types, available aggregates, a particular climatic zone where you have more rainfall? Or is it a poor foreman who does not get as much work accomplished per dollar spent?

After that is determined, if it is the latter, then one tries to upgrade the foreman.

Mr. Chairman: You have sufficient information to be able to determine between those various factors which might be the cause?

Mr. Blackman: Well, these are all judgmental sorts of things and you come to the point where it is very difficult to determine, but usually there is sufficient information to indicate which it is.

Mr. Chairman: Presumably the soils and the materials do not change in the area, perhaps the climate might in time, but personnel would be one of the obvious places you might look at.

Equipment, presumably, unless you have very good systems for seeing how well equipment is performing or you may have a lemon grader which might also affect a camp's performance quite a bit—

Mr. Blackman: That is right.

Mr. Chairman: That is possible?

Mr. Blackman: Well, yes, to a degree. Equipment that is costing a lot would not necessarily reflect on that camp because they are still paying the standard rental rate for that unit.

The mechanical division then become concerned. But if it is down-time, unavailability, then you would expect that the costs would not necessarily be running high, but you would have a poor road. Again, this is the inspection function of the superintendent.

Mr. Chairman: That gets into an inspection function.

Let me ask you about that, though, in terms of your information, because you have got the printouts and you have got some of that information which they give you. Just let me pick a figure out of the air; you mentioned, I think, that you had budgeted for the period we were talking about, which I think was period 9, \$3,000 for snow removal but you had spent nothing.

Mr. Blackman: That is correct.

Mr. Chairman: This is an entirely hypothetical situation, you look at that, you know from your memory that everywhere else in the Territory had snow removal, there was snow in the area, but the sheet does not show that there was any spent on snow removal.

Now, are you safe in concluding from that that the graders did not go out or is it possible under your system that, in fact, the graders might have gone out but it was not reported or you have not got that information?

Mr. Blackman: Either could occur. Normally you might get light snowfalls that the traffic will blow off and you do not have to go out and plow it. Also, there is always the problem of the foreman improperly coding. Now it is not that the work would not be reported but it might be charged against the wrong coding number. That can happen. If you are talking about an item of a few hundred dollars it may not be picked up, but if it is a continuing error on the part of the foreman and it does show up, then it is picked up.

Mr. Chairman: Obviously your operators and your foremen are not trained as systems analysts or computer programmers; you could have a problem with your system in this area.

Mr. Blackman: That is always a hazard in any reporting system where the key people, really, are the foremen. Frequently, good foremen are not necessarily good accountants.

Mr. Chairman: Fair enough.

Let me go back, though, to what is really the fundamental question when talking about the Jorgenson system and the example you gave us.

You described the system yesterday in the way in which it gives

you performance standards, so it was the basic management tool for you. Given the inventory and the document that you referred to, you have got a performance figure. As long as the information is accurate, you have got some information there so that you can judge the productivity of the people in that system.

You say, I think it was, that surface grading, for example, was supposed to be done six times a year. Now, I might like to ask you what happens if the foreman reports that they have done it six times but it has only been done four or five?

I suppose inspection is the way you take care of that, but what if you look at the figure and you have got this performance that they have done, the productivity is such and such or they have met certain requirements, or the standard is consistent?

The question really asked yesterday, though, presumably the Jorgenson system produces a goal or an objective for them to reach. They should be achieving this kind of level of productivity, with that manpower, with that budget, with that equipment, on that section of road, that type of road. In the case in point, let me ask you one question: did they meet that performance?

Mr. Blackman: I cannot respond specifically to a given section of road, but the overall feedback we get is that the maintenance standards are being quite well met in the Territory, considering the class and type of roads and so on.

Mr. Chairman: I do not want to come down on any particular individuals, but you would look at that at the end of the year and say, "Well, this camp came up to standard, performed to standard; this camp did not; this camp fell a little bit low; this camp was above." You would review it on a camp by camp basis then.

Mr. Blackman: Yes. I should clarify this to some degree. I referred to all these report-back systems and the point that they have just now become available, so that this routine will develop in the coming year but, in fact, was not totally in place in the past year.

Mr. Chairman: Let me ask you that question then, Mr. Blackman. This new system that you have got in place this year will be providing the baseline standards, in some sense, the averages for you for measuring future years' performance.

Mr. Blackman: That is right.

Mr. Chairman: As a manager, how do you deal with the potential problem of having a low baseline standard?

Let me give you an example, if most of your camps were operating below the ideal level of efficiency, their productivity was, on average, quite low, that would give your system after your first year of working this a very low standard, would it not, which you will be measuring performances against in future years?

Mr. Blackman: Yes. The only check against that is the knowledge and experience of senior staff who, within quite good limits, can assess whether or not performance is at a reasonable level.

Mr. Chairman: Classification systems are not perfect. Let me ask you this specific question: you are measuring the performance of the camps. You have one foreman and one crew who are performing extremely well; they set a high standard this year. In the future years, the performance of that camp is going to be measured, presumably, against that standard rather than the Territorial average, which gives them a potentially unfair performance standard perhaps compared to another camp which might have a low grade performance against which they are going to be measured in future years. Do you anticipate a problem on that score?

Mr. Blackman: I hope we have enough foremen who are performing at that level—The normal approach to this, it is not in place now but I would hope that we can work in this direction—you have people with some training who can assess work patterns, work habits, methods and so on. In my past experience with this type of system, it was often quite intriguing when you go out and carefully review what foremen are doing with, let us say the two extremes, the very good and the not very good—ingenious, little things that do not appear to be important that some foreman has developed. One of the objectives should be to find out how that good foreman carries out his work and what improvements he has initiated himself and then try to bring them back through the whole system and bring the rest up to that level of performance.

Mr. Chairman: Earlier this morning, you made a remark in passing about the classifications being judgmental to an extent—I think that was your word. Given the relationship between the Jorgenson system, your inventory and classifications and so forth, are you satisfied that the Jorgenson system is objective enough to give these fair comparisons or fair performance measurements of

your employees?

Mr. Blackman: I think the system is. I must again emphasize the fact that it has not been completely implemented and this is a future task for us, but the system is basically sound. It needs some adjustment.

Normally, in my experience in other jurisdictions where similar types of systems have been implemented, one of the larger provinces in Canada, for example, spent over seven years before theirs was fully operational.

Mr. Chairman: On the grounds of fairness, of course, I just want to be sure that you do not have unrealistic expectations of a crew on some section of road and perhaps very low expectations of another, which perhaps is based on one wrong piece of information. For example, I notice you have this criteria called "Climatic Zones", was it? No, "Snowfall, Zone 5", that Stewart is in. I do not know if these things change and I do not know what the criteria for those zones are, but someplace might be classified as a low snowfall zone but for a number of years in which the system came into place they might have very high snowfall, of course. Do you have checks against whether that inventory is accurate in such a respect?

Mr. Blackman: This is, again, long-term experience and the fact remains in any given year, in any area, you can have extremely wide variations in rainfall. I think probably an example of that was the floods and extreme rains they had in Dawson, I believe in 1979. It was unusual, but from just commonsense your area superintendents know that these things are happening in the area. When we look at over-expenditures because of weather conditions it is pretty common knowledge that that is what the problem is.

Mr. Chairman: Again we are going to get into this question of staffing later, but it does connect with our proper concern, I think, about the accuracy of the information.

Mr. Hanson: Indicated earlier that the Stewart Camp, in his experience, has got two people in it now and it has the manpower requirement for five. You explained that two might be normal in the winter and more in the summer and that is an annual requirement.

Are there any circumstances, though, such as I think Mr. Koken indicated, where you have got someone indicated on the inventory for Stewart but is located in Mayo, or Dawson?

Mr. Blackman: No, I think Mr. Koken indicated that the inventory had been changed. This is the staffing, not the road inventory; the staffing establishment had been changed.

Mr. Hanson: The staffing has been changed?

Mr. Blackman: I believe that is what you said, was it not, Mr. Koken?

Mr. Koken: Yes, it was.

Mr. Hanson: By one man, the moving of the mechanic to Mayo.

Mr. Blackman: That is right.

Mr. Hanson: That is a known fact, but you still show five as the reason.

I want to point out that this change must have happened, if the establishment of Stewart Crossing in wintertime is now two, it has been kind of sudden, I think.

Mr. Blackman: I should not be speaking to this at all because I do not know the facts, but we also frequently have problems, and I do not know if this is the case with this particular location, of vacancies where you cannot find people to fill a particular spot.

Mr. Hanson: We do have casuals in the summertime who I think are encouraged to move into the permanent positions when a vacancy becomes available.

Mr. Blackman: That is correct. I think sometimes they are not interested.

Mr. Hanson: It might be that somebody just figures, "Well, we save on the budget for there so spend it somewhere else." In the local hierarchy, that could be what is happening.

Mr. Falle: I realize I am getting into a little bit of policy here but I would like to know if in Mayo or Dawson or the outlying areas, if it is a practice in your department to try to get the local native people on and train them as operators and staff your maintenance camps with local people?

Mr. Blackman: We are just moving in this direction; Mr. Koken was particularly involved in this. There has been a program developed and we have just recently, I think in the last month, hired a training supervisor; we are now looking for three instructors. One of the principal reasons for this is to try to hire local

people in the local areas and train them through the various stages. We believe it is good policy — I am not talking about political policy, but just good commonsense to try to train the local people. Secondly, we think we may have a lot fewer staffing problems. People are more apt to stay in their home community if we can train them and bring them up in the system.

So that is very definitely a program which is just now commencing.

Mr. Falle: Next time we have you before the Committee I will be interested in asking you the progress on it, but I really believe it is a good practice.

Mr. Chairman: Thank you, Mr. Falle.

Let me again, Mr. Blackman, ask you a very simple, basic question. Yesterday you indicated that the highway maintenance data is broken down by camp and some of us expressed our surprise about the personnel data not being available on the same basis. We will get into that in a minute.

You mentioned in passing yesterday that you intended, in future, to obtain the data on the basis of highways.

Now, given what we have heard about camp responsibility for finite or definite sections of highway and what seems to be an emerging system of accountability based on the camps and their areas of responsibility, could you explain why, when and how you are going to implement this change?

Mr. Blackman: I hope I said yesterday that we hoped to be able to do this. We still have a fair amount of work to do on the reporting systems. Starting in the field, it will be necessary to do this. Also, the computer capabilities in handling the information have to be taken into account.

The reason is, again, accountability. It is difficult to compare camp X and camp Y, where in camp X 80 or 90 per cent of their mileage is Alaska Highway and a very small percentage may be recreational roads. Another camp may have a section of Class 1 road, the Klondike Highway, for example, and then some other road of a lower classification.

What we would like to be able to do is, first of all, know how much money is spent on each specific road rather than in an area. It would be by road within the camp.

Mr. Chairman: You have no accounting of that right now?

Mr. Blackman: We cannot literally say that there is specifically, precisely X dollars spent on this section of the Klondike Highway, say in a given camp, and so much more spent on another road.

Mr. Chairman: Mr. Blackman, I am bound to ask you then, you indicated earlier that you have two federal programs, one with the Alaska Highway and another one with the Klondike, I think it was you indicated? Northern Affairs money—

Mr. Blackman: That is capital.

Mr. Chairman: Oh, it is capital. Well, I am still concerned that if you cannot do an accounting for the section of highway, how you

Mr. Blackman: Shall we say that we are concerned and probably Public Works Canada is concerned. I have had some extensive discussions with Public Works Canada on this very thing.

The best example is the Alaska Highway, which is funded by Canada. The present system, which I believe really is not correct, was set up that way on the recommendation of the consultant at that time. It was accepted by the Government of Canada agencies involved. The work is reported from the camp by activity, in other words, surface grading. The foreman reports the work as surface grading. The cost of that item is then broken down between the Alaska Highway and another road on the basis of planned work and the inventory within the area.

In other words, if 90 per cent of the surface grading plan in that camp was Alaska Highway, then that is the split that is made in the final costing.

Mr. Chairman: This system you are proposing to move to, though, will—

Mr. Blackman: Will more precisely define that.

Mr. Chairman: When do you hope to—

Mr. Blackman: We would like to be able to put it into place for the coming fiscal year.

Mr. Chairman: Would you say that the reason you are moving to that is substantially because of the problem of accountability, partly in connection with federal funding?

Mr. Blackman: It is difficult to split the reason. My first reac-

tion and my immediate concern was for our own control of works and assignment of monies to roads. Secondly, and with the Auditor staff here, I think equally important is the fact that we can then properly charge the correct fund sources.

Mr. Chairman: As you know, Mr. Blackman, one of the concerns of Legislatures right across the country is the problem of accountability and the problem of relating the accounts of any jurisdiction to the Estimates.

Mr. Blackman: That is right.

Mr. Chairman: As I recall, if I am correct, I think we vote money according to a road or a section of road or something when we are doing a construction job. We obviously vote it differently in terms of maintenance but I can see we could have a real problem if you were voting it one way and spending it another. Perhaps this new form of Estimates projects we are embarking on will help clarify this for us, at least, anyway.

Mr. Blackman: I do not think there is any problem. Ultimately, to be perfectly frank, if there is a construction program within a given camp area and for some reason the project manager wants some signs put up which should really be paid for out of the construction funds, if the foreman fails to pass the charges in the correct way, then that money could be spent against maintenance.

But I think the system you would require to police this would be out of the question.

Mr. Chairman: Mr. Hanson, do you have anymore on this subject?

Mr. Hanson: Not at this time. I will come back to it.

Mr. Chairman: Mr. Blackman, the question yesterday on maintenance camp staffing, I understand is difficult for you. Are you ready to proceed with that or would you like to defer that until later?

Mr. Blackman: No, I think I would like to proceed. I can give you the information I have and indicate what is involved in getting any further information.

If I understand correctly, the principal reason for the information is to give some broad measurement of productivity and overtime spent. First of all, we can provide statistics on a month to month basis for the total field maintenance force. I have made notes of some sample information.

For example, on July 31st, 1972, we had 107 permanent and 235 casual, nine seasonal employees for a total of 351. On July 31st, 1975, we had 101 permanent and 169 casual; five seasonal for a total of 275.

If I may make another comment at this point, we have taken July 31st during each year and that period is picked because that is at the mid-point in the seasonal activity. It normally would be about the time of the highest employment.

July 31st, 1980, there were 96 permanent, 171 casual for a total of 267. This is a reduction of 84 over the eight year period.

Now during this eight year period there have been additional roads come into the maintenance system totalling 418 kilometers.

So there has been a reduction in staff of 84 and an increase in length of road maintained of 418 kilometers.

Now we have, a very superficial if I may say, explanation of that change. It is due generally to, first of all, road improvements, surface treatments, calcium chloride, reconstruction, all of which changes the demand; more effective use of manpower; more efficient, more productive equipment; and better technology.

Now, if I could comment very briefly on camp detail; that information was for the total system. One concern would be if we did produce, or could produce, detail by camp on any given date, it still would not give an accurate picture by camp because we have roving crews. For example, for surface grading, you may have a surfacing crew come through and on one date, you have two men, or three men as the case may be, and the next week you may have six or seven. That may occur for two years in a row in a given camp and then in the next three years it may not occur at all. You can have crusher crews come into the area. So this distorts the figures. I think if I may express an opinion, the total gives a better broad measurement than individual camps.

Now we can get basic information by camp for a given period. This would require researching the pay records which we do not hold and would have to go through Finance for. It would mean that we would have to hire a casual employee and it would take some weeks or months.

Mr. Chairman: Mr. Blackman, I do not think this Committee

wants to burden you with any great new expenses. We talked about productivity. A more general expression of the Committee's concern, I guess, is the question of efficiency.

On the surface, this looks like a very commendable development in the productivity of the system. Recently, all of us were reading an article on efficiency in government, which was written, and this may come as a surprise to you, by the gentleman who is now the President of the CBC. Apparently he had previous incarnations in areas of finance. He talked about three concepts: policy efficiency, administrative efficiency, and service efficiency. The policy efficiency really had to do with whether political leaders made their decisions in an efficient way and that bears on people of your rank in some way, too.

I want to talk about the last two concepts, though. Administrative efficiency - I would guess that these figures you have given us are an example of that. You pointed out the problem in government though is that it often conflicts with the notion of service efficiency.

The widespread public impression, and the difficulty for us is, and we do not have the figures, is that your department has increased its staff in Whitehorse while reducing its staff in some of the rural communities. This is not an accusation; I think it is a widespread perception. The problem you get with that, even though you may have road improvement efficiencies, improved productivity, there may be a perception of decreased service from the point of an individual community. There may be a perception of an economic impact, reduced employment, reduced market and reduced consumer spending in another community which is not a problem for your department, but it may be a problem for another department of the government, Human Resources or Economic Development.

Now, these are not issues that we can talk about today because they get into policy areas. I do not want you to get into the expense of getting any more information by hiring a casual or doing anything like that. I do want to leave with you, though — because in future years you may come back before this Committee and none of us may be here, but the Department of Highways goes on forever, we hear — the problem of justifying the question of public accountability, the problem of people in Dawson, for example, perceiving that the number of people who are servicing the highways in their area is being reduced and they may not be sensitive to the same kind of performance measurements as Mr. Jorgenson is and therefore they may feel that their standard of service, rightly or wrongly, has gone down without any objective criteria for it.

As politicians, of course this inevitably becomes a difficult problem for us. So, I do not know what we may say about this, or whether there is anything further other Members of the committee may want to get into, but I would hope to at least leave you at this point with some better appreciation of the problems of perception from our point of view and the point of view of our constituents.

Mr. Blackman: I believe I understand that very completely. I spent many of my years in rural communities outside of the main center and I know exactly what you are referring to. I might also add some verbal information from memory, from people who have been here for some long time and involved, which indicates that the Whitehorse grader station has decreased in a parallel way with the others. Now, it is true that roving crews start out from here and they come back to here. Now, most of them are then laid off and so on. There are many things that happen that give the appearance of this but in fact are not occurring.

Mr. Hanson: The number of people at the grader station should go down with the amount of hardtop you are getting out of here.

Mr. Blackman: Well, unfortunately, the term "grader station" is common here because that is the way it started, but it should really be called "maintenance camp" While you have fewer graders, you may have more of other kinds of equipment.

Mr. Hanson: Certainly, I just drove over the Mayo road, it did not look like you had any graders on that road in the Whitehorse area this year, so I was surmising that the amount of graders that are operational now have gone down, even for winter use. Maybe not, but it seemed to me that it was.

Mr. Blackman: Did you want a response to that or is it a statement?

Mr. Hanson: It is a statement as a driver on the road.

Mr. Byblow: I would like a couple of clarifications in reference to the staffing figures that you just gave us. When you cited 84 as being the number of fewer people in total, was that just a reference to man years?

Mr. Blackman: No, I was quoting the number of employees on

July 31st in the various years.

Mr. Byblow: The other question was: when you explained what this reduction was due to, you cited the road improvements, the better equipment, improved technology, and so on. You said "more effective use of equipment". Could you just elaborate on that point?

Mr. Blackman: This is a rather delicate area to get into, but the system was taken over from other agencies and there were significant reductions in manpower when they transferred into the Territorial operations. I do not mean all at once, but over time. In fact, there is more work being done by fewer people.

Mr. Byblow: I have just one remaining question. What type of systems were absorbed by yours that permitted you to do this?

Mr. Blackman: I do not think it was particularly a system. It was just management control.

Mr. Chairman: Well, we had a system that was inherited from certain military organizations.

Mr. Blackman: Originally, yes.

Mr. Chairman: It may run on different lines than those of the government's.

Mr. Blackman: When they were taken over by the Territory, it was not from the military. This was one of the stages in the overall development of the highway system.

Mr. Chairman: We had a lot of fuss about Destruction Bay earlier this year, but I would assume that one of the ways these reductions have been achieved in many places is simply by the red circling positions as they became redundant or were no longer needed. Is that correct?

Mr. Blackman: That is correct in part. The other part is, much of it is in reduction of casual staff. In other words, you are just not hiring as many casuals.

Mr. Chairman: The figures you have given though, indicate that the casuals have increased over the same trend. It is the permanent that have —

Mr. Blackman: If you look at the eight years, the permanent have been reduced by 11. Casuals have gone down by 63, I guess it would be, or 73.

Mr. Chairman: You have indicated a trend here, Mr. Blackman, which the taxpayer might well want to encourage. Let me ask you, given the Jorgenson system and this trend, how is that inventory going to change in such a way that other staff positions will be dropped or changed? Does it just happen when a road is blacktopped that all of a sudden that whole inventory changes and therefore you reduce the number of grading requirements and so forth. Is that basically the way it is to proceed?

Mr. Blackman: Again, if I can speak from personal experience with this type of system, the first reduction comes not from a change in types of activity, but rather in the planning of the activity, so that you do not have quite as much overload and under-utilization. In other words, it is spread better during the season. Then the next phase is changes in reconstruction, improved surface and so on.

At this point in time I would anticipate not so much a change in numbers but in classifications. In other words, there may be more requirements for labour, let us say, than operators in surface maintenance work.

Mr. Chairman: We are coming to the time of adjournment. I think this has been an extremely informative morning for us. I will not dare ask you, Mr. Blackman, and Mr. Koken, how you felt about it, but I hope we can see you back here tomorrow morning because we did not even begin to finish today's agenda. I think this has been very useful and important to us.

If there are no other final questions from the Committee, we will now adjourn to Executive Session.

Thank you very much Mr. Blackman and Mr. Koken.

The Committee adjourned at 11:29 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 4 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Friday, January 23, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members :

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Foltwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisors from the Office of the Auditor General:

Raymond Dubois

Deputy Auditor General

Harold Hayes

Principal

Witnesses:

L.W. Blackman, Deputy Minister, Department of Highways and Public Works

Kurt Koken, Assistant Deputy Minister, Department of Highways and Public Works

EVIDENCE

Friday, January 23, 1981 - 9:30 a.m.

Mr. Chairman: Ladies and gentlemen, Meeting Number 4, formal hearings, Standing Committee on Public Accounts will come to order.

We are dealing again, this morning, with the Department of Highways and Public Works. I would like to welcome back Mr. Blackman and Mr. Koken and mention again that with us today from the Auditor General's Office, are Mr. Ray Dubois, Deputy Auditor General, and Mr. Harold Hayes, Principal.

I make special mention of Mr. Dubois today since this is the last day he will be with us in this sitting and express the appreciation of all of us for his expert assistance.

This morning, before we proceed, Mr. Hanson, do you have a notice of motion?

Mr. Hanson: I would like to give notice of motion that the Inventory Summary of the Department of Highways and Public Works of the Government of Yukon be appended to the report.

Mr. Chairman: Thank you for that notice of motion, Mr. Hanson.

Very briefly, going back to the question of objectives, I recognize Mr. Byblow for the first question.

Mr. Byblow: My question extends from yesterday's discussion. Mr. Blackman, you described planning as a five year process and we deliberated at length on the criteria that affected that planning process. You indicated that any longer term planning would be a costly exercise because we have neither the traffic volumes nor the data systems to justify such planning. This is the area that I would like to have clarified.

Perhaps I could frame my question this way: have you or your department ever subjected the five year planning process to any type of analysis to determine whether it is the optimum time for planning in Yukon? I raise this in contrast to other jurisdictions where longer term planning is the order of the day and quite necessary.

Mr. Blackman: A typical planning process is, first of all, the development of a needs study. I first became involved in this in a provincial jurisdiction in 1959. The first step in a needs study was to establish a new branch within the department with a number of personnel. You have to expand your data collecting systems. From this you develop a twenty year needs study.

This is practical, I think, in a stable level of development. From the needs study, which, I might say, the government at that time did not accept because they did not want it to be thought that they had committed themselves to this report, but the report became the "Bible" for future planning within the department internally.

The result of this is a five year plan similar to what we have here now within the department. In other words, the actual plan was five years in length, but you had a 20 year assessment as to directions in which one should go.

I find the circumstance in Yukon significantly different. One major development can have a massive impact on much of the system; whereas in a more developed area, similar development has less impact. In other words, the projected information which you develop remains reasonably valid, where I could see, here in Yukon, considerable effort being put into this type of thing and then finding, three years down the road, that most of it is invalid. I cannot, in my mind, justify the expenditures that would be involved in developing such a plan.

Mr. Byblow: You have described what amounts to a fairly sophisticated assessment of needs over a fairly extended period of time.

Mr. Blackman: That is right.

Mr. Byblow: I am wondering whether or not something perhaps less than 20 years would be useful, that could be done by your department to essentially prepare, in a conceptual sense, the direction the department is heading in the development of its road system.

Mr. Blackman: This process does go on on a continuing basis in a very informal way with input from the various information areas you have. I think senior managers, in their own areas do develop this type of thing, but it is not formalized; it keeps changing as conditions change.

In effect, what you are suggesting, I think, may better be de-

scribed as the development of transportation policy, which is something that we are working on and trying to crystalize a little bit more.

Mr. Byblow: Would it be fair to say that any longer term planning than the five year process in place now is a policy matter and therefore we should leave it there?

Mr. Blackman: That is a rather difficult question to answer: we are in a nebulous area. My reaction would be that the decision to expand the department would become a policy matter.

There are some of the trade-offs one must consider. If I had a choice and I was told that I could engage, let us say, two professionals and three or four back-up people, there are other areas I would rather have those professionals in that I would think would have a much higher pay-back than developing this type of plan at this time.

Mr. Byblow: Would it be fair to say, then, that at this point in time you do not see the need for your department to identify longer term planning?

Mr. Blackman: I must qualify that again. Longer term planning is going on but it is not formalized.

One additional comment that I might make is that certain roads are projected, or have been in the past, and while you do not itemize kilometer 125 to 135 as being on the program in two years or five years hence, I believe that it is fair to say that certain roads have been projected as being developed and this may take a number of years.

An example of this right now is the Dempster Highway. We can envisage 10 or 15 years of improvement and upgrading. You might consider that as a planning process. As time goes on, you select those portions which require work first but there is an informal plan to improve that highway, depending upon traffic development.

Mr. Byblow: In relation to the planning in general: specifically, to what extent would you say federal planning affects your planning?

Mr. Blackman: We get into an area between planning and operations here. First of all, the funding that is made available. Operational planning — if I can use this term — becomes rather difficult because we have no means of adequately projecting workloads. The process which projects go through in the federal system is such that frequently we will get approval to proceed with a road construction project in mid-summer or late summer with funding available during that current year only, and it is physically and practically impossible to do the project within the time available.

Mr. Chairman: To summarize this part of the discussion, Mr. Blackman, could I say in a sentence that it is your conclusion, or your considered opinion, that there is a negative cost benefit for such a 20 year plan in this system right now?

Mr. Blackman: For a sophisticated, formalized planning system, yes. I think available funding could be better used in improving the technical resources of the department.

Mr. Chairman: The next item that we wanted to go back and talk about was the road equipment replacement account which Mr. Byblow is going to lead on. Just let me test the Committee to see if there are any other questions.

I have one. Yesterday, I gave you notice about the question of classification and maintenance classification on the Stewart/Dawson section, and the fact that we had heard that it had suddenly been salted where it had not been salted before. I was curious as to whether it had been reclassified in your maintenance system and then salted or whether it had been salted and as a result reclassified, or exactly how that process works.

Mr. Blackman: In effect, what occurs is that the decision is made to apply calcium chloride for a variety of reasons. That automatically takes it from the specified number — you add a C to it, it is now calciumed — and that changes the maintenance activities.

Mr. Chairman: What are the reasons that would cause you to make a decision on a section of road to now put calcium on it?

Mr. Blackman: It becomes a difficult question to answer. I would say traffic usage and public pressure.

Mr. Chairman: So you have documented statistics that traffic volumes increased on that road and that lead to the decision. Is that a correct assumption?

Mr. Blackman: Not entirely. I think what one must say is that the public using the road indicated enough interest that the deci-

sion was made to proceed with the calcium. This type of decision is not done entirely within the department.

Mr. Chairman: If it is a political decision, you could say that and that would be the end of it.

Mr. Blackman: In effect, it is partially a political decision.

Mr. Chairman: If it is, that is not the business of this Committee. We might discuss it at another time. The reason I asked about the traffic is because during the time in which I lived in Dawson and was employed at Clinton where there was a lot of essential traffic — you mentioned yesterday that a commercial or economic activity like mining would obviously take a greater priority than a recreational use of a road. Since that mine closed down, it seemed to me, rather than the standard of maintenance phasing down, it has perhaps gone up in recent times.

Mr. Hanson: I would point out there that there was still a mine in the Mayo area for the last 50 years and it was the last road to get salt on it. The main reason was because they used the school buses on those roads and the dust conditions were the main reason for us now getting some salt on the road 20 years later.

Mr. Chairman: Just let me conclude this though, that does tie back to the classification question we talked about concerning the judgmental factor because it is not an entirely objective criteria. In fact, it was a political decision in this case and that is simply an instruction to you on something like that.

Mr. Blackman: Basically, yes.

Mr. Hanson: This is rather a blunt question. I would like to ask: yesterday, you mentioned the variance. You gave us some figures which I do not have in front of me, the budget amount for the Stewart Crossing area, the Klondike Highway, that budget had not been totally spent. There was a variance of one hundred and some odd thousand dollars. Am I wrong in the figures?

Mr. Blackman: I think your figure is wrong, yes.

Mr. Hanson: If my figure is wrong, I will accept that, but when there is a variance like that, where does the rest of that money go when it is not spent on that section of the road?

Mr. Blackman: As I attempted to explain yesterday, the budget is built up on the basis of averages and the Chief Highways Superintendent can, and should, move funds to the area of greatest need.

In other words, if you find that a section of road is standing up better than it might have been expected to — it can be a factor of weather conditions during the season or a great variety of factors — then he should move any available funds from that section of road to one down the road where weather conditions are creating problems; or possibly they did not get their additional gravel surfacing done the previous year and they are trying to catch up a little, this type of thing.

It shifts. You can take any given section and you will find that it would be extraordinary if it all worked out according to the budget. In fact, I would suspect somebody was cooking the books if it came out even; it just does not do that. It will be up one year, down another year.

Mr. Hanson: I strongly suspect that the Stewart/Mayo area has not been getting its share of the budget; however, I am not aware of the books and I am not an auditor, I do not check them every year.

Let us say in an area such as I am talking about, could the Area Superintendent take money, particularly from the Mayo/Elsa Road or the Stewart/Mayo Road, that is not spent on that budget because of —

Mr. Chairman: Insufficient public demand, for example.

Mr. Hanson: Well, there is sufficient public demand, but for his own personal reasons, could he have taken that money over the years and moved it into another area so that the roads in the Mayo area have been neglected every since? Is that possible?

Mr. Blackman: It is very unlikely. If this question was eventually raised, it would result in the Chief Highway Superintendent investigating it to determine whether, in fact, it was happening. He would then report it to me. We would be very concerned if this happening.

Mr. Hanson: I am aware that you would be concerned but in the pressure of the work that you and the Chief Highway Superintendent have to do — I am well aware of it — the normal thing is for you to visit the area once a year. That has been the case in the past few years because of the pressure of the workload you are carrying and it is understandable.

I would suggest that because of this, some areas, particularly my own riding, have been neglected, which is one of the reasons why I am in politics. I am quite aware, though, since I have been elected, that there is sufficient money in the budget, I would say, to do that work but it has not been spent properly or it has been siphoned off to other areas.

Now, this is just an assumption of my own and of other people living in the riding.

Mr. Blackman: It is interesting that this type of feedback tends to come to me and to my predecessor, I presume. It is always interesting, when you look at it, that you get the same kind of feedback from many areas. One area feels it is not properly being looked after in favour of another and there is often a good chance that the other area is making exactly the same complaint in reverse.

There was one other question which, if I may move —

Mr. Chairman: Before you go on to another question, could I just ask you a general question following up on Mr. Hanson's local concern? From a management point of view, how do you control the transfer of funds from one section of road to another? How are those decisions made and what would cause them to be made?

Mr. Blackman: Generally speaking, minor transfers, that is one area is underrunning slightly and another one is overrunning slightly, this would be handled by the Area Superintendent.

Mr. Chairman: When you say "slightly", would this be a ten per cent variance or a five per cent variance?

Mr. Blackman: In that range. Normally the Area Superintendent and everybody else in the management chain are aware of circumstances in a given area. If it gets to something more significant than that, then the Chief Highway Superintendent would become involved. It is basically his judgment as to when it would come to me for a decision. In other words, if we were going to make a major change of any kind, it would certainly have to be approved by myself.

Mr. Chairman: You, yourself, would be looking at the figures from camp to camp, because you do that camp budgeting, to see what kind of movements there may be in terms of funds and emphasis.

Mr. Blackman: Yes.

Mr. Chairman: And comparisons.

Mr. Blackman: Again, I must emphasize that it is just very recently that we have begun to get the camp by camp report so that we will have more facility to do that in the future than there was in the past.

Mr. Chairman: You wanted to answer another question that came up.

Mr. Blackman: Yes. Mr. Hanson raised a question about a truck which had been delivered to Mayo. I traced this down in the meantime, and I think Mr. Hanson has only part of the information. I would suggest that this is something that maybe we should discuss outside of the Committee. Personalities become involved which I do not think is proper to discuss here.

Mr. Hanson: There are two other questions that I have outstanding: water tankers — do you remember when we were talking about that?

Mr. Blackman: Yes, the question as to whether or not the water tankers have worked — the answer is yes.

Mr. Hanson: All three of them?

Mr. Blackman: Yes. As I understand, they came in at quite different periods during the year. The third one was quite late in arriving.

Mr. Hanson: All three of them are still operational?

Mr. Blackman: Operational, yes, but they are not operating.

Mr. Hanson: No, but they are operational; they could be used.

Mr. Blackman: That is right, yes.

Mr. Hanson: The other question was, of course, something that you may want to discuss privately, too. That is the staffing at Stewart Crossing at this time.

Mr. Blackman: Yes, I think there are personalities involved here with the personnel and it would not be a proper topic here.

Mr. Hanson: I accept that.

Mr. Chairman: Mr. Byblow would like to move on now to the road equipment replacement account which is something that I think we have given you notice of. I do not know how big an area it is but it is something that has been alluded to by the Auditor General.

Mr. Byblow: I do have a general understanding of the origin and the history of that account so I do not necessarily want to get into that. My question relates to the depreciation factor that is built into the system by which money goes into that account. That is what I would like to have explained to me.

In reviewing the financial schedule on the account in the period about which we are talking, there was money in the order of \$1,330,000 that entered the account. I assume that that amount of money is directly related to the depreciation charged on the use of the equipment across the Territory.

I would like to know: what is the depreciation factor on the equipment.

Mr. Blackman: If I can beg the indulgence of the Committee, the concept of the fund is very, very, simple. Its operation is very, very complex. I really do not believe that you can deal with a part of the overall equipment system. For this reason, I think you should look at the whole system, if I may suggest this, and it may take some time.

I have prepared a flow chart which sort of shows the way it all ties together if anybody would like to have this.

First of all, I cannot over-emphasize how important the mechanical fleet is to the highways maintenance operation. The right equipment is vital and the control of equipment cost is critical if we are to meet our maintenance objectives. If we could look at the central block, "Machine Operations Account", on the flow diagram, this is the area where the rental funds flow from highway maintenance into the fleet system.

I have made a note there that the equipment rental represents about one-third. Now that thirty-three and one half per cent, I just noticed, indicates inaccuracy in the estimate that is not due but if we use the term "one-third"—About 85 per cent of that rental goes to YTG equipment; about 15 per cent is paid to private enterprise. This varies from year to year and so on, but that is the range.

The funds that go into the machine operations account from highway maintenance, are paid out again. If we can move down the chart, firstly, there is the Territorial garage operations, and secondly, the purchase of fuel oil or fuels, lubricants, this type of thing.

There is an internal cycle in the Territorial garage operations. The pay-out into the fund covers overhead costs such as supervision, wages, heat, power, the purchase of parts, all of this type of thing that any businessman would have to pay for.

The only earnings for the operations account, within its own cycle, is a charge against work on equipment by means of work orders. This is very simply a charge for each and every hour of a mechanic's time. In the current year, as a point of interest, that charge-out rate is \$31.00 per hour. That has to pay for all of the overhead, wages, all of these costs. This is operated throughout the year, and at year-end, the sum or total of that account must be zero; hence, when the accounts are audited at year-end, if there is any surplus in that account, it is refunded to the machine operations account. If there is any shortfall, it must be paid for from the machine operations account, which again, receives all of its funds by the hourly rental of equipment.

The surplus in that operation feeds up to the road equipment replacement account. The funds here are used for the purchase of replacement equipment. The fund is also augmented by funds obtained from the sale of surplus equipment which has been bought.

The top box is really not a part of the system but it affects it from time to time. I think the most recent example, from a highway point of view, was probably when maintenance was fully undertaken on the Dempster Highway. You get an additional major section of highway to maintain and you do not have enough equipment, you need additional equipment. Any additions to the fleet must come by capital supply or a vote of the Legislature. When that equipment is purchased, it goes into the system and then the rentals on that equipment eventually end up in the accumulation of funds sufficient to replace it.

Dealing more specifically with your particular question, Mr. Byblow, if every estimate was accurate and every machine operated precisely as it was estimated to do, the fund that flows into the equipment replacement account would be that sum that is set as the depreciation — if you want to use that term which is not quite correct but I think it gives the proper picture.

Needless to say, we can never estimate next year's costs pre-

cisely; therefore, you have to go through a rate adjustment each year to try to balance the machine operations account and have a proper flow of funds into the replacement account.

I think one of the critical things in this operation is the fact that if there are any wastages anywhere in the system, the result is increased rental rate for the equipment which means an increased charge against highway maintenance which means more difficulty in maintaining the system.

If I can refer to this account now and to some of our concerns, first of all, I think the complete system, and particularly the road equipment replacement account is a very, very useful management tool. The account gives a relatively accurate measurement of the cost of owning and operating the equipment. If you do not have such a charge-out system, you do not ever really know what it costs to own and operate that equipment. Managers are forced to select the most economic type of machine for any given task. They are actually paying what it costs to use a motor grader or a 12 cubic meter truck versus a six cubic meter truck and so forth.

The equipment is forced to earn its keep. The rental rate established can be compared to private industry and, in a general term, — there are exceptions — but in a general term, if the equipment cannot be owned and operated as economically as we can rent it from private enterprise, then we should rent from private enterprise.

Mr. Chairman: Mr. Blackman, do equipment rental rates include a depreciation factor?

Mr. Blackman: Yes. It includes the cost to replace the machine. In other words, it is the full cost of owning and operating that machine.

Mr. Byblow: Just to pursue that, we are talking about, in effect, the \$31.00 per hour you cited for the equipment.

Mr. Blackman: I am sorry. That was the charge-out rate for a mechanic everytime he works on the machine.

Mr. Byblow: The charge-out rate on a piece of equipment includes a calculation of depreciation which goes into that charge-out.

Mr. Blackman: Yes, that is right. In general terms, the depreciated rate is developed through experience over a long time period. The average life cycle of a machine is known. For example, I believe the life of a motor grader is 12,000 hours operating time. Then you take the cost of that machine, it is a modified straight line depreciation, if you like. Motor graders are estimated at costing about \$120,000 next year so you need to get — I am using rounded-off figures, of course — about \$10.00 per hour for the life of that machine. Now, the straightline depreciation is modified in that the price during the life cycle of an average motor grader has increased almost four times. It is quite obvious, if we were to continue depreciating at the original price, we could buy three wheelbarrows to replace it when it wore out, so each year the depreciation amount that is charged per hour is based on the replacement cost of the machine that year. Each year, the depreciation charge is based on the current replacement cost.

Within the equipment system, as I refer to it, the garage operation can also be very well monitored because the total cost of the operation comes out in the charge-out fee for the mechanic's time. Again, we can measure this against private enterprise and if we cannot keep our costs below those of private enterprise, then, again, we should be using their facilities.

This is one of the few areas in government where you have a bottom line and can accurately and meaningfully measure efficiencies.

There was reference to the Auditor General's Report. I believe it was stated, "The study of the accounts of Canada recommended the elimination of this type of special account." We would suggest that there is little comparison between Canada and Yukon. Canada's budget is in the multi-billion range, operated by hundreds of thousands of civil servants posted across Canada and around the world; Yukon is a small operation which hopefully can be managed with many fewer layers of managers managing managers and regulations frustrating productivity of the operational staff. I do not think it is a valid comparison between what is required to properly and effectively manage an operation in Yukon as compared to Canada.

Mr. Chairman: Just on that point, Mr. Blackman, you will recall that the Public Accounts Committee, last year, did not accept the recommendation of the Auditor General as Holy Writ and, in fact, took a more modest stand.

We have two problems. There is the fundamental principle under which this Committee operates which is the principle of parliamentary control of the public purse and the problem of expenditures being able to be made by a manager without the authority of the Legislature. I know that not only in this government but I know that in the City of Whitehorse — where I used to have an interest, as did Mr. Koken — that such accounts operate with great efficiency but at some frustration to the elected people because it becomes possible for a manager to make a major capital purchase for such an institution without the authority of the alleged or theoretical political masses.

Last year, I think we did grant, as you said, that this was a very important management tool and we wanted the usefulness on that score to be maintained. It was for that reason that I understand a study about the future of this kind of account is to be underway between your department and the Department of Finance.

Before we get into Mr. Byblow's detailed questions about the account, could I just ask you, from your understanding, what is the status of that study?

Mr. Blackman: We get into semantics again. I think it is a review which Mr. Anderson and I have agreed to do. I might say that both Mr. Anderson and I are very aware of the concerns. I appreciate the legislative approval problem but this type of process can create all sorts of problems in maintaining the real value of the fund.

We have done some review. I would hope that we could make suggestions. I would hope that in a very short time period, within the next two or three months, we will be able to make suggestions to either the Finance Committee, or whatever source it should go through, as to what systems or reporting methods we might use that would at least allay some of the concerns.

Mr. Chairman: Just let me re-emphasize to you, from the point of view of the Committee, based on last year's report, we do not doubt for a minute the usefulness from a management point of view. Our only concern is the very fundamental one of how do we reconcile that useful objective with the other fundamental ideal of parliamentary control, the power of legislative authority? If we could work out that problem I think there is no further question about the account.

Perhaps Mr. Byblow might get into the kind of questions he wants to pursue.

Mr. Byblow: Perhaps I could just check to see if he had anything further to elaborate.

Mr. Blackman: No, not on the account specifically. I understand we were going to look at a particular piece of equipment and the process we go through. It automatically comes back into this area.

Mr. Chairman: Mr. Blackman, if you could excuse me for a second before we get into a piece of equipment, I had understood that Mr. Byblow had some questions. We have a reporting on the account right now, but are you satisfied with the terms of your ability to report to us about the disclosure of expenditures under the account?

I know from previous experience when I looked at another government where it was possible for a manager to buy some pretty significant pieces of equipment, because he was replacing something in stock already, without anybody really knowing about it.

Mr. Blackman: Well I think part of this has to rest on the integrity of the staff. All such requests for replacement have to be approved by myself. I have made it a policy that any variation in standard, simple turn-over is reported to the Minister. We may get into this area again, but when a piece of equipment wears out, is no longer suitable, there are really three or four options: do not replace it at all, it is gone and that is the end of it; the second would be replacement with its equivalent; the third option would be replacement with a similar type but of a different capacity, and then, fourthly, replacement with an entirely different type.

Now I had intended to get more deeply into how those decisions are made, at a later point.

Mr. Chairman: Just let me ask you this question: you talked about referring such issues to the Minister, perhaps if you were going to buy a completely different type of equipment or something. I am asking a general, perhaps innocent question here: would it not resolve the conflict, as we have it, when you were authorizing large capital expenditures from the fund, if your Minister were to add his signature to whatever documents are needed to make the requests. Because he is accountable to the

House, it would at least give him an opportunity to explain it should any questions arise.

Mr. Blackman: This is the type of area which Mr. Anderson and I will be pursuing in some depth and we will try to devise what we feel is the most effective way of meeting this sort of concern.

Mr. Byblow: I would like to express how much we appreciate this flow chart because it certainly does help us to understand the operations of that particular account.

I have several specific questions. The capital injection into that account is voted by the Legislature.

Mr. Blackman: Yes.

Mr. Byblow: It is directly correlated to the purchase of a specific piece of equipment.

Mr. Blackman: Mr. Koken might correct me if I err here, but my understanding is —. There is one little side issue in this fund that you should probably be aware of, it is called a road equipment replacement account. There is a portion there that really is not involved with highway maintenance and this was a decision made by government some time ago wherein there are certain items or units within the fleet which were purchased for the use of the vocational training school in the training of equipment operators. Now that is a side issue.

When that equipment was purchased, capital funds were voted specifically for that; it was in addition to the fleet. A few moments ago, I referred to the Dempster as another example. When you have a large section of highway and you do not have equipment to maintain it, then a capital vote of the Legislature is required to buy the specific equipment to perform that function. So that is the only way that the number of units in the fleet is changed.

Mr. Byblow: So because of the system in place, capital injection for equipment by the Legislature goes into the fund and directly out again, in that respect.

Mr. Blackman: It is a very fine line. In effect, that vote is for the purchase of equipment; there is a specific appropriation for that. The equipment is bought from the appropriation and has nothing to do with the fund at all. Once it starts to operate, it then moves into the whole fleet system.

Mr. Byblow: I think I understand that.

The next area of questioning relates to what you itemize as the "Disposal of Obsolete Equipment by Sale". My question is: the equipment that is purchased to replace equipment, is there a direct correlation there?

Mr. Blackman: I am not sure—

Mr. Byblow: Let me clarify. If you sell two graders this year, does the fund, in turn, automatically purchase two more graders?

Mr. Blackman: Not really. That is normal, but something that is happening right now, and I think I referred to this earlier, is that we have some hundreds of kilometers of bituminous surface now which did not exist in the past. We expect, or hope, to extend our programs. You no longer need motor graders to work on the surface, but you need asphalt equipment, so we are proposing that three motor graders should be replaced by a different type of equipment.

Now, the criteria which is laid out in policy is that we cannot, or could not, justify a motor grader going out of service — and this is a machine used to maintain the surface of the road — and replacing it with a motor scraper, which is used to build roads. That would not be acceptable and is not allowed under policy. However, its replacement, if justified, can be by a different class of equipment but one still used to maintain the surface of the road.

Now, the procedure we have to do this is: first, a fairly detailed analysis of need is done and then, secondly, I recommend to the Deputy Minister of Finance that this change be made. It is discussed with the Minister; and the Deputy Minister of Finance must approve this change in type, so that there is an outside and disinterested review.

Mr. Chairman: Mr. Blackman, you continue to say things that fascinate me, but one particular thing you said a moment ago really caught my ear. You mentioned that one small portion of the fund had been used to purchase equipment for training at the Vocational School.

Could I ask you, to your recollection, when the Legislature voted this capital, was it in the Department of Education budget or the Highways budget?

Mr. Blackman: Can you answer, Mr. Koken?

Mr. Koken: I would not know.

Mr. Blackman: All I know is that the fund was managed through our procedures.

Mr. Chairman: I am interested because, if it was purchased by the Department of Education, then the Vocational School was using it. Presumably the Vocational School would have to be paying the charge-backs when they rented it.

Mr. Blackman: Right.

Mr. Chairman: Which raises the fascinating prospect of the Department of Education paying for a piece of equipment twice, both in the capital budget and then in the rentals, but your department ending up owning it.

Mr. Blackman: Our department, I think, is responsible for the maintenance and the specification of all equipment, whether it is within this department or not. Primarily the reason for this is that we have the trained staff, the mechanical competence, if I may use that term. I would suggest that the equipment is not being paid for twice; it is purchased by capital funds, the charge-out pays for its replacement.

Now, again, a fair amount of this equipment is equipment which we would not particularly be interested in having in our fleet. Some of it is the same as ours, but much of it is not.

Mr. Chairman: You understand my fascination.

Mr. Blackman: Yes.

Mr. Chairman: The Department of Education votes some money in capital and then they vote some more in O&M to pay for a piece of equipment, but when it comes to the disposal or replacement of it, it is really controlled by your department.

Mr. Blackman: That is right.

Mr. Chairman: It is a wonderful opportunity for you.

Mr. Hanson: I can probably answer that a little better. The money was voted to Education, turned over to Highways and, because we can get some of that money back from Ottawa for the Vocational School Special Training, we rent that equipment back from the Department of Highways and bill Ottawa for it. That is how the whole cycle goes.

Mr. Chairman: Mr. Hanson mentioned turning the money over. I hope that was done with proper legislative authority and I would appreciate it if someone would check.

It is not information we need right now. I am just curious.

I think Mr. Byblow has other questions.

Mr. Byblow: You took special pains to try to explain that the depreciation factor used in calculating the charge-backs was as reasonable for that year as is possible to be calculated.

Looking at your flow chart, would it be fair to assume that the money that flows from the machine operations account to the road equipment replacement account is directly correlated with the depreciation factor charged on the equipment?

Mr. Blackman: Yes, this is one of the criteria or one of the measurements of the efficiency of the cycles below there. In other words, at year-end, you could look at the machine and determine whether it was losing or making money for the account.

Mr. Byblow: I may have a couple more questions after you describe what happens to the piece of equipment. Perhaps you would want to go into that now.

Mr. Chairman: No, before we do that, perhaps, Mr. Hanson, I could recognize you for a notice of motion.

Mr. Hanson: I would like to give notice of motion that the flow chart for the road equipment replacement account be appended to the report.

Mr. Chairman: Thank you for that notice of motion, Mr. Hanson.

Now, Mr. Blackman has indicated some eagerness to get on with the case study of a particular piece of equipment. Mr. Byblow is itching with a number of questions, as is, I understand, Mr. Hanson, who we will perhaps ask to lead off the questioning. I think this would be a natural time for a ten minute coffee break — ten minute, Mr. Hanson. Then we will come back and continue with this fascinating subject.

Committee stands adjourned for ten minutes.

Recess

Mr. Chairman: Committee will come to order.

I understand that Mr. Blackman is going to give us an example of how an individual piece of equipment is managed by his department.

I gather, after that brief explanation, Mr. Hanson is going to lead off with some questions.

Mr. Blackman: Mr. Chairman, we have picked a typical unit and attempted to follow it through the decision-making processes. I must beg the Committee's indulgence again, if I may, at various points I would like to refer to other equipment because the decision-making process is a little different, depending on what kind of equipment you are buying.

The unit we have selected is a 1966 cat motor grader, Number 12, model 59H, unit number 23027. It was purchased in 1966 for \$35,669.79.

Mr. Hanson: Thirty-five —

Mr. Blackman: Thirty-five thousand, seven hundred, in round figures. It was replaced during this fiscal year.

Each machine or unit in the fleet is monitored throughout its life cycle. I mentioned previously that, from experience, the estimated life of each machine is known and this becomes a part of the whole system. Now, as the machine approaches the end of its life cycle, or whenever any major repair is required, a thorough analysis is done as to the economics of that repair. One checks the pay-back of the expenditure you are going to make.

An example of this would be if two motor graders come into the workshop requiring a \$5,000 repair on the same part, they could have been bought the same year and have approximately the same working hours. On inspection one might find that the first unit did require this \$5,000 repair but otherwise was in pretty good working condition. The mechanical staff would come to the conclusion that if they made this repair, it would probably operate for two more years. In that case, the decision would be made to repair it and it would be kept in the fleet for two more years. The second machine might require exactly the same repair but on thorough investigation, it might be found that it is likely going to need a motor rebuild, new transmission; they are all working but not very well. You then look at the immediate cost and the probable cost in the next year and the decision would be made that there was no way that you could get value out of that cost so that machine would then be surplussed and recommended for boarding.

When the machine is investigated, it may be decided that it is approaching the end of its life cycle. Let us say that it needs minor repair, but otherwise is in operating condition. The decision might be to not make any major part replacement but to keep it running, run it for another year and, in the jargon, "run it into the ground". In other words, get every bit of value you can out of the machine.

Then probably the next year it would be surplussed. This is the procedure by which the decision to repair and/or replace a machine is made.

I will try to skip over as many of the items I have referred to earlier as I can. When a decision is made that a machine should be taken out of service, the question of replacement comes up. As I mentioned before, there are four alternatives which one goes through. In this case, it was recognized that this motor grader should be replaced by another motor grader of the same general size and type.

Now, in making that decision, one looks at the work it has to do and the economics of the equipment in today's market. In motor graders, there is not a wide range of choice. I am reluctant to use trade names but everybody is familiar with Caterpillar so I will use the example of a Cat 12 which is sort of a basic small, typical motor grader of this type. There are other competing manufacturers who produce similar equipment.

The decision would likely be to replace it with a like size. You might, however, decide that you should go to a 14, because the replacement machine would be going into an area where they had heavy snowplowing and there would be significant value in the extra power and weight for that purpose.

Now, if I may divert to other types of equipment, this process is relatively simple in the case of a motor grader because there are not a lot of choices, but if you are looking, for example, at gravel trucks, dump trucks, you have a wide range of capacities and facilities. You have to do a fairly detailed review of labour costs, average haul distances, turn around times, this type of thing, that can affect whether you should be using a six cubic meter truck or a 12 cubic meter truck. For example, if it is a unit that will be used mainly on haul, then probably the larger unit is the most economic. This can all be worked back into the cost per tonne per kilometer to move the material.

However, if the truck is going to be used for skin patching on a

bituminous surface where it spends two-thirds of its time actually standing and quantities involved are small, then it is more economical to have a smaller unit. So, these choices must be made.

In other types of equipment, such as a bituminous distributor, it works as a crew or a team, with chip spreaders, probably five large tandems, pneumatic and/or vibratory rollers; in other words you have a chain or a fleet of equipment, a train of equipment. If you have a distributor of low capacity, every time it finishes spraying, all the other equipment comes to a halt, stops and waits until that unit goes back to get another load of emulsion and comes back again. It takes very few trips so it wastes the time of all of those other units to pay for a much larger unit, and/or more units, as the case may be.

These are the types of decisions and analyses that have to be made.

Now I mentioned earlier, if a different type of equipment is needed, the process we go through for the approval is outside of our own internal one.

When the decision is made as to the type of equipment required, specifications are prepared. I do not know if it is of interest but I have a general specification for motor graders here that is currently being used; there are five pages detailing the requirements for a motor grader. This specification lays out the capacities, the facilities you must have in a motor grader to do the work that this motor grader has to do. These particular specifications include one page of details for a snow wing or wing attachment and that is separate from a typical contractor's motor grader.

When the decision was made that the motor grader was to be replaced, it would normally be "surplussed". In other words, it is tabbed and set over in a special column for replacement. One of the problems we run into at this point is that the decision is made to replace it; it is some months later before a replacement unit can come in. Also, if it is to be used for snowplowing, then it has got a year-round use, but it may be a machine which would not be snowplowing so you only need it in the summer months. It would be foolish to take delivery of a motor grader or a gravel truck in October and have it sit in the yard for six months. It would be better to have the Minister of Finance collecting interest on the money than have that unit sit there. So we attempt to have equipment come in at an appropriate time.

During this period the old unit is boarded.

The original sheet I referred to specifies the unit and is submitted, under my signature, with the recommendation of the Mechanical Superintendent, to the Board of Survey. The comment here "Drive train requires costly major repairs". Then there is a note, "Estimated \$20,000. Unit is beyond its estimated lifespan and is beyond economic repair. Recommend sale by public auction of surplus."

This then goes to the Board of Survey, which is made up of the Deputy Minister of Finance, the Assistant Deputy Minister of Highways and Public Works, the School Services Inspector, Department of Education, and the Secretary to the Board, who is the Capital Assets Control Clerk. Again, in this process, there is an outside control.

From this point on, the process is relatively simple. You go through the standard request of purchase to Supply and Services, for which we write the specifications that I referred to. When the tenders come in, they are examined by the Mechanical Division and reviewed to make sure that the low bidder, in fact, meets the specifications and that the offered unit is acceptable. After this is approved, the purchase orders are issued and it takes about 120 days for delivery after that point.

Now, one item I skipped over that I think we referred to earlier: I do have a print-out from a year ago. In this print-out, at the end of the year this particular machine showed the rental rate, the unit number, current expenses for that particular reporting period; year to date, in this case - \$7,523.00; the current revenue — and there was none because this is a year-end. In other words, it had not been operating during the later part of the winter. The earnings by the machine going into machine operations account was \$15,255. The net earnings to date, which is simply the difference between the previous figures; and the operating hours for the year which was 675.

This information is used in assessing it. One interesting point here is that the machine was operated for 675 hours; the average for motor graders is over 800 and frequently goes up to 1,200, so this machine was not being used as much as the others.

Now at the end of the motor grader section in the print-out, there is a summary for all motor graders, with the same information given, the total earnings of motor graders, the total cost of motor graders, the total operating hours, and so on. This particular information is used at year-end after the accounts are audited to establish the rental rate for the following year. You end up with the average cost of all motor graders, that is, per unit. This then is adjusted to take into account anticipated increases in fuels, wages, this sort of thing. The depreciation portion is adjusted for the following year to reflect the current purchase price of that class of machine.

If it is of interest, the detailed calculation ends up with a projection into the following year from the previous year: operating cost, average, if I may round it out, to \$20.00; replacement cost, about \$9.50; so the rental rate has to be about \$29.50.

Mr. Chairman: It may seem like a far too specific question, but so I may understand your method of working, presumably any equipment that you buy has certain manufacturer's standards. Let me use one that I understand from operating a car. A manufacturer will tell you that fuel performance or the fuel use of this vehicle or this piece of equipment should be such and such and such and such. Does the kind of program that you are talking about here monitor such indicators? If it does, what happens if, for example, you have a piece of equipment that is supposed to get X miles per gallon — to use the pre-metric numbers — and it is getting half X miles per gallon. Does the system kick up that kind of information or does an alarm bell go off somewhere?

Mr. Blackman: I would suggest probably the alarm bell rings when your operating costs indicate a cost above the average for that class and type of equipment. Then the mechanical superintendent has to determine why that has happened and it could be many things. It could be a badly tuned engine, burning too much fuel, or it could be an operator who is not using it right. It goes over a wide range.

Mr. Hanson: I might not be understanding you correctly, but we are on the subject of the 1966 Number 12 grader. The original cost of it was \$35,700, roughly; repairs, if it had been repaired, were \$20,000. Is that just a figure used from somewhere else or is that on the same grader?

Mr. Blackman: This was the Superintendent's estimate of what it would cost to do the repair that was coming up.

Mr. Hanson: Then I was understanding you correctly.

There is a point here that I would like to bring out. The grader would be approximately 14 years old. A piece of equipment like that has been run so far into the ground that the cost of repairing it is half of the purchase price to start with. Inflation is another factor that enters into that. From looking at that as a layman, I would say one factor that was not considered here was the resale value of the equipment. If we had sold it before the \$20,000 repair was needed — If I were looking at a 14 year old piece of equipment like that, I would say, "This is scrap parts for another old piece of junk that I have in the yard."

What I am trying to say is perhaps the government is missing something by not selling some of this equipment sooner. There are two reasons: one, the original price of this thing 14 years ago was \$35,700. You did not mention the price of a replacement at this time, but if this had been sold at half its life time ago — if it had been worked 1,200 a year it must have been showing wear. In other words, what I am trying to ask you: do we actually have a program in effect that looks at this? What is the replacement value; what is the resale value, if you see what I am getting at?

Mr. Blackman: Yes, I think I know what you are saying. One must take the resale market into account. If we were to develop that sort of policy, and this is speculation on my part at this point in time, I would feel that the market for that equipment would be pretty limited.

Something that has not been mentioned and I have notes here to get to it, when we decide to surplus a piece of equipment, there are two or three different things that can happen to it. It can be boarded as described.

Now, from time to time, the equipment is not effectively boarded, but we will have a request from an L.I.D., for example. They need a motor grader, they cannot afford to buy a new motor grader for \$110,000 or \$120,000. The motor grader may run for three hours a week or for a very, very minimal amount of time within their little community. What happens in cases such as this is our superintendent will make an evaluation and estimates what he

thinks we would get by public sale. The L.I.D. has the option of purchasing that piece of equipment for that price, the purchase price then going back into the road equipment account.

There have been one or two cases where this type of action has gone around the circle where the Vocational Training School wanted either laboratory practice equipment for mechanical staff to be trained in repair, and/or for minor operator training. Equipment has been sold to them for estimated cost.

Finally, something that has been done in the past — and this is fairly rare but there are occasions — is where a piece of equipment is considered no longer suitable for normal work. For example, a rubber-tired loader, which you cannot put out and have it work all day, every day because it just simply is uneconomical, it breaks down and ties up the whole operation, but there have been some cases where those units have been surplussed and taken out of the account and put on what is called "sundry equipment". They simply stand in one of our grader stations or maintenance yards and are used to load calcium, for example. They work for very infrequent, short time periods. It is the sort of thing that nobody wants to put a good piece of equipment into because the calcium is most destructive. We would get minimum money for one of these old loaders on the market because they are finished; they still run but not well, but yet it is satisfactory for this. I think, in all honesty, we should point out that this can happen. It is not a major thing but it has been done on rare occasions.

Mr. Hanson: What I am trying to get at here and you are not answering me is, this cat that you replace this with now, you have got a chart showing that or a history of it with logs and maintenance reports. Are all of these assimilated and looked at?

As we often say nowadays, a 1981 car is not as good a car as a 1971 car; the life of it will not be as long as that 1971 car because as the cost goes up the quality goes down. That is a fact of life today, or so we assume anyway.

In this case, when we are spending that kind of money on a piece of equipment, I suppose the difference between \$35,700 and the price today — is it \$110,000 for that same — ?

Mr. Blackman: That was the range at the time that this machine was —

Mr. Hanson: Let us say, \$110,000. Now, perhaps if we had, using sort of a history of every vehicle that we have in our inventory, without looking at — Well, I guess you would have to look at the amount of hours that it had been used, but the history of maintenance of that piece of equipment, when you are getting into heavy equipment and particularly in government or even in construction, I suppose, where we have had maybe 15 operators on that machine — and some are good and some are pretty terrible — the life of that piece of equipment should not be as long as if you owned it and operated it yourself. Normally, it would not be because if you owned and operated it yourself and had to pay for it, you would look after it a heck of a lot better than an hourly paid man would.

So what I am getting at is perhaps — you have not mentioned so far in your case — is how long we have had it and the resale value of it, say, seven years ago and now. Would it not have been better — I am just asking for your opinion, I am not saying you are responsible because you were not here — if we had sold that piece seven years ago, before the maintenance costs had reached the point that it was uneconomical to keep?

Mr. Blackman: I attempted to explain, but there is one item I did not mention in the review of the equipment. The equipment is reviewed every year; we do not wait until it is 14 years old or whatever. The Mechanic Superintendent keeps a file on each unit. This file contains the work orders for all the repairs and replacements that have been done on the machine. In other words, any time there is a mechanical action taken on the machine, a copy of that work order is in the file so when he is looking at a machine, he can look at the file and see what has been done over the years.

Each year, for the detailed review, you look at the operating costs for that machine and this is what triggers. It is a judgmental decision. It is the judgment of the mechanical staff, the recommendation that a machine is or is not efficient.

I really cannot answer your question in any more detail than that.

Mr. Chairman: Perhaps I could ask you bluntly, Mr. Blackman. You used the word "judgment" again. You have someone who makes a judgment; you do not have a computer system which will tell you the optimum time to sell a piece of equipment in terms of cost benefit.

Mr. Blackman: No, but it would be hard to program a computer to recognize the mechanical condition of a machine.

Mr. Chairman: About all I know about computers is "garbage in" and "garbage out".

Tell me, though, who is making the judgment about a piece of equipment. You have got equipment all over the Territory. You have got some mechanics who are presumably better than others, some foremen are better than others at making these kind of judgments, equipment maybe moves around from camp to camp. Who is your person responsible for saying, "Equipment X, Y and Z, we had better get rid of this year; equipment A, B and C, I think we can keep for another year or two"?

Mr. Blackman: In our mechanical operation, the responsible person is the Mechanical Superintendent.

Mr. Chairman: He is the man who would make those decisions?

Mr. Blackman: Yes, he would make the recommendation to me.

Now, in all this process, it is really his responsibility, but the Chief Highway Superintendent becomes deeply involved in the selection of the type of equipment because he is the person who knows what the machine has to do. So, we put together both of those judgments, but the Mechanical Superintendent would receive a report from an Assistant Superintendent. There are two: one who, in effect, is the superintendent of the Whitehorse workshop and then we have a field superintendent who supervises all the field operations. The first check would be done by a mechanic in the field and then the field superintendent checks it. If it was in this case where it is going to be a very major sort of thing, then the recommendation and information and/or the machine would come into Whitehorse.

Mr. Chairman: Could I summarize it then that it is the Highway Superintendent that would make the recommendation about what to buy; it would be the Mechanical Superintendent who would make the recommendation about what to sell?

Mr. Blackman: The Highway Superintendent would make the recommendation as to the class of equipment that was required to perform the necessary work on the road. The Mechanical Superintendent would then recommend the specifications for the mechanical aspect of the machine. In effect, the process we are going through right now when this decision is being made is by "committee", if I may use that term, of myself, the Highway Superintendent, and the Mechanical Superintendent and all three judgments are put together.

Mr. Hanson: Well, the reason why I am asking this is because I know of equipment throughout the Yukon, as Mr. Koken does too, that we have had for years. I can remember one grader that I think we still have that was not fit to repair the starter on it, and that was some three years ago. So, every time we want to start the grader up, we either have to bring it back to the garage at night, or the next morning set out some batteries to start it because the starter will not work, or whatever, so we have to send out spare batteries to start it. We have had that on the highway system for quite a number of years.

I know of a track loader that is used for loading salt. The reason why I mention it at this time is because they use it for loading calcium like you say. That is fine. We are protecting the new equipment by not using it for calcium, but we are not protecting the man who is on that cat, because it is a wide-open cat, there is no protection from flying salt. You know what it is like in the summertime when a man is sweating, even if he is not working hard, he is still sweating, and he is working in salt with no protection from the calcium as it flies out of the bucket or out of the truck when he is dumping it.

I do not know how old the equipment is, but I suspect that both of those particular pieces of equipment that I am talking about are quite old. The resale value would be nothing but you do not want to put a new piece of equipment in to replace them, and that is understandable, particularly the loader.

That makes me sometimes wonder about the life use of this equipment, if we are not keeping it too long, and therefore losing money in the resale value and maybe in the cost of maintaining it during that, in this case, fourteen years. I do not know. I do not have the figures. Presumably somebody within your department does have them.

Mr. Blackman: There is another factor that comes into the management of the fund and affects it, and that is: although the

fund was established many years ago, it is my information that in 1972 when the Alaska Highway system was added along with staffing and so on, the equipment was turned over and added to the fund. I understand that this more than doubled the size of the fleet. I am also advised that negotiations or consideration had been underway for some long time period regarding the turnover of the system to YTG and that all DPW equipment was, shall we say, "frozen". That equipment, when added to the fleet, downgraded the quality of the fleet and we are just now beginning to be able to get rid of that equipment. In a reasonable time period, I would hope the quality of the fleet will improve.

Mr. Chairman: On that point, Mr. Blackman, the example you used was a Cat 12. As you mentioned, there are other manufacturers that produce equipment of a similar size, Champion, for example. There are all kinds of graders in the Territory. As I understand it, the original purchase price of a similar sized Caterpillar is much higher than a Champion. For a number of reasons, you may be making decisions to buy a Cat or even to replace a Champion with a Cat or vice versa. I assume that you would buy a Cat rather than a Champion for a number of, perhaps, operational reasons. When you make the purchase decision, would I be correct in assuming that you take into account, based on past experience, the maintenance costs of the piece of equipment over the life of that equipment and include that when you are making the initial purchasing decision?

Mr. Blackman: The purchasing process follows standard government practice. We submit a requisition with the specification. I am not familiar with past history here but it is generally governmental policy that when you specify equipment, the specifications must lay out specific work requirements, at least a facility to do that particular work. It is not considered proper policy to write a specification that only one manufacturer can meet. In other words, you eliminate the competition.

The specification I referred to earlier allows a number of manufacturers to bid and a decision is made: does the low tenderer meet the specification? If he does, then that is the unit.

There is all kinds of information, particularly advertisements, about operating costs which I find difficult to accept. Two factors come into it. In my personal experience, from the comparison of operating costs of this type of equipment, they are very similar. Secondly, there is no guarantee that the history you develop on operating costs of a machine that was built fourteen years ago is still valid in today's manufacturing system. Designs, methods have changed. You could have Company X and Company Y, and X was obviously better in 1966, shall we say, but that does not guarantee that they are still better in 1980.

I do not believe that there is a wide enough variation and there is no practical way to project operating costs between manufacturers and equipment.

Mr. Chairman: Yesterday, I think Mr. Koken referred to, when making a selection between different brands, the availability of parts and service —.

Mr. Blackman: That is very critical criteria.

Mr. Chairman: But you do not have, from your point of view, even given past experience with a certain brand of equipment, a reliable way of estimating your total cost of that equipment over its useful life?

Mr. Blackman: You do not have a system that could differentiate between two different — there are always exceptions — there are some makes that you could possibly do this with, but the common machines that are in use all over Canada and North America — in fact, in much of the world — I do not think you could come up with an accurate enough projection to differentiate between them.

Mr. Chairman: I am fascinated by this because you and I both know that the operators of such equipment have very strong and deeply felt opinions about the relative merits of different kinds of equipment. I would assume that operators' attitudes towards types of equipment probably affect the way they perform quite a bit.

Mr. Blackman: There are two ways of responding to that. First of all, I think you could get a group of any ten businessmen and ask them what kind of cars they drive, there are very definite preferences for a given manufacturer. Each has his own valid reason and I doubt that you could really prove much by that.

The other thing is that in this specific area, I was involved in a fleet operation where we were running, as my memory serves me, more than a hundred motor graders and we had very exhaustive or

very accurate costing systems. Over the time period, at that time, you could not prove any difference in operating costs from one to the other.

Mr. Chairman: Would it be fair to say that departmental policy is to get maximum use out of equipment without regard to its economic life, given what you have said up to now?

Mr. Blackman: No. We cannot afford to disregard its economic life because as soon as a machine goes beyond that point then we start paying for it in our whole system. We have to try to pick the most economic point to get rid of it. The basis of all the investigations, the reviews, the analysis and so on, is to get rid of the machine at the point in time where its costs are starting to go above an acceptable average.

Mr. Chairman: Presumably the curve bottoms out at a point where you say it is not worth getting rid of it because you are not going to sell it for anything, but it still has some use to you.

Mr. Blackman: I think in any operation as large as YTG's, taking motor graders again, there is always some need of a small number of machines that do not work under full load constantly. Some of these old machines can sit, available to be used from time to time and they will last another year. It is better to have a machine that has a capital value of \$3,000 than one for \$120,000 sitting and not working.

It is just the fact that some of these machines are sort of moved down, shall we say, and out.

Mr. Hanson: That brings back the point from yesterday when we started talking about buying these three new tractors and the three water tankers — the tankers particularly. Well, the tractors, too, they spent six or seven months a year up against the fence. We are back to having capital being invested in those tankers that were used four or five months a year. They are sitting up against a fence. I remember the cost of those three tankers was around \$90,000. Whereas, if a private person would buy that tractor and put it out on contract, we should not be investing in those things that are only going to be used for a portion of the year, when that same individual can take that equipment and still work it in wintertime. We cannot because we cannot interfere in the private market to find work for our tractors and such. Consequently, if you go along, I do not know how many tractors you will find in Yukon that are sitting up against a fence for the winter because, really, we do not have any use for them except in the summertime.

Mr. Blackman: I cannot comment on those three units, but I do know that a number of tractors are used in the winter operation.

If you are concerned about public service, there is a need to have a minimum supply of most types of equipment. During the current year, of the water tankers in use, some were rented, some were YTG's, but it is very difficult to control the availability of private equipment. I believe you have to have a minimum facility to react to emergencies if they occur.

A water tanker is a difficult example. In fact, the usage of water tankers will be going down.

In other cases, equipment which is available from the private sector, is usually at higher cost. For example, when the pipeline starts up, I would suggest that there will be tremendous difficulty in hiring equipment of any kind at what now would be considered normal prices. In other words, you have to have some basic equipment and from then on it becomes more judgmental.

Mr. Hanson: We got into the questions here, and I do not know if you ever did quite finish your case history on this grader.

Mr. Blackman: Well, I got down to the purchase order and that is pretty much the end.

Mr. Hanson: We have limited time if you want to get back into it again.

You can carry on with your case history.

Mr. Blackman: I said that we got through to the point of purchase of the new unit and that is termination of the procedure.

There was some information I understood the Committee would like to have, and that was an indication of the lists of equipment purchased and disposed of.

Mr. Chairman: Yes, I think we would be interested in that, Mr. Blackman. Mr. Byblow has a couple of quick questions before we adjourn for the day.

Mr. Byblow: That is one of the questions I had in mind to ask you, if you could provide us with a list of equipment that was purchased in the last fiscal year, according to the fund. At the same

time, I was going to request whether it would be possible for you to provide a listing of the equipment that was sold in that same fiscal year, with corresponding amounts. If it is not too complicated, could you identify which is replacement purchase and which is new capital purchase?

Mr. Blackman: All of the purchases that I have were replacements.

Now, it is very difficult to — in fact, you cannot look at the sales list or the purchase list during a fiscal year and match them, because a machine may be boarded in 1979-80, it will go to auction sale in 1980-81. It may have gone to auction 1979-80 and the replacement unit would not arrive from the supplier until 1980-81 so the only way you could trace this, and I think it would be almost impossible, is to start at the beginning of the fund and try to trace each unit through.

In other words, you cannot draw a line at the end of a fiscal year and balance the units neatly.

Mr. Byblow: I can appreciate the problem there and I am sure the Committee does not require it for the questions that they have. There is one question that you could perhaps comment on that I would like to have answered before we leave this equipment account, and that relates to this life cycle. From your comments in discussing the case study of a piece of equipment, it became quite apparent that the life cycle that you use on a piece of equipment to calculate the depreciation, out of which you establish your charge-out rate, does not correspond to the actual life of that piece of equipment. Would you say that that is correct?

Mr. Blackman: Let us take the motor grader - 12,000 hours. It is often taken as 12,000 hours to 12 years. It should work out to be about that. I would be amazed if any given machine ever actually gave up the ghost at 12,000 hours; it will be 11,000 or 13,000. Due to the work that it has been put to over its life, every unit will vary. We feel that we are maybe getting less than we should have if we have to trade it earlier; we feel that we are getting a little bit of a bonus if it works longer. But you have to have a mean for overall budgeting and management. Every unit is treated individually to get the maximum value from that unit.

Mr. Byblow: It became apparent to me from the discussion, and you can correct me if I have a wrong assumption, that the life cycle, according to manufacturers, is not anywhere near the length of time that you are actually using the equipment. In other words, you are using the equipment far beyond what its anticipated life cycle is.

Is that a correct assumption?

Mr. Blackman: I am not aware of the figures that manufacturers might quote. A number of factors come into it. Presumably there is some interest in having machines replaced. But secondly, the use the machine is made for, generally speaking, the manufacturers to a great extent, aim at the international construction area, and the life of a motor grader used on heavy construction is significantly different from that used on maintenance, for example.

I think our own historical experience is much more valid than a broad recommendation by a manufacturer, when he does not know what service that machine is going to be used for.

Mr. Chairman: Mr. Blackman and Mr. Koken, I would like to thank you. I hope we can see you back here on Monday. We did not get through nearly as much as I expected this morning, but I think it was very informative and very useful. Let me thank you now. I hope you have a pleasant weekend.

We will be adjourning now into Executive Session.

The Committee adjourned at 11:29 o'clock a.m.



The Dukon Legislative Assembly

Issue No. 5 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Monday, January 26, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisor from the Office of the Auditor General:

Harold Hayes

Principal

Witnesses:

L.W. Blackman, Deputy Minister, Department of Highways and Public Works

Kurt Koken, Assistant Deputy Minister, Department of Highways and Public Works

EVIDENCE

Monday, January 26, 1981 — 9:30 a.m.

Mr. Chairman: The Standing Committee on Public Accounts, meeting five, formal hearings, will come to order.

We welcome again as witnesses, this morning, Mr. Blackman and Mr. Koken. I should mention again that with us, from the office of the Auditor General, is Mr. Harold Hayes, who is developing a fine appreciation of the delights of our city and its eating and watering places.

Mr. Blackman, when we left off last week we were talking about a case of one particular piece of equipment and I think Mr. Hanson was leading off on that question. That, I hope, would lead us logically into the garage operations, about which I think Mr. Hanson has a couple of further questions.

I think we should, at the conclusion of that, be able to move very readily then away from maintenance, at last, on to construction and perhaps on to Public Works, but we will see how it goes.

Mr. Hanson, you are leading off this morning.

Mr. Hanson: I have a few questions this morning, Mr. Blackman. We are going back to the water tankers.

I do not know what information you have with you, but what we would like to get today is the date they were ordered and the dates they arrived; if possible, the hours that they have worked this year, and what they cost. If you do not have the information with you, I think Mr. Chairman will accept it if you write a letter to him later on as Chairman of the Committee, giving him the figures on that.

Mr. Blackman: I think that I have most of the information that is requested.

First of all, there is some confusion I think, in my mind at least, from our discussion on Friday, when we referred to tankers, we really mean water tank trailers. They were replacement units. Tenders closed on three trailers on May 1, 1980. Purchase orders were issued on May 9. The supplier promised delivery of one unit on May 30, the second unit on June 6 and the third unit on June 13. They were shipped from Dawson on July 23. I might add there, they were delayed because of a strike in the suspension manufacturer's plant. They arrived with the wrong wheel assemblies; they went into service starting August 19.

The first unit has worked 340.5 hours, the second unit 235, the third 154.

I cannot give you mileages because there are no meters on a trailer.

The cost was \$31,386.10 each. The anticipated usage per year is 800 hours and the expected life is 15 years.

Mr. Hanson: That is all I wanted to know on that.

Mr. Chairman: Does anyone else have supplementary questions on this subject?

Mr. Falle: Yes. Mr. Blackman, you said there was a delay in receiving the tankers. Was that contributed to the supplier or was it contributed to strikes?

Mr. Blackman: Well, the reason for the delay was a strike in the plant of one of the component manufacturers. In other words, the suspension systems were not available for the units being assembled because of a strike in the plant.

Mr. Falle: So therefore it was no fault of the supplier or anything else. It just happened that way.

Mr. Blackman: That is right.

Mr. Falle: Thank you very much.

Mr. Hanson: We will now switch into "garage". I only have a couple of questions on the garages. Something that keeps coming up in the budget every year are the fans and the exhaust system replacement, or installation of such, in garages throughout Yukon. We would like to have a list of approximately what garages have had the new exhaust fans installed, and the cost. In one of the budgets I saw, it was as high as \$400,000 so we would like to have the cost of these fans that have been installed throughout the system. There again, if you do not have the figures with you, you could write a letter to the Chairman.

Mr. Blackman: The figures are not yet available, Mr. Chairman. The current year is the first year in which funding was made available.

We engaged a consultant to study the typical garage operations, the various shops we have; as a matter of fact, I expect to meet with them this afternoon. We hope the specifications to call for tenders will be available in the next week. So, until we call for tenders, we do not know what they will cost.

Mr. Hanson: That is out of last year's budget.

Mr. Blackman: The current year's budget.

Mr. Hanson: The current year's budget.

But, prior to this, there was money voted in the House for ventilation systems.

Mr. Blackman: Not to my knowledge.

What may be causing some confusion, Mr. Chairman, is that there is funding in the current year's budget and the Capital Estimates just approved provided funding for the coming fiscal year, so that, in fact, we have two years' budget in front of us now.

Mr. Chairman: Perhaps I could focus the question. A number of Committee Members have heard some concerns for what seemed fairly simple systems, there was a fairly large cost was contemplated. Perhaps if we have not yet spent it, that question is impossible to deal with, or could we?

Mr. Blackman: Maybe some of the confusion might be cleared up by explaining that it was originally put into the budget as "exhaust systems", and that is a very bad nomenclature. It involves a complete energy balance study. The systems are being designed to meet Workers' Compensation health standards requirements.

If my memory serves me, in the provinces, in the south, a typical sort of specification for exhaust systems in an automotive shop would be two full air changes per hour. That creates some difficulty in the climate here. If you exchange the air twice in one hour when it is minus 40 or minus 50, your energy costs go out of sight. So this program is tied, to some degree, to an insulation program that is underway. It may involve lowering ceilings, changing lighting, upgrading heating systems. You cannot just look at exhaust, you have to deal with the whole —

Mr. Chairman: There is a health and safety component and an energy conservation component factor to be considered.

Mr. Blackman: That is correct.

Mr. Hanson: Then no garages have been done as yet?

Mr. Blackman: There are two or three garages which may not have to have serious work done on them. We have to review them all but the new system has not been installed in any garages as yet.

Mr. Hanson: The next question is: when we have a major overhaul job to be done in a garage, is there any thought of analyzing the cost between doing it in-house and putting it up for private enterprise to bid on?

Mr. Blackman: When we discussed our fleet system, as I referred to it, I alluded to this in the fact that our charge-out rates are maintained lower than private enterprise. Secondly, parts are available at no markup, so as a general statement, we can do it more economically in our own establishment. Now, some major work is sent out to private shops. We maintain a staffing which is at a constant level, to the best of our ability, to handle a steady workload. If there is a major overload, then units may be sent out but this is a decision which the mechanical superintendent makes on the basis of workload at the time.

Mr. Hanson: There is no comparison made on normal work though. It is just when you have an overload?

Mr. Blackman: Just when we have an overload. But I do not think that it is correct to say that no comparison is made. If our parts are cheaper and our labour is cheaper, that is the total component of the bill.

Mr. Hanson: That leaves a lot of things open, probably the grade of mechanics you have or something like that, or facilities. I will just leave it at that at this time.

Mr. Chairman: There is another criterion called "time", I guess. Conceivably, you might have cheaper parts and cheaper labour but if your labour or your mechanics, to follow up Mr. Hanson's question, were taking twice as long to do the same work —

Mr. Blackman: Or possibly half, sir.

Mr. Chairman: Yes.

Mr. Falle: had a couple of questions about radios, I understand.

Mr. Falle: On the VHF radios, we see in the budget every year,

\$99,000 or \$71,000 — is this an ongoing thing? Is there never any end to these VHF radios as far as capital expenditures go?

Mr. Blackman: You are referring to the system, I presume; not the radios themselves, but the VHF system as a tower system. I can speak briefly to this. I may ask Mr. Koken to add to it.

As I understand, the original system was paid for mainly by Canada on agreement between the federal/territorial agencies. Rather than each agency building a small system of their own, it was much more economic to build a system that would serve all of the agencies. At the moment, the funding available now is for what is referred to as "splitting the system". In other words, the system was overloaded and not extensive enough to serve all of the agencies, so we are now splitting the system to provide an extended service.

Mr. Koken, can you add to that?

Mr. Koken: Yes, in the current year's Estimates, you will find, I believe, \$90,000 and in next year's Estimates which were just passed, another \$90,000. Now, those two figures include the trunk splitting of the eastern and western areas which costs approximately \$90,000, meaning that approximately \$45,000 is actually the annual cost of replacing radios. I believe that was the question.

Portable radios have a lifespan of six years, I believe. Mobiles have a lifespan of five years and base stations have a lifespan of seven or eight years. Since we have close to 200 radios, there is a scheduled replacement of these units. So the question, "will this be an annual expenditure" — yes, each year, we can expect, over the next few years, something in the neighbourhood of roughly \$45,000 for the replacement of radios, depending of course on the cost of radios.

Mr. Falle: I realize it is quite an integrated system. Is part of this expense also for the operation of our own towers or do we tie in with CN? I am quite curious about the radio system, because it seems to have very good coverage of Yukon.

Mr. Koken: When we originally received Treasury Board approval to put in a private system, there were a number of conditions. One condition was that our government agencies would have to hook into the system in Yukon. At that time, Forestry was about to start their own private system, YTG was, the RCMP were, et cetera, so it was a common system.

The second condition that Treasury Board and the Department of Communications placed on the construction of this system, was that we should use CNT wherever available and CNT, at that time, had a number of VHF repeater stations or towers along the Alaska Highway. Our concern was to get as close as possible to 100 per cent coverage on the road system so a number of CNT stations could indeed be incorporated into our system. So, you have a mix of our own mountain top repeater stations and ten, I believe, CNT stations hooked into the whole system.

Now, we pay CNT for the maintenance and upkeep of those ten stations and, quite separately, we also pay CNT for the line charges.

Mr. Falle: This separate payment you are talking about, though, is in the Estimates. The \$99,000 last year goes toward that, does it not?

Mr. Koken: No, Mr. Chairman, this is incorrect; one is Capital and the other is Operation. Capital only represents the purchase of capital items, i.e. replacement radios. The rest is in the O&M budget.

Mr. Falle: So, in fact, we are looking at a much bigger bill than \$99,000 a year for radios, if you consider the O&M, as well?

Mr. Koken: Yes, Mr. Chairman, you look at a considerably higher amount. It costs approximately \$50 per radio, per month, for the trunk access charges.

Mr. Blackman: Mr. Chairman, if I may add to that, these charges are recovered from the other agencies, so the lesser part, I would assume, is a YTG cost.

Mr. Falle: The other agencies meaning the RCMP, Forestry?

Mr. Blackman: That is correct.

Mr. Falle: Thank you.

Mr. Chairman: Might I just ask Mr. Koken, if I could follow-up very briefly, you referred to approximately 200 units. Earlier you said that you have 22 camps; that might suggest something about the way the units are distributed. Could you perhaps get into a little more detail about that? Mr. Falle, who operates a radio system, and a number of other private people who have had to use them, are somewhat surprised at the cost and the extent of your system

and there might be some question about the need for it. If you could explain something about the placement of the units, that might help us understand it.

Mr. Koken: Of course, the system was originally put into place for safety reasons. We started up on the Haines Road and on the Dempster Highway and we needed it very badly there because of safety reasons for our own employees; in those places we placed our first radios. Some of them had trunk access. Of course, from grader operator to grader operator, there is not necessarily trunk access; they only cost \$14 a month. They just bounce off a tower and have a range off the tower, which would be for the area they are operating in. They could not tie into the whole system and, let us say, call Whitehorse or something like this.

The distribution of radios is on the basis of need.

Mr. Chairman: Let me just ask you about that. That seems to be a fairly good and complete system; what you suggested earlier, though, is that the present system is reaching its limits and has to be split. Let me ask you, is the basic structure of the system sufficient to allow considerable expansion in your department or to allow for quite a bit of growth in the Territory in the coming years?

Mr. Koken: The trunk splitting in the eastern and the western areas was done partly in anticipation of the pipeline traffic where a lot of other agencies were hooking on. We had a very high traffic density on the system in the Haines Junction area where the Shakh-wak Valley used the system extensively, the RCMP and ourselves, and we had, on occasion, problems getting into the system so in anticipation of the pipeline, and looking into the future, we figured that the eastern and western trunk system should be split.

Mr. Chairman: You talked about the example of two operators being able to talk to each other by bouncing a signal off of the nearest tower. One can understand the usefulness of two operators working on a piece of road, being able to communicate, especially in this part of the world. That use of a tower, rather than a much cheaper or simpler citizens band or some kind of unit like that, obviously the cost benefit has been evaluated by the department. You have established the benefits for using this complete system which is more flexible than having simpler, cheaper units for your operators, have you?

Mr. Koken: That is correct, yes. A very detailed study was made before the go-ahead was given for the system.

Mr. Byblow: What sort of criteria do you have that governs where you place the units with respect to the pieces of equipment? You have a couple of hundred of them installed. In what machinery, to use a general word?

Mr. Koken: This, of course, is up to the highway maintenance section of our department. I would suspect that on the Dempster Highway, every grader and every truck would have a radio, either with or without DTMF pad allowing access to the system.

In other areas around Whitehorse, I do not think every grader and truck would have one but I do not know off hand how many radios are on each section.

Mr. Byblow: When the units have been installed in a piece of equipment which becomes defunct, for whatever reason, are the units then sold or just transferred to a new piece of equipment?

Mr. Koken: They are transferred to a new piece of equipment. I may also add that we are now finding that the lifespan of our radios appears to be exceeding what we originally anticipated. We were very lucky to find great acceptance of these radio units by our own personnel. They are proud of them and they handle them very carefully. I have been advised on a number of occasions by our repair people that they are absolutely amazed at how well the units are kept and treated. It now appears that we may have to adjust the lifespan upwards. They are not considered spice or similar things like some people in other companies perhaps treat those radios, so we have had very good experience with them.

Mr. Falle: From what you are telling us, you are very satisfied with the system and it is operating well.

Mr. Koken: Yes, indeed we are. There is no doubt in my mind that this system has saved some lives already.

Mr. Falle: I was not aware that all of the other agencies were on the system. I can accept that being part of our on-going expenses.

Mr. Hanson: I would just like to add that I have never heard anything but positive things about the radio system of ours. In the old system, we used to have blind spots in my own area where you could not get through. You could only get radio in certain places.

This new system does allow them to call from most every place. The only problem that the operators have is that there is not enough of them. One grader can go west and the other one east; the one going east may have a radio and the one going west not have a radio; he gets a flat tire and he cannot get a hold of anybody to bring out a tire.

Mr. Chairman: I foresee a policy discussion here that may have to be deferred to the Government Caucus so perhaps we will leave it for now.

Mr. Byblow has a set of questions which I think, **Mr. Blackman**, will move us, in a logical way, out of maintenance into construction which is something we want to talk about very briefly.

Mr. Byblow: The line of questioning that I will propose will have to take some review of the maintenance criteria before we move thoroughly into construction.

As noted on the agenda, we are dealing with one major highway and a portion of it. The Robert Campbell Highway was chosen because it basically has four levels or standards of quality, according to specific and easily identifiable sections. As a result, the highway lends itself to a fairly good assessment of a broad spectrum of criteria that are used in determining its maintenance level.

Some of the criteria, and because of the type road, will naturally carry us into the potential of construction. I believe the highway is served by three maintenance camps; it serves six communities, or settlements. I think you will agree that it is an important artery in the Yukon highway system. With that overview then, I want to get into the first question.

The first question deals with classification. On a classification map of the Yukon highway system that was provided to us, that road, particularly the Carmacks/Faro portion of the highway, is rated "Category 2". Because I am having difficulty with the classification rationale, could you briefly review those judgmental factors that govern classification with specific reference to this portion of the road?

Mr. Blackman: Again, I suspect that we are moving between the classification system for maintenance standards as compared to the criteria for reconstruction. Again, they are two different things.

The classification, as I pointed out before, is principally based on the usage, the purpose of the road. Traffic is a major indicator of usage and demand.

If you look at the chart showing the maintenance category systems, following it from Whitehorse, Category 1 is from Whitehorse to Carmacks, then it splits to Category 2, going both north and east. If you look at it in a logical sort of way, you have traffic feeding in coming towards Whitehorse on both of those roads; they join. The usage or the highway requirement is obviously higher because you are serving two different flows.

As you move east and southeast, it carries through to Faro and then adjusts to Ross River; then the Category drops. I think it goes without saying that the demand requirement and traffic volumes are significantly lower from that point through.

Then there is a small section which is shown in an adequate sort of way. Right at Watson Lake there is a short section of pavement there which serves the airport where your traffic builds up again.

I do not know if I have properly answered your question or given you what you want.

Mr. Byblow: I believe you have. If I am understanding you correctly, it would be fair to say that your classification categorization of roads deals with those standards or that classification, used interchangeably, which are governed by usage, which is directly related to traffic volume.

Mr. Blackman: Or demand, let us say. Yes, that is generally correct.

Under a standard highway classification system that is used in any jurisdiction, it is quite possible that you will have sections of a road of a given standard that are lower than the standards of another road of lower classification, simply because the requirement is there but you have not yet got to reconstructing the highway.

Mr. Byblow: If we are of the understanding that classification relates to usage and it is distinctly different from the maintenance level, then we can perhaps now talk about the maintenance stan-

dards for a moment.

Dealing specifically with this road, without re-discussing what we went into last week regarding criteria that regulate the level of maintenance, I believe it would be fair to say that the geometrics and the safety factor of the Faro access portion of that highway is considerably different from the geometrics and safety factor of the remaining portion of the highway from the Faro cut-off to Carmacks, yet the traffic volumes, the weight loads and the economic factors appear to be the same. This is referring back to last week's discussion on the criteria for maintenance.

However, the volumes on the Faro access road are, in fact, higher because that portion of the road serves four distinct, separate entities, primarily a quarry, a subdivision, an airport and a cemetery.

So, I have a problem, **Mr. Blackman**, in that the maintenance on the entire road is basically the same, yet the criterion to determine the level of maintenance is different. Given that all of what I said is correct, it would appear that that portion of the road should have been identified, by need, for upgrading.

I guess, then, my question would be: very specifically, why has the need not been identified for upgrading on that portion of the road?

Mr. Blackman: You are referring specifically to the Faro access road?

Mr. Byblow: Yes.

Mr. Blackman: We get into a question of policy here, I believe.

The identification of need is not generally in the public domain — if I may use that expression. The approval of programs is a Cabinet and Finance Committee decision. We could identify need for reconstruction — in fact, we have — of sufficient miles of road within the Territory to require all of Yukon's budget for a great number of years. It becomes a question of prioritizing and electing which projects will go from year to year.

Mr. Chairman: Could I just jump in for a second and ask what seems to me to be a direct question? You seem to have been describing, both last week and this morning, two different systems: the maintenance classification and, really, your standards for the highway. What I do not understand is why there is a need for two systems; why there is not a simple classification system that on a road of certain type, certain volume, certain traffic, it should be maintained and operated to a certain standard or, if it is cannot be maintained at that standard, it should be redeveloped or reconstructed to that standard?

Mr. Blackman: We are dealing with two quite different things, **Mr. Chairman**. The classification that we have been referring to all along is the classification of a system for maintenance, which determines the maintenance effort which is to be put into the road.

The cost of maintaining a given piece of road may increase substantially because the original construction standard of the road is not high enough. I think in one of my original comments, I indicated that one of the criteria in maintenance cost is the constructed standard of the road.

Now, the criteria — not the classification but the criteria — for reconstruction is a combination of the five factors I think I mentioned earlier. The difficulty which I think arises in dealing with the two separate units is so many factors do overlap; however, you could have a high classification for maintenance and the criteria for reconstruction may be very low or may be very high, depending upon when it was built, rebuilt and to what standard it was originally built.

Mr. Chairman: I understand what you are saying, **Mr. Blackman**. Perhaps I play the role of the ordinary citizen sometimes. You have described the construction standards to maintenance criteria; I think most people would have trouble understanding the essential link between those two. They ought to relate very closely but somehow the linkage does not seem to be very clear.

Mr. Blackman: They do, in fact. Probably the two closest links are traffic and people; however, I think the problem which comes up is the tremendous demand or requirement. If we were to have all of the roads in the Territory at a desirable reconstructed standard, it would take tremendous sums of money and years to do this.

Mr. Chairman: This is your five year plan; you can identify those roads where you would like to do those things.

Mr. Blackman: That is right.

Mr. Byblow: In trying to pull together most of what has been

said, the classification system, on the particular highway we are talking about, is one for the entire piece of road from Faro to Carmacks; it is one classification, according to the map.

Mr. Blackman: That is right.

Mr. Byblow: The standard of maintenance is also one. In other words, the criterion that establishes or determines the degree of maintenance applied to that road is basically one also, is that correct?

Mr. Blackman: Can I use the term "the same" rather than "one"? Classification one is a designator but it is the same all the way through, I think that is your intent.

Mr. Byblow: I have identified a number of criteria on a portion of the road that are not the same as another. You said that you have identified a need to reconstruct; however, because of policy and priority, that has not been acted upon. Is that a correct assumption?

Mr. Blackman: I am not sure that I should answer the question, not that I want to evade it, but we get into the jurisdiction of Cabinet here.

Mr. Byblow: I do not want to pressure you into commenting on policy; that is not my intention.

There are a couple of specific areas that I still want to have clarified regarding the criteria used in maintenance. Do you have access to the accident statistics on that portion of the road?

Mr. Blackman: They should be on file and available, yes.

Mr. Byblow: Because I have identified that portion of the road at a lesser standard or a lesser quality than the rest of the road, does your department try to compensate for that by any increased level of maintenance on that portion?

Mr. Blackman: It depends on where the shortfalls are. If you have bad curvature, poor geometrics, there is usually additional signing, this type of thing, which is a maintenance function. Other than this type of thing, there is very little that maintenance can do to correct the geometrics. It has to be rebuilt.

Efforts are made to modify faults where possible but in total, it is almost impossible to correct a serious geometric fault by maintenance.

Mr. Byblow: It is unclear as to whether or not there is an increased level of maintenance on that portion of the road at this time.

Mr. Blackman: I have some difficulty in seeing that an increased level of maintenance would have any great impact on the —. One typical example of where this is the case is in ice conditions. On bad curvature and bad grades, these areas are sanded more regularly in the wintertime, and so on, which is an increased activity; but in the total maintenance picture, I do not think this is a tremendously significant item.

Mr. Byblow: I believe that because the maintenance camps that are responsible for that portion of the road are forty miles on either side of it, there is always a problem of timing during this time of year to expeditiously be out there applying the necessary maintenance.

Mr. Blackman: As a matter of fact, every maintenance camp is forty or more miles from a given spot, but steps have been taken in this particular case because of the traffic. Arrangements have been made with the RCMP. We have a standing contract with a contractor at Faro that if, in the RCMP's opinion, there is a condition which is becoming dangerous, they can contact the foreman and if he cannot get immediate response, then the contractor is authorized, on the police's orders, to go and do the work.

Mr. Chairman: Mr. Byblow is lobbying to expand the population of his constituency and he might have to do that somewhere else.

Mr. Byblow: If we could lead into the area of construction now: whether we use this particular road as an example or not, it does not really matter. If there is a need identified to upgrade or reconstruct or build anew, could we just quickly review the process by which that need is defined and the process that follows in which the refinement takes place and you actually go into the construction?

Mr. Blackman: Mr. Chairman, I have taken a hypothetical project. If it is within the road system as financed by YTG, then it does not matter what particular road it is, the process, with very minor variations, would be the same.

We referred earlier to the development of five year program criteria, the factors which affect a piece of road coming within the

plan. During that period, very, very preliminary estimates are provided. As the five year plan is updated each year, the highest priority roads come forward. When it is eventually approved by Cabinet, they become the program for the following year.

During this phase of approvals and programming, work is done in the field. The selection of which roads to work on is primarily a judgment on the part of staff as to the "best bet" which is likely to go ahead in the near future. We do not have enough staff, we cannot afford to rush off and do surveys on all the roads that need rebuilding; we must try to select the most likely ones.

When the program for the following year is approved, then field work is finalized, — these are surveys, geo-technical and so forth — if it has not already been finalized. Then much of the winter is spent in detailed design. With the detailed design, specifications are prepared and then, depending on the size of the job and the money value, if it is expected to exceed a million dollars, Treasury Board in Ottawa must give project approval.

We cannot call tenders until we have Treasury Board approval. After tenders are called, they come in, they are assessed for correctness in the actual documents themselves; we try to determine that the prices bid are reasonable. Recommendations are then made to proceed; we have to go back to Treasury Board and get project approval — that is, award approval. After Treasury Board has given approval, the contracts are awarded.

There are problems here in that if there are Treasury Board delays, we could lose a year in projects. A current example is a project which was let this current year was not much more than nicely started because we did not get approvals quickly enough.

When the project is in the go stage and probably about the time you go out to tender or shortly afterwards, staff move into the field to start staking and doing the detailed work necessary. When the contractor arrives on site, then the full field staff is there and, depending on the project, the scope of the work, you could have surveyors, inspectors, scalemen and soilmen checkers, all of which are overseen by a field engineer.

During the progress of the work, scalemen and soilmen checkers, this class of employee, submit daily worksheets to the senior inspector on the project. This keeps track of material, it is quality controlled and fiscally controlled.

Now the senior inspector reports verbally to the project engineer on a weekly basis. From this the project engineers determine when they should visit the site. If the job is going smoothly and there are no problems, they can defer that project and spend their time on ones where there may be problems.

Project reports are submitted each month which include estimated work to date, from which the contractor receives monthly payments.

Then, of course, contract regulations are followed, that is, given hold-backs and so on, depending on bonding and surety, et cetera.

The projects section makes out a monthly capital projects status report that goes through me to the Minister and Finance Committee. In our variance reports to Finance, quarterly and/or as required by Finance, each project is assessed. If it shows over-run or under-run, it is analyzed and the reasons given therefor.

This is a fairly complex control system that builds up through the whole construction management system with two principal objects. One is quality control, which can become quite complex in the soils and materials area; secondly, there is financial control.

I should also point out at this point that in the quality control area, the department has no significant geo-technical personnel and we therefore engage geo-tech consultants to provide the quality control in the field, that is, suitability of materials, aggregates and densities. If it happens to be an asphalt project, you get asphalt analysis, this type of thing.

As a job progresses — this may be a one-year job or a two-year job depending on the size and range of it — as sections of road are completed and the final measurements are taken, the normal routine would have the job being finished late in the year, then the next major operation is the calculations made for final payment from the final field measurements.

A contractor may or may not be given a substantial completion certificate or an interim certificate which releases part of the hold-back. Then, when all of the commodities are finalized, the contract is tidied-up and you make final release of hold-back.

Mr. Chairman: You have covered a lot of ground there, Mr. Blackman.

Mr. Hanson: I would like to give notice of motion that the Road Maintenance Category System Map be appended to the report for further study.

Mr. Chairman: Thank you, Mr. Hanson, that is notice of motion. We did talk about that so we may want to put that in our report.

Let me ask you, Mr. Blackman, before we get into this pretty important area, going away back, if the department has identified a need for improvement of a road or for up-grading somewhere, but that proposal has not been accepted for funding by the Cabinet, does your department still leave this in the reconstruction plans for the future? This goes back to a previous discussion about your five year plans and so forth.

Mr. Blackman: In my experience over the years — I cannot speak to that and I would assume that nobody can really speak to that specifically for Yukon — the normal approach is that your planned program is almost invariably in excess of the funds available, so selections, choices have to be made. Those which are not chosen stay in the plan and come up again next year.

Mr. Chairman: I asked because I recall, at the municipal level, we had a five year plan with capital funding tied to federal capital money in much the same way as you do. Of course, as you say, there were many more things on your shopping list than you were going to actually be able to afford to buy. In order to make that choice easier, the officials were always asked to list a priority. In other words, this was choice number one and had to be done; it went down to things we would like to do if we could ever get the money.

Do you have the same kind of ordering of priorities in terms of your reconstruction or construction projects?

Mr. Blackman: This is rather difficult. In general, the answer is yes, but it is a very hard choice that has to be made when you have various road groupings.

In Yukon it is a little simpler in that you have highways and recreational roads, but invariably, if you are short of funds, the tendency, from the engineering point of view, is to take the most important road and spend all your money there. That means the whole system, otherwise, is ignored.

So, at some point in time, you have to split your money up and say that no matter how big the demand is on system X, — if I can use that term so as not to confuse the facts — we are still going to spend a certain amount of money on system Y. This possibly strays a little away from the classification demand priority system, but you have to do that a certain amount or a whole segment of the system is completely abandoned, which you cannot do.

Mr. Byblow: Just extending from the Chairman's questioning, Mr. Blackman, if your department has established a priority rating of construction projects — which may or may not be changed by Cabinet subsequent to that — do you still proceed with all of the investigations in the refinement of that construction project in getting it ready for construction?

Mr. Blackman: If I may review the question first, are you asking if we proceed with detailed work on a project which is being deferred?

Mr. Byblow: That is what I meant.

Mr. Blackman: Generally, no, because we are always running very hard to keep even and we just simply cannot afford to do work on a project if we know it is not proceeding the next year. So, you defer work on that until you know it is going. Or, in the following winter, there may be office work done, detailed calculations and so on, if you have time.

Mr. Byblow: Again, extending from that, is it fair to say that your department looks after all the work up to and including the tender specs?

Mr. Blackman: In a general way, yes, but there are some exceptions, two principally.

The first is, if a major bridge design is required, as we have no bridge staff, we then have to go to bridge consultants. Most frequently in the past, the consultant has been DPW (Canada); they have provided this service for us. We can go to private consultants.

Secondly, geo-technical, we have no geo-technical competence; we therefore have to go to consultants for geo-technical work.

Mr. Byblow: I do not want to use the word but it fits best, it is not "policy" for your department to use consultants in the preparation of the tender specs for road construction?

Mr. Blackman: With the exceptions that I mentioned.

Mr. Chairman: Perhaps, Mr. Blackman, we could take a coffee break now and give everybody a rest and come back to this area.

Committee stands adjourned for ten minutes.

Recess

Mr. Chairman: Committee will come to order.

Mr. Falle has some questions about contracts, Mr. Blackman.

Because I feel a bit like the young acolyte in search of truth who has finally climbed the mountain to seek the great wise seer for the real truth on something, I am sure you are aware of the comment in the Auditor General's report from a year ago about the Alaska Highway and the spending by federal DPW on it. Your department, of course, has special interest and expertise about this road that perhaps is not shared by any other government.

I note, really, the Auditor General's report says, in summary, their analyses found that the cost exceeded the benefits for reconstruction and paving of the Alaska Highway and only one of the two studies suggested would be economical on certain sections of the highway. They commented that the 1978 submissions to the Treasury Board did not include adequate cost-benefit studies.

Following my reading of this remark, and we had some very brief discussion in the House, I talked to a friend in the highways department in Alberta who suggested that there is a fairly common problem developing right across Canada that — perhaps because of increasing traffic volumes, I do not know the reasons — many roads are falling apart faster than the reconstruction programs can build them up. I think he told me that in Alberta the roads are being redeveloped on a 20-year cycle, when, in fact, the lifetime is proving only to be 15 years.

Having given you that background, I wonder if you have any indications of a similar experience in the Territory? Do you have a cycle or, even if not a 20-year plan, some kind of notion of where you are going? On some roads the maintenance problems are increasing more quickly than you can achieve your construction goals.

Mr. Blackman: Mr. Chairman, that is a pretty wide question.

Mr. Chairman: I mean it in a general way because I do not think we can have a final answer at this time, but it is a question we might want to come back to five years hence and see if experience has borne out what you expected.

Mr. Blackman: I can speak partly from experience in other jurisdictions. With specific reference to roads in the Territory, I do not think there is sufficient historical data to make any judgments, but typically in the highway industry, design is frequently set at 20 years; that is your design period. In almost every jurisdiction where they have high traffic volumes, and so on, "pavement" life is less than 20 years. But that which is applicable in the southern jurisdiction where you have very high traffic volumes, is not necessarily applicable in the Territory.

There are design construction techniques which I think we should be looking at very seriously, commonly known as stage construction, whereby you do not make your long-term investment all at once. You do your design in such a way that the work you do this year is a foundation for the work you may have to do in three years, which will then contribute to the final road which may be 15 years away. This is all in the pavement and pavement substructure design.

Another factor which has not been mentioned at all but which is a very important factor in many jurisdictions, is the regulations concerning loadings, the control and policing, the effectiveness of that control; this is forever a problem for highway departments.

I think a simple example can be given. There was a load moved into Faro for the operators there that was far in excess of highway design limits. We were then faced with a decision which can be technical and/or political or a mixture of both. Do we say, "Sorry, our design does not allow a load over this amount, you will just have to take a welding torch and cut that unit in four different pieces and weld it back together again"? Now if it is structural steel or something, that is not too impossible, but when it is a power generator unit, it is a little difficult to cut a generator in half and weld it together again.

So, we are always faced with those problems when more frequent overloads occur than are allowed for economic reasons, that is, if a major industry is going to operate then they have to get that piece of equipment there and there is no alternative.

I could get into the theory of pavement design, but I do not think

that would be rewarding. Design is usually based on a 20 year life, which is a projection of expected full axle loadings over 20 years. If there is an upsurge in economic development such as major industry or mining development, then the loadings are going to increase.

In a theoretical sense, we say that the pavement is designed for 20 years, but in fact is designed for a number of maximum axle loads. Every time you get a load which is greater than standard — let us say for the sake of argument that you allow 100,000 pounds and you have a load of 200,000 pounds; it is known that that is not just two 100,000 pound loads but has the effect of many 100,000 pound applications.

So, as economic development increases, your projected life of the road keeps shortening up because you are, in effect, carrying the loads in a shorter time period.

Mr. Chairman: Let me ask you, given the comment of the Auditor General and, on the other hand, the proper belief by people in this community that the Alaska Highway is central to the life of not only this community but our link with the United States and the rest of Canada, have you had reason to or do you have your own assessment of the cost benefits, the kind of reconstruction and paving work done on the Alaska Highway?

Mr. Blackman: To refer to the Auditor's report, I would suggest that the decision to pave a given roadway, under these circumstances, is a policy decision not necessarily the result of an economic analysis. I have seen cost benefit studies done, feasibility studies, whatever you would like to call them, on a fairly wide-scale basis. It is a typical requirement of the World Bank, before they finance works in the Third World; the United Nations does the same thing.

The validity of economic analysis that you often see — when you trace it back to the assumptions that have to be made as to what is going to happen for the next 20 years, the validity of the study can often be questioned.

Mr. Chairman: I appreciate your comments; they are well taken, Mr. Blackman. You cannot say, though, from your point of view, that if we became responsible for that highway tomorrow, you do not have a satisfactory analysis in your back pocket that would enable you to say "Yes, we should be paving at the rate we have been doing or faster than we have been doing," or whatever.

Mr. Blackman: I think our approach, at this point in time, sort of has to be that if Canada is paving it, our maintenance costs in the future are going to be lower. I think it would be questioned, if we were to go to Canada and say "Please, don't pave it."

Mr. Chairman: So the benefits from our point of view are very clear.

Mr. Blackman: That is correct.

Mr. Chairman: I think I have asked enough on that question.

Could I just ask you a couple of other general questions which relate to the construction field? Mr. Falle has questions about some contracts.

In the period under review, there was an announcement by the then Minister of a northern contractors' bid preferential system. I would just like to ask you, very briefly, Mr. Blackman, if you can tell me if your experience with this new policy has been productive or positive?

Mr. Blackman: I am speaking from memory now, but the last figures I saw where this was reviewed, there are very rare cases where the preferential bid process has any effect. As you are no doubt aware, it applies in full under \$250,000, partially between there and a million, and it is not applied at all over the million, but even analyzing the larger projects, applying the differential would have had no effect.

Mr. Chairman: I appreciate that comment.

As well, a number of the Members of the Legislature, including myself, have had occasion to correspond with Mr. Lang, when he was Minister, and Mr. Koken and a number of other officials of the department, concerning what appeared to have been a problem some time ago, including the period under review, with contractor non-payment to lodges.

Now, I understand there was a new administrative policy introduced here and I wondered if we might briefly have any kind of report on how well that is working out?

The complaint, as I understand it, was you might have a lodge or someone that would house a contractor or a construction crew and the contractor would leave without paying all their bills and the government hold-back had already been handed out, so the local

lodge operator or small businessperson might get stuck. I understand there was some administrative action taken to rectify this problem and I just wanted to know how well that had been working out.

Mr. Blackman: To our knowledge, it is working.

I presume you are referring to the requirement of statutory declarations from the contractor. To our knowledge, with a couple of very obvious exceptions that everyone is aware of, this is working. The only feedback we get is if a lodge owner or subcontractor or supplier comes to the department when they have not received payment. Getting a statutory declaration is about as far as we can go unless we hire a whole investigative team, which is administratively impractical.

Mr. Falle: Mr. Blackman, how do you establish the criteria for the capital requirements on contracts?

Mr. Blackman: I am not sure that I understand your question.

Mr. Falle: To be precise, I want to know what the decision-making is on proceeding with a particular contract, whatever it is.

Mr. Blackman: You mean after the tenders have come in?

Mr. Falle: The decision to go ahead with tendering a contract of any kind. Say you think that a bridge has got to be built. I want to follow through step by step from the beginning when the decision was made to build the bridge. If you take a contract from phase one when the contract first comes to mind, to the end of the process, you will probably answer all my questions.

Mr. Blackman: If I may use the term "project", rather than "contract".

Mr. Falle: Okay.

Mr. Blackman: Using the example of a bridge: the reason the process begins is because, on a bridge inspection, it has been indicated that there is a problem with that bridge, or it may have been washed out.

The first stage is to assess what is there and determine whether it is more economic to repair it or to replace it. In many, many cases in the Territory, the existing bridge is much below normal standards; therefore, spending a lot of money on repair is not warranted if, when you have repaired it, you still have a substandard structure. When the decision is made that a bridge is required, it then goes into the programming system that we spoke of before and, from that point on, the process is exactly the same.

Now, this is one of the examples I gave where we would go to consultants because we do not have a bridge engineering staff in the department.

In bridge work, of course, one of the criteria is safety. You get to a point where there is potential for a bridge to fail under traffic and cause death or serious injury; this would be a factor in that decision.

Mr. Falle: After you have come to the contract stage and release a contract on it, what are your controls over the contractor to see how the work is proceeding and that it is being done properly?

Mr. Blackman: It depends first on the technology involved in the structure; "bridge" is a fairly broad term. In the case of a bridge replacement by a large multi-plate pipe, the controls would likely be within our own department, that is, inspectors on site at the assembly installation. If it is a major bridge, pre-cast or pre-stressed or cast in place concrete, wide-flanged beams, any of this type of thing, we have two options. We can either request DPW to provide the inspection service or hire a consultant.

Mr. Falle: Can I take you back one more step? We have already touched on preferential hiring. Let us say, for instance, you find a bid that is extremely low on a job estimated at \$500,000. There is one that comes in at \$300,000 and the rest of them are all up there near the \$500,000 mark; I would like to know who makes the decision on whether or not you go ahead with the low bid. How is that decision made, basically, is what I want to know about.

Mr. Blackman: It is very difficult to deal with hypothetical questions; I can only answer in a general way.

If tenders are called and you have five bidders and an engineer's estimate as to what the cost should be, in the engineer's opinion, one of the first things you do after the mathematics are checked to make sure there are no arithmetic errors, is assess the bids item by item to try and determine where the variations are. Then you assess the contractor. That is, what is his capability of completing the project?

I have seen cases where a contractor comes in with a very low bid; he is a very competent contractor, good staff, good equipment, financially stable; the contract is awarded to him. It is only

in the case where, to the very thorough satisfaction of the engineers, the contractor is not capable, that you would recommend to Finance and/or the Finance Committee, that that contract should not be awarded to the low bidder.

There is the other case which I have seen happen in the past where a contractor, after submitting his bid, comes in in a great panic and indicates that he has made a gross error in his bidding; either he misunderstood something or he made a serious error in judgment. In such a case, if the contractor is considered competent, — I do not know if this case has arisen in the past here or not — as far as I am concerned, it would go through the Finance Committee before a final decision was made.

Mr. Falle: We will get off of the bridges. I would like to know who prepares the specifications for an ordinary road, say to rebuild the road along Fox Lake, which has just been done recently. I would like to know who would prepare the specifications for the contract?

Mr. Blackman: There are two factors involved here. There is the design which defines the amount and type of work. The specifications themselves are basically a slightly modified version or a variation of Government of Canada specs.

Mr. Falle: What I am basically trying to get at, does our engineering staff oversee the contract or is there another contractor or another engineering firm involved?

Mr. Blackman: In general, on roadwork, the supervision of a contract is done by the department, with the exceptions that I stated earlier. If there is a requirement for any degree of sophistication and geo-technical control, we have to bring in a consultant firm because we do not have that facility.

Mr. Falle: There is sort of a mixture of our own engineers and consultants looking after a single contract.

Mr. Blackman: On a major contract where we engaged a geo-technical firm, the project would be managed by our staff with the assistance of the geo-technical consultant.

Mr. Falle: Who is responsible for the control in our department?

Mr. Blackman: It goes through a series of steps. You have an inspector on site with a junior engineer supervising him; he reports to the project manager, who reports to me. So, depending on what kind of question or problem arises, it stops at any one level, depending on where the decision can be made.

Mr. Falle: I am taking this line of questioning because I have heard various complaints from contractors that the field engineer on the job, who is experienced with the job, has not got the final say on the job. He reports in to our engineering department and they take his word, yes or no.

I just wanted to know, when the contractor has a definite beef, does he go to the man in the field or right to the head of the department?

Mr. Blackman: If the contractor is working in the proper way, he raises questions with the inspector on the site; if he does not get satisfaction there he goes to the engineer. In other words, he should move up the line and, in the final essence, if he is not satisfied, he comes to me.

Mr. Falle: In other words, you would be the project manager?

Mr. Blackman: I think every contract I have read in most jurisdictions, the decision is by the engineer and that normally, in a highway department, is defined on the specifications of the Deputy Minister. In other words, he is the final authority next to Cabinet and/or the courts.

I think there is some logic in this approach. Generally speaking, as you go through this chain of command, the degree of technical background and experience increases.

Mr. Falle: How do you control changes in the design? If the project is starting and there is a major design change, do you re-negotiate the contract or do you just continue on with your basic contract?

Mr. Blackman: It depends on what type of work you are referring to. If there was a grade raise, a significant increase in the quantities of earth work, common excavation, this is provided for in the contract. If there is no change in the type of work, just the volume of work, there is no discussion or anything else needed.

If the change exceeds 15 per cent of the tendered quantities, then it opens it for discussion between the engineer and the contractor for a negotiated price and it provides for negotiation up or down.

Mr. Falle: I think I understand everything except — the Chair-

man touched on the statutory declaration that every small contractor signs as to whether or not he pays his bills. I think that would be a control. Is that your basic method of control?

Mr. Blackman: Well, that is just to provide us with some insurance that the contractor has paid his accounts and some small supplier will not be penalized.

Mr. Falle: Then that is just about it. All that declaration does is basically cover small contractors — or any contractor, we will not say small contractors. I was led recently to believe that the declaration of payment of bills meant that all bills be paid on the job. For instance, if a contractor borrowed fifty thousand dollars from the bank to pay off his bills, and then signs the document, in effect he owes the bank fifty thousand dollars but he has all of the bills paid.

Mr. Blackman: That, I do not think, would be of major concern to us.

Mr. Falle: It would not be a major concern and this was what I gathered from it. As far as the government would be concerned, owing the bank on the contract is really not part and parcel of paying the fuel dealer or the supplier.

Mr. Blackman: That would not be a job charge. Financing by the bank would be a company financing, not a job charge.

There was one other item I omitted really in this general area, and that is that we also require certification from the Workers' Compensation Board and the Department of Labour that the wages and the compensation accounts have been paid.

Mr. Chairman: Mr. Blackman, I do not know how good your memory is. It seems to be very good so far but you may not remember every single contract the department issued. It may not come as a surprise to you that the news of your appearing here to discuss this question has spread abroad and a couple of contractors called to ask me about specific cases. If you cannot answer them now perhaps you might be able to report something tomorrow. I do not have a lot of detail, but apparently there was a contract from the Federal Government to the Territory to do some work on the Mayo airport. I gather it was a runway and apron fill contract which some local contractor thinks might have been more properly given to a private contractor rather than to the Territory.

A question was also asked about Mile 1202 at the Beaver Creek maintenance camp. There was a contract in twenty-five thousand dollar range that was given directly to a contractor without any tendering process. I doubt very much if you would be able to remember the details of these two particulars, but what are your guidelines for making a decision on small construction work as to whether it should be tendered out or not? Do you have a dollar amount where that becomes automatic, or any other guideline?

Mr. Blackman: First of all, whether we do work in-house or go to tender, there is a variety of steps or application of logic which we use. Probably the first consideration is the size of the work. Does the size of the project justify the cost of going to contract? What are the time requirements?

Mayo is an example of this. The work was approved by the federal authority relatively late in the year. We were at maximum load in our projects division. It simply was not practical to do all of the work necessary to prepare a formal contract, to go out to tender, award it, and get it back. In fact, we did it with our own equipment. This was a type of project which we are equipped to do. In fact we ran into problems because we got caught at the tail-end of the season and had some problems with the job. But if we had had to go through the process of writing specifications, advertising, awarding, then letting the contractor mobilize, we would have got less done than was accomplished.

Mr. Chairman: What if the contractor in this case seems to think that he had had the time and could have done the work better himself? I guess that is a dispute we are not going to settle here.

Mr. Blackman: Well, there is always a dispute. It depends on how busy the contractors are. If they have a lot of work, they are not interested in small jobs and we have trouble getting them done. Then when their workload goes down, they want the jobs. There is always a conflict.

Mr. Chairman: Your memory is remarkable in the Mayo case. Do you remember the Beaver Creek case too?

Mr. Blackman: No, I am not aware of it.

Mr. Falle: Last year, I believe the Minister brought down a policy where most large contracts would be split up to give the smaller contractors in the area a chance at a certain job, whether it be a pipeline road, or whatever. Has the policy gone into effect

and, in your opinion, what benefits or disadvantages have come out of it so far?

Mr. Blackman: "Policy" is a tight word. I would suggest that these are guidelines. When given projects come up, they are assessed from general information, contractors available, capacities, and the viability of splitting them. In some works, if you split the job down too small, your overheads simply get out of hand. I think it is fair to say that it is a general practice of the department to award work in sizes that can be handled by contractors on the scene here, but it depends on the practicality. It is impractical to break some work down into little bits. It would cost an absolute fortune. So, we try to reach a happy balance of local work versus some cost efficiency.

Mr. Chairman: Mr. Blackman, what happens to a contractor if, in the course of construction, he finds that the design specifications cannot be met? Mr. Falle started to ask a question about it. Let us take a highway job, for example. He is halfway through the job and all of a sudden he is a little bit deeper than he originally was going and the soils just are not what he thought they would be. There is a bunch of rock there instead of some easy stuff. Does that get into to the area of the fifteen per cent you talked about?

Mr. Blackman: No, that would be quite a different thing. If you are hitting rock, and if that particular contract had a rock specification and a unit price for rock, then there would be no problem, unless the rock over-ran the 15 per cent of tendered quantity. Then you would be in a position of re-negotiation.

What can very easily occur in highway works is soil variations and weather combinations. In other words, you can have a material over a significant part of a road which is considered suitable for embankment under normal conditions. It can be designed to use it because it is by far the most economic way of building that road, but if the contractor gets into it and gets a very bad year, the moisture contents go up, then the use of that soil is impractical. It would require such massive efforts in drying and compacting that you would never get a good road. In that case, what normally happens is you have to go into some sort of redesign; this would likely increase your waste materials significantly; it would increase common excavation and haul and then you get into the renegotiation of prices again because you are over or under 15 per cent.

If it was a completely unforeseen problem not covered within the contract in any detail, then you would get the extra work approach. The engineer and the contractor agree that the work was to be done. You can either agree to pay for it on a day/labour basis on extra work or you can negotiate a unit price or a lump sum price; it can vary with the problem. These are the various approaches you can take.

Mr. Chairman: Eventually, in that case, your Minister would have to come back to us for supplementaries, presumably.

Mr. Blackman: I do not think that there ever was a job designed in highway work that came out exactly; it is just not possible. There is a contingency for these unforeseens and, frequently, these changes will fall within that contingency so there are no modifications required.

If the total job costs go beyond the voted funds, then we must come back through the whole procedure.

Mr. Chairman: Let me ask you one question which I hope you do not think is off the topic because in some ways it refers back to the maintenance. I am getting from you some very clear ideas of how you see the problem of contracting or not contracting on a small construction job. Mr. Hanson has tried to get you to commit yourself to a new policy for the government on a couple of occasions during these hearings regarding private operators, perhaps in the area of maintenance for example. Let me ask you a purely management question. Do you have, or has any system that you have been involved in, any cost benefit analyses of contracting out of this kind of work. Let us use highway maintenance, for example, because we talked about that to some extent.

Mr. Blackman: Well, in my experience where I have seen this, it is difficult to control and is generally more expensive. In most contracts, it is typical to specify quantity of work, location of the work, haul distances, all these things. In highway maintenance, you can get a very drastic change in requirement during the life of a contract, then the position of negotiating changes, arriving at an agreement with the contractor and what he should be paid as compared to what he bid, all this type of thing.

The definition of work is much more difficult. Specifically, you

can talk about averages and budget on this basis very neatly. But if your road is broken up into a series of contracts, you find that the contractor on section A — you would normally be able to cut back on the work there because everything is working just right, but his contract says he will have a minimum number of hours or whatever it is, so you are sort of caught. On the next contract down the road you might have a need for additional work because of weather and so on. Normally the reaction to additional work would not be too difficult unless it affected the price.

Mr. Chairman: I will not permit myself the luxury now, but in another time when I am in the proper place in the House, I might permit myself to say that I find such an answer very reassuring. Of course, I would not make such an observation now.

Let me see if there are any other questions on this particular topic.

Mr. Byblow: Mr. Blackman, the other day we were discussing what your department would do, or does, in the case of an emergency situation.

Let us suppose that there is a serious collapse of a road bed. Now it is the type of a job where it is not normal maintenance; it is the type of a job where you do not have the time to process a contract. What is the procedure there?

Mr. Blackman: I do not think there are defined procedures for emergencies. You react. You do what has to be done and frequently get in trouble with Finance and a lot of other people.

It depends on how severe an emergency is. For example, a bridge may go out on a major road, you simply do what has to be done and as quickly as you can assess the costs and so on, you get back to the Minister of Finance to provide additional funding, if necessary. This is sort of an engineering reaction, you do what has to be done.

Mr. Byblow: In the case of a serious emergency, do you contract that out or is your highway maintenance capable, to some degree, of putting a bridge in in an emergency situation? I am just not clear as to who gets the job done.

Mr. Blackman: It depends on the type of bridge. If it is a relatively small bridge, we will probably have the technical capability among our own people. Now, the likely approach would be to use what forces we have in the area. Perhaps a contractor in the area would have what we needed. It would not be contracted out in the usual sense; we would rent his equipment and this type of thing. We would use whatever is available in the area.

Mr. Byblow: I have an additional, unrelated question. I understand that you have a hold-back clause which is standard procedure in all contracts.

I am unclear as to what that hold-back is for and at what point are the criteria met to release the final payments?

Mr. Blackman: The hold-backs vary depending on the bonding. In the beginning, the contractor can elect to provide performance and materials, labour bonds, or he can elect to provide negotiable securities, cash, to guarantee his work and the fact that he will pay his bills, and so on. As the job progresses, five or ten per cent is held back, depending on the financing and so on, is held. This is against the fact, first of all, that in almost every case you are paying estimated quantities. In other words, you cannot measure a job every month, it would be physically impossible, so the engineer has to estimate quantities. Secondly, you cannot tell on the 30th when you make out your estimate if the work done that day is completely satisfactory. It is a sort of guarantee.

When you get to the point of substantial completion, you release the hold-back subject to cover for any deficiencies in the work. This is not normally a problem in highway work; you run into it more frequently in buildings where there are various little things that need to be repaired or replaced or whatever. At the same time, the owner still has the use of the facility, so you release everything except enough money to cover those deficiencies. Final payment may come some time later after all the paperwork is processed.

Mr. Byblow: Final payment would come after all of the engineering approval has been given on the road, subject to deficiencies. Does the contractor come back to clear up the deficiencies or does your department do them?

Mr. Blackman: The normal practice in any contract is the contractor comes back and cleans up the deficiencies before it is finalized.

There may be some minor work which our own forces could do, maybe it would be rip-rap at the end of culverts or something. Maybe the contractor is caught at freeze-up. There is an option.

Upon agreeing as to the cost of doing the work, we can deduct from the contract and finalize the contractor. It would be unreasonable to have him come back 500 miles to rip-rap six culverts or something.

Mr. Chairman: We seem to be wrapping up this subject for the time being. Perhaps I could just indicate to you, Mr. Blackman, tomorrow I think we would want to begin with Public Works Objectives. The one major thing we want to talk about there is project management under Public Works. We may have some follow-up questions from today's discussion that may occur to someone the minute we get out of this room, but barring any alarming revelations, I would expect and hope that tomorrow would be the last day we need to take you from your normally burdensome chores.

As I say, I hope to see you back tomorrow, and I think those will be the major things we will want to talk to you about in terms of covering this thing.

Mr. Byblow, I understand, has one question before you go today.

Mr. Byblow: Because we will be getting into Public Works items tomorrow, I would like to get this question out of the way. It relates, in part, to the Replacement Fund. You made a comment in previous discussion that in the past, your department would occasionally give a piece of equipment to an L.I.D. at a point where that piece of equipment was nearing the end of its life. My question is: is that equipment given free of any charge or cost, and how is the documentation handled regarding that equipment?

Mr. Blackman: Mr. Chairman, it is not given. We had a recent case. I think it is important to note here that the service the unit is required for is very dissimilar to its normal highway maintenance function. That is, it is a short time off-and-on use so that a relatively poor machine is suitable, considering the difference between the price of a unit such as that and a new machine.

The mechanical superintendent estimates the value of the machine, that is, the amount of money we would get if it went to auction through Supply and Services. This is based on his experience and what we have recently received on similar sales. Then the L.I.D. is given this figure; they make the decision as to whether or not they want it for that; it is their choice. If they decide to purchase it, then they pay the money through local government, I believe, into Finance, who then journal voucher it into our account.

Frequently, we attempt to be fair and above board in this sort of thing. The L.I.D. would be told what, in the opinion of the mechanical superintendent, is required in the way of repair on the machine to put it in reasonable shape for their use. They are given this estimated cost. Then, if they so desire, they can ask us to do that repair, which we would do and bill them for it. Or, they have the option of taking the machine to a local supplier or workshop.

Mr. Chairman: Mr. Blackman, we are reaching our time of adjournment. I asked about the money that was voted for the Department of Education to buy equipment for Vocational School training which somehow ends up under the Road Equipment Replacement Account.

I wonder if I might very briefly tomorrow ask you to explain the paperwork on that, because I still am interested in the fact that we voted it in Education; Education then pays a rental during the life of it, but presumably when it comes to be disposed, it is yours to dispose of and not the Department of Education's. I did not want to get into intense detail on it, but I would like you to describe how the authorities work on that. It is a small question that I would like to tidy up.

Mr. Blackman: I can respond very briefly. This occurs in many areas of the capital votes. Education is voted capital monies for schools, which is turned over to us and we build them for them. All the other departments are the same way.

Mr. Chairman: It is the turn-over that I want to ask about.

We have reached our time of adjournment today. We hope to see Mr. Blackman and Mr. Koken back with us tomorrow when we will be moving on to Public Works. Perhaps it will be your final fulfilled day before us and Committee will go on to our next department following that.

We will now adjourn to Executive Session.

The Committee adjourned at 11:33 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 6 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Tuesday, January 27, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisor from the Office of the Auditor General:

Harold Hayes

Principal

Witnesses:

L.W. Blackman, Deputy Minister, Department of Highways and Public Works

Kurt Koken, Assistant Deputy Minister, Department of Highways and Public Works

EVIDENCE

Tuesday, January 27, 1981 - 9:30 a.m.

Mr. Chairman: Meeting number 6, formal hearings of the Standing Committee on Public Accounts will come to order.

We are dealing again, this morning, with the Department of Highways and Public Works. I would like to welcome back as witnesses Mr. Blackman and Mr. Koken, and welcome to the Clerk's Table today, in addition to Missy Follwell, our Clerk, and Mr. Harold Hayes, from the Auditor General's Office, Mr. Patrick Michael, Clerk of the Assembly.

This morning we plan to talk about the objectives of the Public Works operations under this ministry. We have a couple of questions about charge-backs and then we will talk about what I think will be a major issue for discussion this morning, Project Management in connection with one particular project, the Dawson Sewer and Water System.

Before we proceed, Mr. Hanson has a couple of notices of motion.

Mr. Hanson: I would like to give notice of motion that the purchases of the Road Equipment Replacement Account and that the equipment sold during 1979-80 be appended to the record.

Mr. Chairman: I would also like to advise the Committee this morning that, pursuant to its instructions, I wrote to Mr. Peter Kent, Deputy Minister of Tourism and Economic Development, for some follow-up answers to last year's recommendations. We have, this morning, received his reply and if Mr. Hanson consents, I would ask for notice of motion to append that reply to the record as well. Mr. Hanson so moves.

Let us move right along to Public Works objectives.

Mr. Blackman: Mr. Chairman, there were two items that we were asked for information on yesterday. Would it be better to give those to you before we proceed?

Mr. Chairman: Let's clear it up.

Mr. Blackman: The first one was with respect to a \$25,000 contract at Beaver Creek. This was for replacement of a sewer line at the highway camp which was in very bad condition. The problem developed to a serious point just before freeze-up and because of the emergency nature, 18 contractors were asked for quotations, on informal tender.

The contractors were contacted on September 7th, the closing date was September 20th. Two quotes were received out of the 18. Both quotes were very, very close together and about 2.4 times the estimate. The work was not proceeded with. The people in the camp struggled all winter and kept it operational.

The first thing the following spring, five of the invited tenderers from the fall were asked to submit new quotations. Two were received with the low bidder being very close to the engineer's estimate. The work proceeded on that basis and the final cost was in fact somewhat below the engineer's estimate.

The second item was the procedure whereby the money became available to Highways and Public Works for Vocational School equipment. There was an appropriation adjustment, 79-94, passed on the 15th of February, 1980, which approved the transferring of \$1,084,000 to Vote 09, 2950, which is for road equipment. This appropriation adjustment transferred the money to Highways and Public Works for road equipment purchase.

Mr. Chairman: Is that a standard form, Mr. Blackman?

Mr. Blackman: It is a standard procedure when money is transferred from one account to another, which is passed by the Finance Committee and Cabinet.

Mr. Chairman: Just so I understand it, we operate under the illusion, of course, that when we vote money into one vote that it is spent under that vote; we are now being disabused of that illusion. Could you just briefly explain to us the sequence of events of how that happens, the process?

Mr. Blackman: In this case it was handled by Education, not Highways. This is not direct knowledge, but I believe they had funds available for adult vocational training. Education made the decision that the best approach for the spending of this money was in establishing this operator training program which the equipment was for. Therefore, they prepared the documentation to transfer the money to our Road Equipment Account so that we could manage the equipment for them.

Mr. Chairman: In fact they contracted with you to provide a service; they just paid you to —

Mr. Blackman: They just gave us the money so we could do the job for them. Again from my limited knowledge of the background, it would appear that it would not be a change in the intent of the monies voted by the Legislature, it was just putting it into the correct budget.

Mr. Chairman: I am sure I did not get your answer very clearly; there is a standard form involved? It is a Finance Committee or Cabinet-level decision, when this is done, or Cabinet approval is given? Is there a document which —

Mr. Blackman: There is a standard format, a piece of paper which specifies the details. It is signed by the Deputy Minister of the department, or departments concerned, and approved by Finance.

Mr. Chairman: You would not happen to have a blank one handy?

Mr. Blackman: No, I do not. I am sorry.

Mr. Chairman: Are there any more questions on either of those two subjects?

Let us move right along to objectives then. Mr. Hanson?

Mr. Hanson: Very briefly, Mr. Blackman, I would like to have you outline the departmental role and objectives of the Department of Public Works, the systems and what-not used by the department.

Mr. Blackman: Dealing with objectives, I take the definition to be the development of programs for the coming year.

We have to look at four categories. The first is capital in Highways and Public Works. There are two general items; one is a building contingency fund, and the second is pre-engineering.

The building contingency fund is relatively small in comparison to some capital projects. A vote of money is provided for very minor projects which are not large enough to be itemized individually, particularly for unforeseen problems in building which occur during the year. I believe that that was \$100,000 in the year under consideration.

The pre-engineering capital is funds provided for the department for pre-engineering, project definition and design studies. Some of this work would be done in-house with much of it being done by architects, as required.

From time to time, under Highways and Public Works capital, there are specific departmental projects such as accommodation for remote maintenance camps and this type of thing.

The other major capital program is not within the control of Highways and Public Works. Any department requiring a capital building facility develops its own priorities, requirements; they request the funding and have to substantiate the requirements. The money is voted to that department. When it becomes a program and funding is provided, it is then turned over to Public Works, for implementation. In other words, until the capital programs are being finalized, Public Works has very little input, other than advice to the departments as to possible costs.

The third activity within the program is building maintenance. This is a continuing maintenance program to maintain or protect the buildings owned by the government. It falls under two categories, really. That is the repainting and this type of thing which has to be done in any household and then emergency repair, particularly in this climate, heating systems and freeze-up problems.

Finally, within the Public Works programs is office accommodation in which the department provides a leasing service to other government departments and, in some cases, agencies. We lease space to government departments and we lease government space to outside agencies. A typical example of this is leasing office space to Local Improvement Districts.

Finally, within that component, we have custodial services which maintain all of the buildings such as this. In other words, we provide janitorial services which covers the heating systems, et cetera, the so-called engineering. I think that basically outlines the program and indicates the extent to which Public Works simply reacts to requests from others.

Mr. Hanson: Do you have a planning and control system in effect on any new capital projects as they start off? Do you put such a control in place?

Mr. Blackman: In part. We have a minimum impact on the programming. We are not involved in the justification. Money is voted at a given point in time. Normally, by this time the department has established the required completion dates. We then have

works had in getting us there.

Byblow: Mr. Chairman, that is the summary of the whole questioning.

Blackman: Yesterday we dealt with project management in this project where your department was directly involved. Now getting into the area where your involvement relates to other department. We will eventually get back into the old water project, but, firstly, I would like to review how your department initially gets involved in a project that has emanated from another department.

Is the other department identified the need and, if so, what does your department do if it is being consulted to undertake a

Blackman: If I may make two or three comments which I think plain it a little better, this particular project is not a good example of the normal relationship with another department and is an up of a project.

What I like to refer to as the "client department", in this case, is acting as consultants, in effect. The client department identifies the need and provides the justification. Our only intention prior to it becoming a public works project would be to get any advice on probable cost, in other words, the range of costs involved for budgeting purposes.

As regards to this particular project, I must first indicate that it is not so very difficult to get into detail. The first involvement in the project was in 1976. We have 38 files averaging over two inches thick; in other words, seven feet of files. The senior municipal engineer is on vacation. He was the person who managed this project so without days and days and days of research, there is no way we could come up with specific detail.

I could run through the development of the project — which is entirely different to the normal municipal type project — but I will rather explain this background. May I proceed in that way?

Well, the justification and programming came from Municipal Community Affairs. This began in January, 1976, to the best of my knowledge, by request from Dawson for assistance with failures in their existing system.

In consultation with Municipal Affairs, and with their approval, a consulting engineering firm was engaged to design improve the existing water system. This agreement was in June, 1976. The consultant's preliminary work showed extensive problems with the existing system, so the consultant was engaged to do a study of the sewer and water systems — not just the water, which was the original intent — and to do a pre-design report with an estimate on three alternatives.

A report was received in March, 1977, and the alternatives that were looked at were: upgrading the existing system; secondly, replacing the system and improving the fire flow; and, thirdly, replacing the existing system and providing full fire flow.

In the fall of 1977, a test section was undertaken. I am now going to a water main. This test showed that the old wood stave pipe was in very, very bad condition and the whole system had to be replaced. It should also be noted at this point that this is in the urban permafrost zone.

In September, 1977, Municipal Affairs agreed, on the recommendation of the municipal engineer, that the consultant be contracted to do a detailed design of part of this system or what was to be Stage One. Because of overall cost, to the best of my knowledge, they decided they would do one part first and then the rest of the system at a later date.

One was tendered in the spring of 1978. The tenders came in high and were rejected. It became apparent at that point in time that staging it, doing it in parts over time, was unrealistic. The head costs and logistics of doing a number of smaller contracts was impractical and too expensive; therefore, the system should be rebuilt at one time.

The design was then modified to include the remainder of the system and provide a full fire flow, a new screening plant, reuse and reservoirs.

The design was completed and it went to tender in October, 1978. There were five contract packages in the total project, with an estimated cost in the range of \$6.3 million. When the bids came in, they were, again, in excess of the estimates.

Three smaller contracts that were tendered were within the estimated range and they were awarded. The first one was a test loop. They wanted to build a test loop, using the

poly-type pipes, so that they could check their theoretical calculations on thermal-balance in the system.

The second contract was for the sewer outfall, and the third contract was for crushing aggregates for the major job.

The two large contracts were negotiated by the consultants, with participation and information flow from Municipal Affairs and our municipal engineering office. The negotiations involved modifications of design where, in consultation with the contractor, it was determined that costs could be lowered. This was completed and the modified contracts were let. They called for completion in September, 1979.

Work started up in the spring of 1979 and, just as the major contractor was getting nicely started, the flood occurred. This created major delays and some additional costs, all the problems you can envisage in this sort of situation.

By the winter of 1979-80, about half the system was in and service was provided to the citizens combining parts of the old system and parts of the new system. Substantial completion occurred in the fall of 1980, or late in 1980.

What I wanted to demonstrate here was that as the project was completed, it had no real similarity to the original project. It was changed and modified as more information became available.

Does that answer the first phase of the question?

Mr. Byblow: Yes, you have given a good overview of what took place and I respect your earlier statement that this project did not conform to normal procedure in project management.

I have several specific questions. At the point where the need was identified by Municipal and Community Affairs, a decision was made to hire consultants to refine that need and decide upon the requirements, assess the alternatives and so on.

Mr. Blackman: That is right.

Mr. Byblow: Was that a joint decision by the two departments and is that a normal procedure?

Mr. Blackman: Normally, the client department has the right to select a consultant. Normally, in the case of municipal works, this is on the advice of the municipal engineer, but it is a joint decision.

Mr. Byblow: Subsequent to the consultant's report, a decision was made to replace the entire system as opposed to either of the other two alternatives.

Mr. Blackman: That is right.

Mr. Byblow: Was that a Municipal and Community Affairs decision; was it a decision by your department, or, again, a joint decision?

Mr. Blackman: To be as concise as possible, to the best of my knowledge, that type of decision would be made by Municipal Affairs. They have to arrange for the funding. I have not got the internal details, but I am sure that they had to go back to raise additional funds because the scope of work had changed completely.

It must also be understood that, when it gets into very technical areas, they have to depend on the advice of the engineering staff in our department to a great extent. In other words, they have the responsibility to make the final decision, but the technical aspects are based on the recommendation of the Municipal Engineer.

Mr. Byblow: So, in the assessment of the consultant's report, your engineering department would have participated in the final decision.

Mr. Blackman: That is correct. I might also add that in standard practice, including this project, the municipal engineering staff would review all of the designs, reports, assess them for — I was going to say "competence" but that is not the right word — validity.

I have to make it clear that they do not have time to go into detailed calculations; they have an overview and there are various areas where they can spot variation from standard practice, assumptions have been made that they do not believe are valid, this type of thing. A complete sewer and water design of this type usually involves fairly extensive computer calculations; most consultants have programs established; it is a very, very complex system.

Mr. Byblow: I am having a little difficulty understanding the decision-making process. Following the consultant's report, there was a decision made which led to the decision that the entire system should be replaced. Subsequent to that, there was an addi-

tional decision that it would not be done in stages, but rather it would be done in a complete project because of the cost factor.

Throughout this entire process, was there an analysis done of what it would cost to operate the system?

Mr. Blackman: I speak with limited knowledge, but to the best of my knowledge, the consultant — and this is standard practice on this type of project — would do an analysis of the operating costs.

The pre-design study looked at alternates. I have never seen a project yet where, when you review the alternates, you do not estimate both the capital cost and the operating cost in part of the decision-making factor.

Mr. Byblow: In all of this decision-making process, where the needs were refined and the project was built upon all of these factors, was there any consultation with the people for whom the project was intended, that is, the people of Dawson?

Mr. Blackman: To the best of my knowledge, there was very close contact with the Dawson staff throughout the project, both through Municipal Affairs and particularly through the Municipal Engineer.

As the consultant got into the project, they, in fact, had staff in Dawson. To the best of my knowledge, there was close contact all the way.

Mr. Byblow: In this entire process that lead up to the installation of the system, the analyses that were done on the costs of putting the system in obviously resulted in a very high installation cost.

Mr. Blackman: That is right.

Mr. Byblow: The operating cost analyses that were done at the same time, which would have been a factor in helping your department to determine whether the project should go ahead, were those costs accurate?

Mr. Blackman: I cannot answer that. It is some of the detail becomes very complex and I do not have it available.

Mr. Chairman: Obviously this is a critical factor here. Presumably you have someone in your operation who is responsible for taking that consultant's recommendation or advice about what the operating costs were.

I assume that as long as Dawson was involved in the consultation process, the estimates must have been inaccurate. If Dawson's figures about what it is costing them are accurate or are based on reality, then someone must have been wrong about the O&M prediction. It would be interesting to know how inaccurate they were because, presumably, I think I would be correct in saying that if Dawson had known what it was going to cost them to operate the system, they might not have proceeded, as you might not have yourself. Is that not correct?

Mr. Blackman: That is possible.

My only comment here, from my limited information and past experience, is that I sincerely doubt that the final operational costs are really known yet. There is always a period, when you put in a new system, where there are solenoids that kick out at the wrong time, various functional problems that have to be rectified. In any plant, any system constructed - in private industry or anywhere - there is always a run-in period until everything gets smoothed out.

Mr. Chairman: Let me ask this question, because it seems to be relevant: the Dawson statement suggests that the system was designed for a population of twenty-five hundred people. My layman's reaction is that that is far more than they need. Is that an accurate description of the system?

Mr. Blackman: I cannot answer that question, either. In normal practice, a consultant engineer would take into account historic information, current population, all the planning information available from local and/or regional governments. There is a fairly complex projection of requirement and a population figure is selected. Normally, that is the key to all of the design criteria. One would assume that both our staff and the people in Dawson would be aware of this.

Mr. Chairman: Given these consultants and the engineers and the experts you have, how does a local government with a beer budget end up with a champagne system? Procedurally, is it possible that a consultant can give you a bigger project because they have a vested interest in doing a big project, or is that the kind of problem that can happen?

Mr. Blackman: It is a very difficult question to answer. There is an onus on the manager to specify the standard and level of service required. However, what sometimes is referred to as

champagne systems involves capital costs which are intended to lower operating costs and remove future problems. All types of plants are becoming more and more sophisticated with electronics and control systems and so forth. In many cases, you eliminate the potential for serious damage in the plant. This becomes a question of judgment as to when you say, "Let's go to the simple system where we have a pump with a wooden handle," through to a very, very sophisticated system. They are all stages of choice and it becomes a matter of judgment as to what is the cheapest, simplest, acceptable and least-problem solving.

If I may make one more comment, we are in permafrost here and there are all sorts of additional problems that come up in this type of system because of that.

Mr. Falle: Mr. Blackman, I have a problem with consultants. Number one, it seems you people use consultants very much as a management tool. Is that not correct?

Mr. Blackman: No, I would not say we used them as a management tool. Consultants are engaged for professional expertise, normally. They provide certain services during a project, but management responsibility falls back to the department.

Mr. Falle: You stated the other day, I believe, when we got on the subject of consultants, that you basically used consultants when you did not have the expertise in your own department.

Mr. Blackman: That is right.

Mr. Falle: Correct me if I am wrong. I believe when you people give a contract to a consultant, he is paid on a percentage of the contract.

Mr. Blackman: There are a variety of fee systems. One is percentage of construction costs. Another one is per diem, as it is referred to. Those are the basic systems.

Mr. Falle: Well, just taking these two systems, it is human nature, I believe, that if you can keep the per diem rate going as long as possible, or make the job as expensive as possible, it is that much better for the consultant, is it not?

Mr. Blackman: No, I do not think so. I have worked as a consultant as well as a civil servant - on both sides of the fence, so to speak. This is an area of discussion within the industry and has been for many years.

I think the major control lies in two areas. I should add that I have had fairly deep involvement in the professional associations.

There are two areas of control. First of all, there is professional ethics, which has significant value, I might add. Secondly, the firm who attempts to increase their income by "peddling cadillacs" does not necessarily get as many jobs in the future. In other words, it is bad business policy for a consultant not to turn out the best possible work, or you do not get more work.

For example, the firm in question - I did not want to name names - but this is a fairly old and well-regarded firm and they have been in business many years; they do quite a bit of work for YTG. If it was determined, in the opinion of the Department, that they were not providing the best of service, then they would not continue getting the volume of work they are getting.

Mr. Falle: After designing a job, does the consultant guarantee the work? Now, let me make this clear. He is in charge of putting in a job, of bringing the job up to par, seeing it through from beginning to end; generally, from the design to the finished product. Now, I do know the contractor has to guarantee that job, but I do not know whether the consultant has to guarantee that job.

Mr. Blackman: It depends on what one means by "guarantee". Every consulting engineer carries very, very heavy insurance against legal action for non-performance, incompetence, this type of thing. In a case where you can show that the engineers provided an improper service — in other words if they did not carry out the work to a normally acceptable standard — you are in a position to go after the consultant and claim damages.

Mr. Falle: I am asking these questions because I know, for instance, the water and sewer in Haines Junction - there is permafrost in places up on the hill - and I know that this government has the experience because this fellow put in that short water line up there. You know, we already have the background experience with this polyethylene pipe and the insulation, yet that experience was not used in Dawson. I just wonder what the criterion was for not using the experience that we already have. Was it the department's judgment or the consultant's judgment?

Getting back to using consultants as a management tool, the consultant's report seems to be what the Department judges on. If

it is not, it is our Engineering Department which, you stated just a little bit earlier, does the final analysis on the consultant's report. So, in my layman's way, I think if they had the ability to analyze any design done by consultants or anybody else, they also should have the ability to do the job in full.

Mr. Blackman: If I can respond to that, in the design of a system such as you have in Dawson — may I go back one step. In our municipal branch, we have three engineers, all of whom are civil municipal engineers. To design a system such as you have in Dawson, you would need a civil engineer hydraulics, a civil engineer structural, a mechanical engineer, an electrical engineer, and probably a bio-chemist or a chemical engineer. Now, that is five or six specialists that are involved in that design.

We have only one of those areas of speciality, and it is in the more general field of municipal engineering. In general terms, as I said before, they can look for norms and where there is a departure from the norm. I think, without any criticism of them, it would be fair to say, that our staff could not design a system like that.

Mr. Chairman: Someone might express the wish that we hope not, Mr. Blackman.

I have been listening with interest to what you have said, and I go back to my previous question now: what is the logic for designing a system for 2,500 people for a community of 350? If that is the kind of system we got, how did that decision get made? How did the Council of Dawson — That is a political question, if you like. Did they know the kind of costs that were involved? Did they decide on and accept a system for 2,500 people? Was that a conscious decision?

Mr. Blackman: I cannot answer the question in that I do not know as a fact that the design was for 2,500 or how their population projections were made. I simply have not been into the detail of the project.

Mr. Chairman: As a former municipal politician, let me go backwards from it. What you seem to have is clearly an insufficient tax base or numbers of users in the community to support the operation and maintenance of the system, much less ever pay for the capital. It would seem to me that that is not a policy question. It is purely a management question, if I am testing the demand or the need. It is a very early decision-making thing that does not seem to be there for the system we have got. Presumably establishing that need is a very early decision point for your department.

Mr. Blackman: In a general overview reaction, I would suggest that there are few communities in this climatic region where you could build a system which meets normal health and ecological standards that would be self-supporting. There is almost always some form of subsidy.

Mr. Chairman: We understand that in the capital and the Capital Assistance Program is obviously one of the good reasons for that, but I know something about the O&M costs of the system in Whitehorse and that is clearly a different ballpark.

I am somehow struck with the the notion, and it is entirely a layman's perception, that somehow we have a system here which is more elaborate and better designed than something we can support. We may have the Auditor General, for example, recommending financial management control systems to us which are far beyond our needs. In other words, they become an overburden on the kind of structure we have.

It seems to me that the reality is that we have 300 to 800 people in Dawson who need a sewer and water system, which could be simple or it could be complicated. It would seem to me that we have got the best of systems but we do not have the means there to support it and that can produce other problems down the road. That is a comment, not a question.

Let me turn you back to Mr. Byblow because I am getting off track.

Mr. Blackman: Yes.

Mr. Byblow: I suppose, in a sense, that leads into what I want to try to re-establish.

In the entire process that leads up to decision-making, it has not been made clear where the accountability rests. In the comments just made by the Chairman, it appears, and I say "appears", that we have a system that is over-designed for needs. Somewhere back there, in the original decision-making process, the lifecycle costs - if you want to call them that - were not part of the decision-making process.

Because your department becomes involved in a project which is essentially a project that emanates from another department, it

has not, and I repeat myself, been made clear as to where the accountability of this process rests.

Mr. Blackman: This is somewhat difficult for me. The responsibility for the project is with the department to whom the money was voted; however, they must make their decisions, just as I would in Highways, on the basis of the professional advice that I receive from my staff members.

The only difference here, I might say, is that I am an engineer and while I may not be an expert in all the fields of activity, I have some reasonable experience in judgment, whereas a Deputy Minister in another department does not have that background; therefore, he is dependent on the advice he gets from our staff.

If there is bad technical advice given, then I would say this is our responsibility. If the technical advice was sound, then the management advice as to whether or not such a system should be built, I think, rests with the client department.

Now that is sort of a half an answer.

Mr. Chairman: Mr. Blackman, I seem to be getting from you some feeling that, although you are not stating it decisively, from your point of view the system might not be over-designed; in fact, time will tell and once it is shaken down and settled down, the operation costs might bottom out or level out.

Would it be fair to say that your feeling is that the system is adequate to the community's needs and not in excess of their needs?

Mr. Blackman: I simply do not know that. As I indicated, the project started in 1976; I came in mid-summer this year, so I have just seen some of the problems and certainly have had no opportunity to delve into the detail throughout the whole job.

Mr. Chairman: Let me ask you this question: given that it seems to be a fact that there is a community that has received a project which your department was responsible for managing for awhile. The community seems to be having some problems looking after or carrying the cost of it. Do you have any ideas about how this kind of situation could be avoided in the future, just in terms of your department's responsibilities?

Mr. Blackman: To start with, this project is much more complex than most because of a whole series of circumstances. I would like to, time permitting, in some months, have an analysis done of the project: the final results, the decision-making process, why decisions were made, et cetera, for my own information.

I think from that sort of review, one can pick out decision points for future control and review. But to sit at this time, not knowing enough of the detail of the job, it is almost presumptuous of me to criticize our staff, another department or the consultant. I do not know that any criticism is due anywhere.

Mr. Chairman: Let me ask you a purely theoretical question. I am talking about community X and project Y. We are talking about a project in 1982-83, somewhere in the future. In the development of that project, before they get to the point of actually digging any dirt, you are presented with some information which indicates to you that the operation costs may be far in excess of what was originally estimated, going back to pre-design and so forth.

In the systems you have laid out as your responsibility as a Deputy Minister, given that information, what steps would you take then?

Mr. Blackman: To start with, unless some major technical decision or problem arises during the process, our Municipal Branch works very, very closely with Municipal and Local Government. Most of this dialogue would be between the officers in that other department and our municipal project people.

I would not really become directly involved unless it was brought to me. Overall management is the other department's responsibility. We are providing technical advice. In other words, I would not be involved from day to day, unless a problem became apparent and it was brought to me.

Mr. Chairman: Let us say that your people bring to your attention that the O&M costs are going to be 300 per cent of the original estimates. I want to say that I know your officials work very well with Municipal and Community Affairs because I was on an ad hoc citizens committee that was put together in connection with the Hillcrest job and, in fact, it was a very enjoyable and educational experience for me; I saw the way they worked together.

But let us take that case, community X, project Y, is coming ahead and suddenly it is brought to your attention that the O&M looks to be about 300 per cent - something alarming - over the

original estimates. What steps would you take? Could you then say, "Look boys, I think we had better get together with Municipal Affairs and stop this. I do not think we can go ahead with this at this cost." What I am asking you, is there a kind of momentum about these things to prevent those decisions being made or do you still have the power to stop it if it looks like it might be getting out of control?

Mr. Blackman: You are referring to a point before contract award?

Mr. Chairman: Yes.

Mr. Blackman: I think the response would be that we would sit down with Municipal Affairs and review all the alternatives. If it was consultant design, and the odds are it would be, we would likely bring the consultant in and go through all the components in the system to determine whether or not the O&M costs could be reduced and why they are high. For technical reasons it may not be possible to reduce them and it then becomes a decision of Municipal Affairs — I presume in conjunction with the local government — to make the decision whether or not that system is going to serve their purpose and whether they can afford it or not.

Mr. Chairman: Would you still have the ability to play that kind of useful intervening role if the contract had already been let and was underway but was starting to experience massive overruns? That can happen, I guess, too.

Mr. Blackman: If you immediately start running into change orders, unforeseen problems, the normal practice is to go back and review it. Why these things are happening, what is causing them and what can we do about it? You look at redesign, job modifications and you review all the possible ways of reversing the trend.

Mr. Chairman: Is it possible to stop a job once those contracts have been started?

Mr. Blackman: You mean just to cancel it?

Mr. Chairman: Yes, if it looks like it is getting out of the ballpark, can you say —

Mr. Blackman: You can terminate a contract. The conditions of contract specify the terms under which this is done. The contractor is due certain payments, his losses and this type of thing, but it can be done.

I am not aware of a case where a major construction project was stopped in mid-stream. There was drastic modification, yes, but not literally just terminated. You usually have too much money invested by that time to be able to afford to just abandon it. It is usually a question of modifying it so you get some value from the money already spent.

Mr. Chairman: You said that you were not able yet to come to a judgment about the efficiency of the Dawson sewer and water project, in terms of that community's needs and its eventual operation costs. How long do you think it would be before you would be able to reach some conclusions on those questions?

Mr. Blackman: I am reluctant to answer that specifically. I would have to go back and see at what point in time or when, in the opinion of the engineers, it was in full operation. It then takes, I would say, six months or more to make sure everything is leveled out and you can begin to assess the costs.

Mr. Chairman: In a year or two, theoretically, we might be able to ask you and you might be able to say, "Well, yes, we think it is fine, all things considered", or "Maybe it is a bit more than the need but the population growth will take care of that." You might be able to come to that conclusion in, what, one, two, three years?

Mr. Blackman: I would suggest so, yes.

Mr. Chairman: Are there any other questions?

Mr. Byblow: Mr. Blackman, did you have a comment to make?

Mr. Blackman: It was pointed out to me that I gave an incorrect answer earlier. I do not whether you want to go back to charge-backs now or come back to that after we finish.

Mr. Chairman: Perhaps we can just leave that and see if there are any last questions on the Dawson sewer and water.

Mr. Byblow: Mr. Blackman, I just have one summary type question. In a capsule, and over-simplifying it, is it fair to say that the Department of Public Works, when it is managing or involved in the management of a project for another department, essentially acts in an advisory capacity?

Mr. Blackman: I think it is something more than that. They act in an advisory capacity when decisions have to be made because of changes. If a contract is let for a project and it runs without any

major problems occurring, — and they do, believe it or not — we are entirely responsible for the control and management of that project. In other words, we are to make certain that the government is receiving value for dollars spent and this type of thing. This is specifically our responsibility. If there is a problem or an apparent over-run, then it is our responsibility to tie this down as well as we can. Then we have to go to the client department and indicate that there will be additional funding required. They must decide if they are going to have linoleum or carpeting on the floors, whatever it may be; they have to make that type of decision, but again it is based on our advice.

Mr. Byblow: That begs another question, Mr. Chairman.

You are responsible for project management.

Mr. Blackman: The management of that construction project is our responsibility, yes.

Mr. Byblow: The responsibility of the client department is to provide the funding and the accountability is between both of you.

Mr. Blackman: I think basically that is true. It is a split responsibility, there is no question about that.

Mr. Chairman: Mr. Blackman, on the charge backs —

Mr. Blackman: We referred to page 170 of the Estimates and the \$140,000. I think I indicated that that was a recovery to building maintenance budget from capital building projects. This is not correct. This is the recovery of maintenance work done on Alaska Highway buildings, and they are the only buildings that are charged back for maintenance costs, actual maintenance work. The reason for it is that this becomes a cost to the highway which is recoverable from Canada.

Mr. Chairman: Mr. Blackman and Mr. Koken, I thank you. I do not think we will need to take up any more of your time.

I do want to say, Mr. Blackman, for myself, as Chairman, and I think on behalf of the whole Committee, how much we appreciate the way you have conducted yourself as a witness. You have been frank and fulsome in your descriptions of the way your department operates. I do not know how useful our recommendations may be to you or your Minister, but I hope they will provide you with some advice from ordinary elected people about ways in which we might be able to help you do your job.

I want to say that, if nothing else, we have all learned a lot more about your department than we ever knew before. I think, as I said to you privately at the beginning, the Department of Highways and Public Works has been something of a sacred cow, almost an invisible temple, that was untouchable by elected people for many years in this government.

I hope coming here has not been too painful a process for you. We have asked a lot of questions and we have received a lot of answers. Certainly, I hope our report will be useful to you. On that note, I just want to conclude by saying that I appreciate, because I know you are busy, both you and Mr. Koken taking the time to be with us.

Mr. Blackman: Mr. Chairman, may I just say that you and the Committee Members have made it very easy for us to be frank and to try to answer the questions.

Mr. Chairman: Thank you very much, Mr. Blackman.

The Committee will now adjourn into Executive Session.

The Committee adjourned at 11:36 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 7 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Wednesday, January 28, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Foliwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisor from the Office of the Auditor General:

Harold Hayes

Principal

Witnesses:

Lynn Chambers, Deputy Minister, Department of Renewable Resources

Judy Phillips, Administrator, Department of Renewable Resources

EVIDENCE

Wednesday, January 28, 1981 — 9:30 a.m.

Mr. Chairman: Standing Committee on Public Accounts, meeting number 7, formal hearings, will now come to order.

This morning we are going to be examining witnesses from the Department of Renewable Resources. I would like to welcome Mr. Lynn Chambers, Deputy Minister, and Ms Judy Phillips, Administrator. I hope your short stay with us will be a pleasant one.

I understand, Mr. Chambers, you have an opening statement about your department's objectives which you will lead off with.

Mr. Chambers: Thank you very much, Mr. Chairman. With your indulgence, I have been informed that I could make a five to ten minute presentation to you on the department and I thought it might be very worthwhile, as we are a very young and new department, to give a little bit of the history of the goals and objectives of the department.

The department itself was established in August of 1978 and, as it was a new department in the Territorial Government, one of the first things that I attempted to do was establish a set of goals and objectives for the government which would be the operating goals and objectives of the department.

Some of the objectives that are on the piece of paper that I presented to you cover broader aspects than the mandate which the department has. For obvious reasons, the intent was to set a vehicle in place which could be built on to as resources are gradually transferred from the Federal Government to the Territorial Government.

The goal of the department is the wise use and management of Yukon's renewable resources for the benefit of present and future generations. Underneath that goal there are several objectives and out of these objectives will flow the goals of the branches in the department.

1. The first objective is to maintain the Yukon fish and wildlife populations at, or enhance them to carrying capacity levels for public enjoyment and benefit now and in the future and to do so by protecting and managing the populations and their environment on a sound, scientific basis.

2. To plan and guide the use of Yukon's natural resources in an environmentally and socially acceptable manner for the maximum benefit to Yukon residents.

3. To manage Yukon's forest resource so as to satisfy present and future demands.

4. To provide a broad range of outdoor recreation and educational opportunities, and to conserve unique and representative aspects of Yukon's historic and cultural heritage and natural resources for the benefit of Yukon residents and visitors.

5. To promote public awareness and understanding of environmental issues and concerns in Yukon.

6. To maintain clean air and pure water throughout Yukon for the benefit of present and future generations.

7. To protect Yukon's scenic beauty and environmental excellence for the benefit of present and future generations.

8. To make land available for various land uses in accordance with the determined capabilities and to maintain accurate records of all land disposition for the benefit of present and future generations.

The department is organized, at the present time, into four branches: the Wildlife Branch, the Parks and Historic Resources Branch, the Resource Planning Branch and the Administration Branch.

The scope of the department, at present, we have 65 staff man years. This consists of 52 permanent employees and 13 casuals.

We operate under a broad range of legislative authority and mandates. The *Game Ordinance*, *Fur Export Ordinance*, *Brands Ordinance*, *Pounds Ordinance*, *Parks Ordinance*, *Area Development Ordinance*, *Forest Protection Ordinance*, *Financial Administration Ordinance*, *Historic Sites and Monuments Ordinance*, *Migratory Birds Convention Act*, *Game Export Act*, *Freshwater Fisheries Act* and Regulations, the *Canada Wildlife Act* and the *International Agreement on Trades of Endangered Species of Flora and Fauna*.

As I stated earlier, the department is split into three branches. The first one that I would like to deal with quickly is the Wildlife Branch. The goal, again, we will take it from the objectives of the

department, is to maintain the Yukon fish and wildlife population at, or enhance them to, carrying capacity levels for public enjoyment and benefit, now and in the future. To do so by protecting and managing the populations and their environment on a sound scientific basis.

The objectives of the branch are:

1. To manage game species to provide for their continued existence while allowing the harvest at a maximum sustained yield level or a lower level depending upon the social benefits sought.

2. To protect and provide wildlife for viewers, photographers, and other non-consumptive users.

3. To manage and regulate the utilization of fur bearing animals on the basis of sustained yield and to aid the continued development of local trapping and fur industries.

4. To reintroduce Yukon species into depleted areas and to extend the ranges of adjacent game species into ecological niches not occupied by indigenous forms.

5. To assist in monitoring a reasonable compromise between the game harvest by resident versus non-resident hunter so that benefits may flow to local hunters and outfitters.

6. To support and promote basic scientific research to contribute to the biological knowledge about Yukon wildlife resources.

7. To protect and maintain the land and water resource base upon which fish and wildlife depend to the full extent that legislative and good land use planning allow and to advise in this regard in connection with all major development projects.

8. To ensure the maintenance of all species of animals and birds in terms of useful functions they serve in the balance of nature and to meet national and international responsibilities for rare or endangered species.

9. To enforce and administer the ordinances and regulations for which the branch is responsible.

10. To engender in the public the feeling of personal responsibility for conservation of wildlife and an understanding of the basic principles of wildlife management.

11. To ensure public participation which reflects the wishes of both consumptive and non-consumptive users of wildlife resources regarding proposed changes to legislation, regulations and policies.

12. To maintain and improve cooperation with federal government departments to ensure input into habitat manipulation in areas where the federal government has jurisdiction and to ensure consideration of wildlife management requirements in questions of land use.

13. To support the establishment of local wildlife resource-based secondary industries, particularly where they would provide employment of native people.

14. To improve the performance, reputation and public image of field staff as local wildlife authorities in addition to their roles in enforcement and administration of regulations.

15. To establish and maintain a high level of performance of technical staff to ensure a capability for complete autonomy for the Yukon in the field of wildlife and inland fisheries management.

I would just like to give some indicators of what I feel are the levels of activity during the 1979-80 year, to give some feel for what the branch does. In 1979-80, we had 4,551 resident hunters, 471 non-resident hunters; we licenced 16,634 sport fishermen; we had 380 registered traplines with approximately 770 registered trappers and assistant trappers.

The fur sales during that year were approximately one million dollars.

The enforcement section of the branch responded to 1,000 calls and complaints. They checked 2,000 hunters and fishermen and 50 cases were presented to the courts on violations of the *Game Ordinance*.

Attached to the document that I did present to you earlier, you will find that we have Yukon divided into seven conservation district areas. They are Watson Lake, Whitehorse, Haines Junction, Ross River, Mayo, Dawson, and Old Crow. We have now regionalized the staff so that there are two senior conservation officers; one looking after northern Yukon, stationed in Dawson, and one looking after southern Yukon, stationed in Whitehorse.

I would like to move on now to the Resource Planning Branch. Their goal is to plan and guide the use of Yukon's natural resources

in an environmentally and socially acceptable manner for the benefit of Yukon residents.

The objectives are:

1. To provide advice and guidance on policy development and program direction for natural resources.
2. To assess environmental impacts of major development proposals.
- 3 To coordinate inter-departmental programs relating to resource development.
4. To direct and make available resource inventories and data pertaining to natural resources.
5. To assess economic implications of new policy and develop proposals on natural resources.
6. To develop comprehensive land use plans and make recommendations concerning land use allocation.
7. To ensure public participation opportunities in the planning process.
8. To coordinate intra-departmental programs involving natural resources.

Also, on the document that I did present to you, you will find the planning areas that have been set out in Yukon, the number signifying the level of priority that has been given to them. They are not all under active inventory or planning, but it is just an indicator of where the pressures are coming from for resource and land use planning.

Some indicators of the levels of activity of the Resource Planning Branch: they have been involved jointly with the federal government in the Whitehorse North Planning Area and the Whitehorse South Planning Area. We have been coordinating and leading the planning on the Dempster Highway corridor which is approximately 6,900 square miles and also on the East Kluane Planning Area, an area adjacent to Kluane National Park of some 4,700 square miles.

We also have a bio-physical resource inventory. The first area completed last year is termed the Southern Lakes Area of approximately 7,000 square miles.

The goal of the Parks and Historic Branch is to provide a broad range of outdoor recreational and educational opportunities and to conserve unique and representative aspects of Yukon's historic and cultural heritage and natural resources for the benefit of Yukon residents and visitors.

The objectives of the branch are:

1. To create and administer a park, historic resource and outdoor recreational system in accordance with the legislative authority of the Government of Yukon.
2. To identify and provide for the optimum utilization of outdoor recreational opportunities for residents and visitors.
- 3 To identify and provide for conservation of significant examples of Yukon's natural and cultural heritage.
4. To design, develop and maintain outdoor recreational facilities within natural resource capabilities in accordance with the resident use patterns.
5. To develop public awareness of natural environment and cultural heritage of Yukon.

Some indicators of the level of the branch activities, as of the 1979-80 year: 57 campgrounds maintained in the Territory; in those 57 campgrounds were 890 designated sites. We estimate, in accordance with various other surveys done by the Department of Tourism and Economic Development, that the number of user nights for visitors were approximately 599,760. The number of user nights by residents during that same period were 257,590.

Attached to the document that I presented to you is an indicator of the location of the major campground developments and lesser or minor campgrounds within Yukon that we are responsible for and look after. Also on there, Yukon is split up into four regional supervisory districts: the Watson Lake District, the Dawson District, the Whitehorse District, and the Haines Junction District.

Mr. Chairman: Thank you.

Mr. Hanson: Mr. Chairman, I would like to give notice of motion that all of the charts and maps from Renewable Resources be appended to the Report.

Mr. Chairman: We have the notice of motion that all charts and maps presented by the Department of Renewable Resources be appended to the Report. Thank you, Mr. Hanson.

Perhaps, Mr. Chambers, I could begin the questioning. From your statement, I notice, as I believe you indicated, that the statement of objectives is largely a description of the activities. The activities, of course, are divided by the branches.

Looking back at the 1979 Annual Report, we were struck by the fact that there was no definition of departmental objectives, only the description of the activities by branch. I guess the 1978-79 Annual Report was the first Annual Report on your department. It said, "The Department of Renewable Resources consists of three branches, each with its own area of responsibility, with an overall goal of ensuring the wise usage and management of Yukon's renewable resources for the benefit of present and future generations."

The statement you have just given us is almost identical to that, although your document today goes on with much more detailed descriptions of the objectives, some of which, according to the Budget Speech of Mr. Chris Pearson in March, 1979, seemed to go beyond the department's responsibilities. I think you touched on this and I would like to ask you further about it.

Mr. Pearson, at that time, said, "Our Government recognizes the value of Yukon's renewable resources and intends to play a prominent role in their management through the Department of Renewable Resources. The nucleus of this organization is the Parks and Historic Resource Branch and the Resource Planning Branch and the Wildlife Branch. We will be analyzing the feasibility of requesting and accepting the further transfer of responsibility for water, fisheries, land, and forest resources into this department."

To maintain Yukon fish populations was part of your statement of objectives; there was also a fairly strong declaration of responsibility in the area of forestry. Could you tell me, in terms of the year-end review, or at this current point, what responsibility you have in those two areas, to the extent that you are responsible for fish and forests?

Mr. Chambers: Yes, Mr. Chairman. We are responsible for the enforcement of the fisheries regulations, which are developed under Canada's *Fisheries Act*. We also are responsible for the sale of the sport fishery licenses in Yukon and the collection of that revenue, which remains in the treasury of the Territorial Government.

In Forestry, we advise the Department of Indian Affairs and Northern Development on forestry in the same capacity we advise them on many of the other areas in which they have a mandate, such as land. We also advise our internal responsible organization of the Department of Municipal and Community Affairs, as they have responsibility for the Commissioner's land and, through the *Lands Ordinance*, have responsibility for forestry on Commissioner's land.

Mr. Chairman: Perhaps I could just clarify that.

Let me go back to fish for a second. You have requested the transfer of certain responsibilities from the federal fisheries branch. Your objective is to maintain Yukon fish populations, enhance them and so forth.

The activities that you described would probably be insufficient to achieve that objective at present. Could you tell me what powers you would expect to obtain from the Feds in the transfer which has been applied for?

Mr. Chambers: I would like to make one correction to your statement, Mr. Chairman. We have not requested the transfer of the freshwater fisheries, at this point in time of our history. The responsibilities in fisheries would be similar to those responsibilities which have been transferred to the provinces. The federal *Fisheries Act* is still utilized and is a very powerful piece of legislation.

Correspondingly, the transfer of the responsibility for administration of freshwater fisheries has gone to the provinces and to obtain that same level would be the aspirations and goals of the Territorial Government. We will not be requesting the responsibility for the anadromous fish, the Pacific-run salmon.

Mr. Chairman: I believe there was some news comment recently about this transfer. I wanted to go back though, your Minister at the time said, "We will be analyzing the feasibility of requesting and accepting further transfer of responsibility for water and fisheries." I just wanted to clarify this a little bit. When you say it is the kind of powers that are normally in provincial hands, exactly what powers those are?

Mr. Chambers: The authority to manage and regulate the

freshwater fisheries, inland fisheries. That covers everything: licensing, commercial, domestic utilization, sports utilization of those species referred to as freshwater species on inland waters.

Mr. Chairman: Let me clarify this. You used the commercial as an example. As I understand it, every province that is now involved in commercial fishing is involved in a joint federal/provincial thing called the Freshwater Fish Marketing Corporation.

I do not want to commit you to joining such an organization but if this responsibility were acquired, it would be into this kind of activity that the department would inevitably find itself in, is that correct?

Mr. Chambers: If you are going to commercially market freshwater fish out of Yukon on a national basis, then yes, we would have to belong to such an organization. At the present time, the Freshwater Fish Marketing Board does not extend its authority to the Territory.

Mr. Chairman: I ask that because I know that it is active in the Northwest Territories.

Let me just move through your statement a little bit because I want to clarify some questions about your objectives. There may be some particular points that other Members want to bring up but I will try to do a survey set of questions first and skim the surface.

Parks and Historic Resources: the 1978-79 Annual Report describes its activities as planning, developing and managing and administering outdoor recreational areas and historic sites. The 1979-80 Annual Report describes Parks and Historic Resources, planning, developing managing, administering outdoor recreational activities and historic sites. Then there is the phrase, "During 1980-81, a thorough review of the branch's long term goals and objectives will be undertaken."

Let me just explain what I am getting at. There has been, in the short life of your department, some unusual changes, or some fairly noticeable changes in the descriptions of the department's objectives. What I am eventually going to try to do, so you can look ahead too, is to try to relate those to changes in your budget, the expenditure plans and the expenditures.

All of the questions that I am asking you now are leading to that eventual object.

The statement that you have just given us talks about providing a broad range of outdoor recreational and educational opportunities and to conserve unique and representative aspects of Yukon's historic and cultural heritage and natural resources for the benefit of Yukon residents and visitors. That is a little more extensive wording than the year previous or the statement in the Annual Report which covers the same year. I just wondered if you could explain that difference in the statement of objectives?

Mr. Chambers: Between 1977-78?

Mr. Chairman: Between the 1979-80 Annual Report and the description you have just given us.

Mr. Chambers: I would suggest that the intent and the philosophy is not changed. It is just maybe a literary cleaning up of the objectives themselves. Also, with the understanding that the Parks and Historic Resources Branch was also only formed in 1978, although it had developed many years previous. I believe it was transferred to the Territorial Government as campgrounds in 1972. In 1972, it was transferred to Highways; it went to Tourism in 1974. It went to the Resource Planning Branch which was formed in 1977 and then was made a separate branch with the advent of the development of the department in 1978. It has been an evolutionary change and there is probably some redefinition and necessary literary changes in many of the objectives here to more accurately reflect the system that we have set up today.

Mr. Chairman: In the 1979-80 Commissioner's Annual Report, it says that during 1980-81, a thorough review of the branch's long term goals and objectives will be undertaken. That suggests that there is more to come in terms of redefining the department's objectives. When we talk about the changes that have taken place to date, I will want to see how they are reflected in the department's budget and spending.

Let me just ask you about the changes that have been described in the document that you gave us this morning. What is new is the phrase "to conserve the unique and representative aspects of Yukon's historic..." and then a new phrase, "cultural heritage". I would just like to ask you if you could describe that objective and that activity a little better and perhaps give us some kind of preliminary indication of where it shows up in your spending.

Mr. Chambers: You would like a definition of the cultural part

of it?

Mr. Chairman: Just briefly explain what is meant by it because it is a nice-sounding phrase but we do not always know what it means. All of us have a definition of "culture", I guess.

Mr. Chambers: I will attempt to do that for you. The overall goal and objectives reflect back to the name of the branch, the Parks and Historic Resource Branch. Also, one of the legislative mandates that the department operates under or that this branch operates under is the *Historic Sites and Monuments Ordinance* so there is a responsibility in this branch for the management of historic sites. The wording of "cultural heritage" is to reflect historic sites such as Fort Selkirk and Forty Mile.

Mr. Chairman: "Cultural" can, of course, as we both know, be a hot word. In another part of your activities, you describe some intention to involve the native population. I think it was in reference to hiring. I cannot remember the exact phrase. The culture of this place prior to Goldrush was distinctly different from what has happened so far. Does this branch have an activity in that area other than just this sort of post Goldrush history?

Mr. Chambers: Not at the present time.

Mr. Chairman: Just so I can summarize, that objective, as you describe it, really relates primarily to the legislative authority in the *Historic Sites and Monuments Ordinance*, is that correct?

Mr. Chambers: That is correct.

Mr. Chairman: Let me move on, then, to the area of resource planning. In the 1978-79 Annual Report, the Resource Planning goal was as follows: "To plan and guide the use of Yukon's natural resources in an environmentally and socially acceptable manner for the optimum benefit to Yukon residents. To achieve this goal, the Branch is committed to public participation in the planning process."

Now, there are two things that interest me about that statement. One is the use of the phrase "natural resources", which disappears from the 1979-80 Annual Report and is replaced by the phrase "renewable resources", which might be a more accurate definition in any case; I will ask you about that.

I will also ask you about the phrase "...in an environmentally and socially acceptable manner for the optimum benefit of Yukon residents. To achieve this goal the Branch is committed to public participation in the planning process." I notice that phrase and that sentence are, in fact, dropped from the statement in 1979-80; it disappears as part of your objective. Could you give us some explanation of that?

Mr. Chambers: The explanation of why they disappeared?

Mr. Chairman: Yes.

Mr. Chambers: I would suggest there are two different perspectives; there was a change of directors between those years.

Again, the words "renewable" and "natural resources" — the overall goal of the Branch is probably better reflected in the words "natural resources" because it refers to the responsibility to plan and guide the use of, which goes beyond our renewable resources, but also gives advice as to how best you carry out developments in regards to the non-renewable resources.

Mr. Chairman: I asked this, of course, because in 1978-79, the term "natural resources" is used and, in the 1979-80 Annual Report, which is covering the year we talked about, refers to "renewable resources". Your statement today refers to "natural resources" and, in fact, except for the phrase that I talked about having disappeared, is the same as the 1978-79 statement of objectives.

Let me read the 1979-80 Annual Report statement.

"Resource Planning: Planning of renewable resource acts in a support role to other government agencies which require planning input for the best use of renewable resources, liaises with federal and territorial governments on land use matters, acts as the territorial agency responsible for renewable resources such as water, forestry and lands, that are under federal authority."

That objective or description fascinated me because of some of its content, but also because it is so sharply different from the one of the year previously, and because it is different from the statement you gave today about the department's objectives.

Were there any major changes in your budget, which you can recall, or your spending patterns that caused these changes in your statement of objectives?

Mr. Chambers: I will have to take that under consideration. I have not got the 1978-79 objectives in front of me to compare and

give you an answer. I will come back tomorrow with that if you like.

Mr. Chairman: Let me give you notice of that question, because it is something we might want to talk about when we get into actual spending in dollars.

Let me move on to the Wildlife Branch. The 1978-79 Annual Report says that the Wildlife Branch is charged with the protection and management of wildlife. It administers and enforces the *Game Ordinance*, *Fur Export Ordinance*, *Brands Ordinance*, *Pounds Ordinance*, *Migratory Birds Convention Act*, *Canada Wildlife Act*, the International Agreement on Trade of Endangered Species of Fauna and Flora, the International Agreement on Conservation, and the management of the Polar Bear, and the *Game Export Act*, and freshwater fisheries regulations, which is a fairly good description of activities.

Now, in the 1979-80 Annual Report, it says that the Wildlife Branch is charged with the protection and management of wildlife. It administers and enforces the *Game Ordinance*, *Fur Export Ordinance*, the *Brands Ordinance*, *Pound Ordinance*, *Migratory Birds Convention Act*, *Canada Wildlife Act*, International Agreement on Trade of Endangered Species of Fauna and Flora, *Fur Export Act*, and freshwater fisheries regulations.

There are some things that seem to have disappeared from the list of activities in 1979-80.

Let me not dwell on that because, again, it may be a question of literature, but we will pursue it in the question of the budget.

Let me ask you, there are two ordinances here, the *Brands Ordinance*, and the *Pounds Ordinance*, who administers and enforces those ordinances in your department?

Mr. Chambers: In the past, both those ordinances were under the mandate of the Wildlife Branch, previous to 1978 when it was an independent branch.

I think we would have to deal with the two pieces of legislation separately, but legislation itself allows for the jurisdictional level of how the *Pounds Ordinance* is administered. It is a creation of pounds districts by the Commissioner, and a pounds-keeper would be appointed to enforce and administer the regulations under the ordinance.

Mr. Chairman: I am not sure I am clear about that; I might want to ask you some more about that later, Mr. Chambers.

Let me move on a bit. Your statement today is remarkably different from the statement of objectives contained in the 1978-79 Annual Report and the 1979-80 Report. It states that your goal is to maintain Yukon fish and wildlife populations. Again, at first sight as I mentioned, this statement as regards to fish seems to go somewhat beyond the department's responsibilities, or at least its legislative authority. You have explained that. I believe you explained that there was some effort to achieve the transfer of provincial-type powers in the area.

Can you tell me what stage that is at now? Is that going to happen or is it likely to happen or are you still, as the Minister said, studying the feasibility of the transfer?

Mr. Chambers: I think both areas of action are going parallel. As is public knowledge, the Minister announced at a Fish and Game Association meeting, that he was making overtures to the Federal Minister, the Honourable Romeo LeBlanc, in regards to the transfer of the fisheries resource. At the same time, we are also in a cooperative study through a consultant on the whole fisheries management responsibility in Yukon with DIAND and Fisheries.

Mr. Chairman: Going back to the ministerial statement in March, 1979, that would indicate then that the feasibility study that was to be undertaken has been completed; in fact you have examined and assessed the feasibility of going ahead, as a management proposition.

Mr. Chambers: The first rough cut of it was completed and a refinement of that is in the stages of nearing completion. We expect the consultant's report within the next two weeks.

Mr. Chairman: Let me just give you some initial observations on the statement of objectives in the department and ask you to respond to these observations.

At first sight, for a branch that is fairly small and fairly new, the statement of objectives was almost longer than any other department in the government; they seemed very extensive. In the areas we mentioned, we talked about fish and forestry, at first sight they seemed to go beyond the mandate of the department.

In forestry it is fairly narrow; it is principally advisory, I think

you said.

Mr. Chambers: I would like to maybe clarify it for you, Mr. Chairman. The opening statement that I did make was that the objectives that I presented you with did cover a broad range of areas, more than the existing mandate. Your indication that the one in forestry is to manage the Yukon's forest resources so as to satisfy present and future demand, that goes beyond the mandate of the department at the existing time. I thought that that was what I was trying to reflect.

The creation of the department was to put in place a vehicle which could accept further transfers of resources from the federal government. Those objectives are in there as indicators of some overall objectives of those resources, if and when they are transferred.

Mr. Chairman: We are going to get into the subject of planning later, Mr. Chambers, since that is a very central activity for your department, especially a new department. What seems to be indicated here is that the management of Yukon forest resources is something that you have as a long-range departmental plan, rather than a short-term objective. Would that be an accurate statement?

Mr. Chambers: Yes, that is right. We are also responsible for a piece of Territorial legislation, which we have passed on to the federal government for management authority; that is the *Forest Protection Ordinance*.

As you may be aware, there is no federal forestry act, so federal forestry, under the Department of Indian and Northern Affairs, operates their mandate through about five pieces of federal legislation including the mining acts and the *Territorial Lands Act*. Their only mandate, in order to provide forest protection and suppression throughout Yukon, is through a Territorial ordinance called the *Forest Protection Ordinance*.

Mr. Chairman: Because I am seeing more than just a semantic difference between the department's plans and the department's objectives, let us, just for the purpose of our discussion, talk about the plans as being the extremely long-range goals of the ministry, as compared with the immediate objectives which are budgeted for.

Are there any other items in your description of objectives that you gave to us today which are really not objectives, in which you are spending time, money and manpower on now, but are more in the way of long-range plans?

Mr. Chambers: Yes, I would say there are two, specifically, that we only act in an advisory capacity on, although they are utilized within the regional planning and comprehensive planning concept; they have to be conscious of those.

The first one is to maintain clean air and pure water. We do not have the responsibility for water, although the Territorial Government has adopted, as regulations under the *Health Ordinance*, some aspects of the clean air part of that objective.

The other one specifically not in the department is that of land. Commissioner's land, at the present time, is housed within the Department of Municipal and Community Affairs.

Mr. Chairman: You commented earlier on the evolution and the use of the terms "renewable resources" and "natural resources". We have moved, in the three statements we talked about, from the term "natural resources" to "renewable resources" to "natural resources".

Was I correct in hearing you say that you felt that the term "natural resources" was a better description in terms of the department's objectives?

Mr. Chambers: Excuse me, Mr. Chairman, I think when that question was asked, you were asking in regards to a statement on the Resource Planning Branch and its functions, because that is where it is set out as a goal. I believe my statement was, yes, the term "natural resources" more truly reflects the responsibilities of the Resource Planning Branch because it has the responsibility to guide land use, which includes both the development of the renewable resources and the conservation of them, as well as the development of the non-renewable resources.

Mr. Chairman: I may, of course, have been confused about the use of the two terms, partly, I guess, because your department is called "Renewable Resources" rather than "Natural Resources".

Mr. Chambers: Yes, and certainly if you will look at most of these other jurisdictions, similar types of responsibilities usually are called "natural resources" because, within those depart-

ments, they do cover the non-renewable resources. That is really the difference between calling the department "Renewable Resources" and "Natural Resources", you have got a broader aspect. You are then covering the non-renewable resources.

Mr. Chairman: Let me ask you a very general question. It is basic, I think, to everything else the Committee will want to ask you from here on in.

Do you believe the terminology used in the description and objectives is conducive to performance measurement? Let me read you, again, the two activities and ask you to respond specifically to those.

One, "to maintain Yukon fish and wildlife populations at, or enhance them to, carrying capacity levels of public enjoyment and benefit now and in the future, and to do so by protecting and managing the populations and their environment on a sound, scientific basis."

The other one I wanted to ask you about was, to plan and guide the use of Yukon's natural resources in an "environmentally and socially acceptable manner for the maximum benefit of Yukon's residents."

As you know, we are moving to a new form of Estimates because of an expression by the House that the narrative material and statistical data was inadequate to really debate the budget. Obviously we are not talking about budgets here but we are talking about the administration of public funds.

In order to measure the performance of individual employees or offices or branches and, ultimately, departments, one would expect that the objectives would have to be stated in such a way that the performance according to those objectives could be measured. Do you feel that your statement of objectives is satisfactory from that point of view, at the moment?

Mr. Chambers: Would you like a simple yes or no?

Mr. Chairman: Yes.

Mr. Chambers: No.

Mr. Chairman: In one section of your statement of objectives, I think it was in Parks, there is a reference to revising or reforming the objectives, or rewriting them. Would you anticipate or are you involved in any project to do a re-write in terms of the whole department, from that point of view?

Mr. Chambers: From the point of view that you have just asked me a question on?

Mr. Chairman: Yes.

Mr. Chambers: I have been involved for some 20 years now in this particular field. Probably one of the most difficult areas is evaluation indicators and performance of evaluation in areas where it is not an exact science.

I have gone through the exercise before, for budgetary purposes, for treasury branches, trying to come up with proper indicators and I think that, yes, we will have —. If that is the measure of future budgets, then the objectives should reflect those objectives that could or can be measured in some form.

I would just like to reiterate that it is very difficult when you are not dealing with an exact science, you are dealing with a biological species that is affected by natural resources. Quite often the best of management is incapable of actually carrying out good management.

Mr. Chairman: I agree, Mr. Chambers.

I would like to take a ten minute break for coffee now, but let me just indicate to you the line of questioning I would like to take after coffee.

There are a few other general questions I would like to ask you regarding your department's objectives. Then I want to, if we can in a fairly systematic way, relate those objectives to your department's organization chart which you have provided us with. I am going to be asking if you have strategic plans defining the scope of responsibility in each of the specific areas you have talked about and if you have any multi-year plans to respond fully to the objectives you have outlined. I am going to be asking you about the responsibility for each objective established and is it established clearly. In other words, who is the person in the organization who is responsible for each of those objectives? Then, we will get back to this question the problem, even in your department, of stating the objectives in measurable terms.

Perhaps that would probably be enough to do this morning, but I would just like to indicate that that is the kind of line I am going to take after coffee break.

Let us adjourn for ten minutes now and we will come right back. Thank you, Mr. Chambers and Ms Phillips, ten minutes.

Recess

Mr. Chairman: The Committee will come to order.

When we left we were talking about the departmental objectives of Renewable Resources. Mr. Chambers, I want to try to relate the objectives, as you have described them, to positions in your organizational chart. What would be the easiest way to do that? Would you rather work from the organizational chart to the objectives or from the objectives to the organizational chart? What would be the easiest way, from your point of view?

Mr. Chambers: Perhaps, Mr. Chairman, to work from the organizational chart.

I would like to make one correction on the organizational chart. On Chart No. 1 showing the overall department and branch set-up, the Administrative Officer is no longer an Administrative Officer acting as a Departmental Administrator, but, rather, is a Departmental Administrator.

Mr. Chairman: Congratulations are in order, then, to Judy Phillips.

Rather than me asking a series of repetitive questions, Mr. Chambers, would you just like to proceed and try to connect the activities with the chart?

Mr. Chambers: Perhaps we could go to the organizational Chart 1c, of the Wildlife Branch.

The major legislative mandate of that particular branch is the *Game Ordinance*. The position at the head of the branch is the Director, who is responsible for the administration of the ordinance. The financial responsibility for carrying out programs under the branch organization is basically split into two sections: an enforcement section, which are, as I previously described, located in five district offices; and the management section which involves a range of professional and technical people who are specialists in various biological areas, such as fur-bearers, caribou, birds, bear, big game.

The overall goal is a motherhood type of statement, which says that the goal is to maintain the fish and wildlife populations or to enhance them to carrying capacity for public enjoyment and benefit now and in the future.

In order to manage the wildlife species as set out in Objective 1, you do two things. I am trying to simplify it as best I can. Basically you have to know your populations and you have to know the past harvesting experience in order to set future harvesting levels. That objective is carried out by both segments of the branch. The management or biological section does gather the data on population levels themselves, as well as the population dynamics as to what is happening to that population. The harvest levels are set by regulation and the regulations are enforced by the enforcement section.

Mr. Chairman: Before you go on, Mr. Chambers, I used the word "responsibility" before, but in terms of Objective 1 of the Wildlife Branch, who is the person responsible or accountable to you for achieving that objective?

Mr. Chambers: The Director.

Mr. Chairman: From your point of view, is the objective stated in terms that allows you, as his superior, to measure the performance of the Director, of and according to that objective.

Mr. Chambers: Would you repeat the questions again, Mr. Chairman?

Mr. Chairman: Objective 1 is: to manage the game species to provide for their continued existence while allowing for a harvest of a maximum sustainable yield or a low level, depending on social benefits sought. Given that description, when you come to evaluate how well the director is doing in achieving that goal, is that objective stated clearly enough to allow you to assess his performance?

Mr. Chambers: I think it has to be recognized that we are putting forward, to the best of our ability in our budgets, the capability of trying to attain the information in regards to population levels in the Territory. At the present time, Yukon is still ten years behind those areas in southern Canada who have been involved in wildlife management since the resource transfer. I compare ourselves here to our southern neighbours in Saskatchewan and Manitoba and Alberta, and so on, who have been charged with the responsibility of wildlife management since the *Resource Trans-*

fer Acts of 1930.

To try to answer your question, there is a level of degree by which we can measure that success. It is not to the level of degree that we would like, but then, again, we do not have all the statistical population analyses available to us to know whether or not we are at maximum sustained yield, or lower.

Mr. Chairman: So it is very hard for you, if you had to come to evaluate the performance of your Director of Wildlife, to define what the maximum sustainable yield of a species is with any scientific certainty, at this point. Is that correct?

Mr. Chambers: That is right. I think I stated earlier that wildlife management is not a straight line, scientific management area.

There are many factors; it is not an exacting science.

Certainly, there are indicators from which you could measure the performance. Hunter satisfaction, hunter success ratios and levels of complaints are all indicators which you use to measure the satisfaction. Now, again, they are not scientific types of indicators, but there are levels of indicators that we do use, yes.

Mr. Chairman: Let me backtrack just one step.

I understand your problem in trying to define, with absolute objectivity, what the maximum sustainable yield might be in a species, but you presumably expect your director to have some statement or some target or some figure which he would say is the maximum sustainable yield, against which you could measure his performance. In other words, if there were more species being taken than the maximum sustainable yield, then that would be a performance indicator from the point of view of the branch, would it?

Mr. Chambers: I would say the performance indicator was that with that knowledge, there was not a secondary action taking place to bring the harvest back to a sustained yield.

Mr. Chairman: As a global thing, that would be a general indicator?

Let me ask you about the second thing in that definition which is "lower level depending on the social benefits sought". Are those social benefits described in a way that allows measurement? You talked about hunter satisfaction; is that one of them?

Mr. Chambers: Those are types of social benefits, but I think we are dealing in an area of social benefits that are policy areas of the government of the day.

Mr. Chairman: That is a policy that is given to you in such a way that it still allows you to say to the branch, "Yes, you are achieving this policy objective," or, "You are not."

Mr. Chambers: Yes.

Mr. Chairman: I am sorry for interrupting you at that point, Mr. Chambers, but that is the kind of concern I have on each objective and I just wanted to establish who was the responsible party.

Carry on, if you would.

Mr. Chambers: The second objective again deals with protection of the wildlife resource. Most of that objective is carried out through the proper enforcement of regulations, although it also relates to Objective 1, which is partially the responsibility of our biological staff and that is to ensure that there is wildlife in sufficient numbers around for the non-consumptive user to enjoy.

The fur industry itself is dependent upon just about all levels of the branch, right from the biological level where we are still finding out how to manage or set down guidelines for trappers, in order to advise trappers on maximum levels of harvest and the best ways to manage the fur-bearers on their registered trapline, to the licensing and enforcement and the export of those furs to the buyers. Some of that is achieved through the trapper educational programs that the branch carries out.

Mr. Chairman: When you are measuring your own department's performance in managing the fur industry and the fur populations, one performance indicator you gave was approximately one million dollars in fur sales. You have indicated a problem of scarce resources in terms of achieving your objectives, which is presumably partly a problem of revenue.

Do you measure the revenue from a resource such as fur trapping as a performance indicator or as a measure of how healthy the industry is or how healthy the species is?

Mr. Chambers: If you are referring directly to the fur industry, no, you cannot really use that as a performance indicator. You could use the level of activity as a performance indicator. By that I

refer to the number of fur-bearers trapped.

That, again, has to be used with judgment, but the price cannot really be used as an indicator because price is usually dictated by the world market demand for furs. We have been fortunate over the last three years in Yukon, from the fur industry and the trappers' viewpoint, because we do have high grade, long-haired furs. That is reflected in those dollar statistics in the 1979-80 year; we had approximately \$1,000,000 in fur sales. That is revenue to Yukon trappers.

Mr. Chairman: Have you any idea what the revenue to the government, to the resource manager, is from that industry, in global terms?

Mr. Chambers: In that particular year? Infinitesimal. The revenue that the government received was through the fur export tax, which I believe we dropped in that year because it was a very minor revenue.

Mr. Chairman: How about licence fees?

Mr. Chambers: The licence fees, again, are low in comparative dollars. We license 380 registered traplines. The trappers themselves are licensed, as well as the assistant trappers. Their trapper's licence fee is \$5.00; 750 times \$5.00.

Mr. Chairman: I do not want to stray into a policy area where we will get into the whole theoretical debate about the cost of administering a tax versus the benefits accrued from the tax.

I would like to give you notice, Mr. Chambers, that I would like to return, later on, to the problem of a department that has to manage a resource and your responsibility for advising policy-makers about levels of taxation revenue. You are also a taxing agency of government and you have to produce revenues which, presumably, partly offset the cost of managing the same resources. I do not want to get into that now, but I give you notice that I would like to get into that.

Perhaps we could just continue through the goals, then.

Mr. Chambers: The biological section would be responsible for the fourth objective. At the present time, we have not carried out that objective in any one of our activities or programs.

Mr. Chairman: Could I ask you about a definition there? Would you explain "...into ecological niches not occupied by indigenous forms"? I was not sure, when I first read this, whether you were talking about elk or perhaps restoring the caribou herds to southern Yukon.

Mr. Chambers: It talks about two things, Mr. Chairman. Maybe I could best exemplify it by examples. When we are talking about the re-introduction of indigenous Yukon species, an example would be a sheep range from which that population has disappeared but the range has not disappeared so we would be looking at the re-introduction of sheep on that range, the re-establishment of a herd.

The other thing is to extend the ranges of adjacent game species. I think your example is one; the range is there. Other species in Canada, such as elk, are adaptable and it would be under that objective that you would relocate such a species as elk into that ecological niche.

Mr. Chairman: You may not be able to answer this right away, but under Objective 4, was there any expenditure in the year under review?

Mr. Chambers: Not in carrying out that objective, although, in the year under review, there were some dollars for some monitoring of the second part of that. It was not done by this branch; it was done fifteen or twenty years ago when the elk were brought in. There were some dollars in there for the monitoring of the herd to see what was happening to it.

If you go to our organizational chart, you will see, on the bottom left-hand corner, a position called a bio-metrician. That is really our statistician, our statistical analysis person, who gathers hunter statistics received from our sale of licences, hunter success, and compiles most of that information, which is then utilized by the management section in trying to meet that particular objective.

The sixth objective portrays more the support function. We achieve Objective 6 through cooperative research, dispensing of any information that we have that may be valuable to other agencies in regards to their wildlife resources, and also through cooperation of other wildlife agency resources passing information to our staff.

The seventh objective is primarily achieved through the position that you see there, the Environmental Protection Biologist. Any

one of the management unit can give advice, — they are in an advisory capacity — to those people responsible for management of land, water and fish on the implications that various management or development proposals have.

Mr. Chairman: Can you tell us, Mr. Chambers, who is the person accountable to you for achieving that objective?

Mr. Chambers: The person who is accountable to myself for achieving that objective is the Director of Wildlife.

The person who is accountable to the Director of Wildlife is the Environmental Protection Biologist.

Again, we are charged with the responsibility, as earlier portrayed in the regulations, for the endangered species. In the most part, the endangered species that we are concerned about are birds, particularly raptors. We have an ornithologist on staff whose primary concern is in that particular area.

There are other endangered species that we are concerned with, such as musk ox — although there are only two of them, that are on our endangered species list. It is the responsibility of each province or territory to declare a list of endangered species.

Objective 9, I think, is fairly straight forward. The responsibility in the branch passes through the Director. It is the responsibility of the field staff to administer the ordinance and regulations of the branch.

Mr. Chairman: Mr. Chambers, are all the ordinances that you listed before being actively enforced at the moment?

Mr. Chambers: Those that have regulations that require enforcement, yes.

Again, Objective 10 is the responsibility of everyone in the branch from the Director down. It is promoted and carried out through public contact and educational programs with school children as well as the general public.

Mr. Chairman: Mr. Chambers, as Deputy Minister, how do you define how well you are doing on that objective?

Mr. Chambers: On the objective of dealing with the public?

Mainly by the degree of personal contact that the public has, much of it with either the staff or myself or the Minister in the way of public meetings or personal one-to-one contacts. You get a measure of degree of it, I guess, by public reaction, by public complaints; the level to which you can respond and satisfy their reactions.

Mr. Chairman: Do you keep a log or any kind of record of telephone calls or letters which are either beefs or bouquets, so that you can look at it periodically and say, "Well, we have been doing very well, recently, there have not been many people mad at us. We are getting a lot of calls about this" or "We are not getting many calls about that"?

Mr. Chambers: I do not keep a record of it, but certainly the chief enforcement office and his staff do. On that particular one, we do keep a file of complaints or the beefs. We do not record the bouquets. Our objective is to reduce the beefs, then supposedly the bouquets go up, or there is apathy and nobody gives the bouquets.

Objective 11 is being carried out through public discussion meetings with interest organizations, as well as, most importantly, the Wildlife Advisory Committee, which is a representation of interest groups in Yukon who advise the Minister directly.

Mr. Chairman: Is that Committee fully staffed at the moment? Is every position full?

Mr. Chambers: There are two vacancies which have not been filled to date, and there have been resignations which we are in the process of refilling.

Mr. Chairman: What interest group is not represented because of those vacancies which have not been filled?

Mr. Chambers: Our Yukon Indian interest group.

Mr. Chairman: The two vacancies that have been caused by resignations, what interest groups do they come from?

Mr. Chambers: One is from the Yukon Visitors Association. There are two members on the Committee who are appointed by Cabinet and one of those is vacant.

Mr. Chairman: So those are from the public at large, are they?

Mr. Chambers: That is right.

Mr. Chairman: How many members are there altogether on the Committee?

Mr. Chambers: Nine.

Mr. Chairman: So there are four vacancies.

Mr. Chambers: That is right.

Mr. Chairman: Who is the Chairman?

Mr. Chambers: The Chairman was one of the vacant positions, so the Vice-Chairman has been acting in the capacity of Chairman.

Mr. Chairman: Who does that Chairman report to when they have had meetings?

Mr. Chambers: The Minister.

Mr. Chairman: He reports directly to the Minister. As far as you are aware, Mr. Chambers, how often has the Committee met?

Mr. Chambers: I cannot give you a definite answer to that. I could come back. They meet on a monthly basis and I believe they are now in their fifth or sixth meeting.

Mr. Chairman: Does your Ministry provide any support service to the Committee such as secretarial and so forth?

Mr. Chambers: Yes, we provide secretarial services, typing services, to the Committee. As well, we pay the per diem expenses for sitting on the Committee when they are at meetings.

Mr. Chairman: Who functions as Secretary of the Committee?

Mr. Chambers: At the existing time, we have been functioning with a contractual arrangement. We contract a secretarial service.

Mr. Chairman: It is not an employee of your department?

Mr. Chambers: That is right.

Mr. Chairman: Do any employees of your department attend the meetings in an *ex officio* capacity?

Mr. Chambers: The Director of Wildlife attends in an *ex officio* capacity. Other members of the staff can attend upon request of the Committee.

Mr. Chairman: That really is the principal instrument for achieving this public participation objective?

Mr. Chambers: Yes.

Objective 12 is carried out by a combination of both units in an advisory capacity, advising the federal government in the case of land use through a Land Use Advisory Committee. That information is usually provided by the Environmental Protection Biologist but it may be gathered from any one of the other specialists, or a combination of those specialists, their technicians, and the enforcement staff.

Objective 13 deals in two areas, primarily. The secondary resource industry that we refer to here is the fur industry. At the present time, it is one that we have a mandate and responsibility for. Again, we do this through discussions and cooperation with the Yukon Trappers Association, with the trappers themselves, with the other organizations such as CYI and the Yukon Arts and Crafts Association, looking at the fur industry and utilization of the fur industry in the retail of garments or articles.

Mr. Chairman: Who is the principal officer responsible for that, Mr. Chambers?

Mr. Chambers: The principal officer in regards to the fur industry is the fur-bearer biologist.

Mr. Chairman: Including supporting the establishment of wildlife resource-based secondary industries?

Mr. Chambers: Yes. It is a combination of the advice of that particular position and the Director.

Mr. Chairman: How do you measure the performance of those offices on that activity? Do you keep track of the number of successful businesses of that kind?

Mr. Chambers: No, I think the objective does not lend itself to that. It is a support objective, so we are in an advisory capacity.

Mr. Chairman: It is advisory. "Support" suggests a little more than advice. Do you have even a very crude indicator that would allow you to make a decision as to how well your department was doing on that objective? Do you have any activity reports?

Mr. Chairman: We do not have an activity report in regards to the secondary industry itself. It is private industry and the management of that industry is in the hands of private individuals.

Mr. Chairman: Could you in any way define in the accounts what you have spent on that objective?

Mr. Chambers: Because it is a support function, the only kinds of costs, to the existing time, that you could attribute to that would be if you wanted to try to separate out staff salaries to attend meetings and to give advice. Again, the secondary industry could

not operate without the support of the primary industry which is the trapping industry, and we do have an accountability of what we do spend on the trapping industry.

Mr. Chairman: Given that they are linked though, you would have a rough idea of how much time the officers involved would be spending on this activity.

Mr. Chambers: Yes.

Mr. Chairman: Perhaps we could move on to 14 then.

Mr. Chambers: Again, Objective 14 is carried out through the functions on the right side of the chart, the enforcement, and through programs that the Outdoor Educational Officer assists the Enforcement staff with. These programs are also carried out with the direction and assistance of the Chief Conservation Officer and the Director, and offices in the field and support facilities in the field are provided. It is a service function in that we do have offices operating in the districts, which is a public service at a local level.

Mr. Chairman: Mr. Chambers, as I believe I indicated earlier, some of these objectives, and that one in particular, strike me as being a bit fuzzy. Let me ask you some specifics there. I could probably ask this about any one of the others but this might lend itself to this kind of question. You say "to improve the performance, reputation and public image of field staff as local wildlife authorities, in addition to their roles in enforcement and administration of regulations". This really touches on a personnel question which I believe ought to be measurable in a way that perhaps some of the other activities of the department may not as easily be measured. Having stated this objective, does the branch have a strategic plan defining the scope of the responsibility of these officers? Presumably they have job descriptions, but in some cases you may not always have people who come into the jobs with a sufficient level of training or experience. I would like to know if you have some kind of on-going, or multi-year plan, or long-range goal to improve the performance of your field staff and to achieve this objective. How do you do that? Presumably it is not something you can just simply do on a one year basis, but it is something you could probably measure on an annual basis.

Mr. Chambers: Yes. We have set a level of standard of educational background which conservation officers have to achieve. We have, and have continued it all along, a training program for the conservation officers. I think our long-range objectives are reflected in the establishment of field offices for these personnel. The improvement of those field offices would reflect an improvement in their performance or their ability to perform. At the present time, they are one-man offices; an addition to those would certainly improve their performance. I think that the other types of things follow with that. With improved performance, you have improved public contact.

The educational officer and the biological staff are providing better public information material and documents on a continuing basis which allows some of these things to happen. The conservation officers and some of the biological staff carry out educational programs and act in a lecturing type of capacity for local classrooms on various subjects.

Mr. Chairman: Let us use an analogy from police forces, which is somewhat removed from this, but we can use it as an example. I understand the RCMP, for example, spends a million dollars a year on public relations and that might be a way of improving the reputation and public image of their employees, if they had a similar objective. You might have a small town police force in rural United States, though, who measures the performance of the officers by the number of tickets they hand out. They may even have a quota for this; one hears that this is the case, and so on.

I will ask you to elaborate on the answer you gave a minute ago and ask what are the hard figures, the objective criteria by which you can measure the performance of the field staff? Do you have any objective way of measuring the reputation and the improvement in public image? Presumably their performance is not measured by the number of people they catch in violations. Presumably it is something a little more sophisticated than that.

Mr. Chambers: Well, the overall goal of the enforcement part of the department is not to see how many people they can catch, but rather, as you reflected earlier, it may be more like the RCMP. Certainly our goal is to encourage people to police themselves. The performance indicators would be a decrease in violators, or the number of violations that are occurring, rather than how many people they catch.

Mr. Chairman: That provides us with a very useful indicator to

look at in future years. Fifteen in some way connects with that, Mr. Chambers, I would guess. Would you like to respond to that?

Mr. Chambers: I think Objective 15 is reflected in all of the staff, both on the enforcement side and on the technical side. Yes, we do have a high degree of experienced, competent staff. At the present time, one member of the biological staff is out on educational leave and one former staff who has been seconded from us is also out on education leave. So there is a program for upgrading and adding to additional education levels for staff.

Mr. Chairman: Could you just elaborate a little on the program of upgrading? You could very easily say in order to be a social worker, you have to have a Master's degree in social work from the University of Toronto. You could say that that is a job classification. Or, you could decide that what you want is a caring, sensitive person who has some experience in human relations who happens to have knowledge of the community. You can write the standards any way you want. Could you tell us something about what educational levels or training or experience you expect of your employees, and what you might give to them if they come into the jobs without the background you would like?

Mr. Chambers: Most of the professionals in that branch, and I have to treat them as separate classifications here, particularly the biologists, are at a minimum of a Master's level, although we do have Ph.Ds within the department, one of them within that branch and one individual who has not yet received his Ph.D, but has done all the qualifiers except, I think, the oral for it.

I think there is some rationale for that level of request because they are specialists. There is really not an educational course; they are biologists and usually the Master's leads into some specialization or degree of specialization in biology.

The lower level that we are looking for in our enforcement staff is a diploma from a resource institute, which is a two-year diploma. The kinds of subject material that they take in qualifying for that diploma covers the broad range of resource management so they are not just in wildlife, but they are in forestry, fishery, whatever. We give additional training to them, because they are conservation officer staff, in the legislation that they have to enforce, as well as training courses in proper law enforcement types of activities.

The technician level can vary, depending upon the level of responsibility that you are going to give them. The ones you see here are the permanent technicians. Most of them have the minimum type of educational level that the conservation officer has and they may have degrees but usually not at a Master's level.

Mr. Chairman: Can I just ask you about the second part of 15, the reference "to ensure a capability for complete autonomy for Yukon in the field of wildlife and inland fisheries management". May I ask you about that inland fisheries management?

Presumably the takeover that is contemplated here is being done according to some kind of long-term plan which must have been made or developed some time ago, perhaps in that period 1978-79 that we were talking about. Could you describe how long-term a plan it is and what stages you are at in that plan in terms of putting in place the people with the right qualifications to do the job that you eventually hope to take on?

Mr. Chambers: I think you have asked me two questions. There is one which I do not feel that I am in a position to answer for you and that is the area of policy of the Territorial Government and what their aspirations are in the transfer of resource responsibility in the constitutional development of the Territory.

Mr. Chairman: I want to know how you are ensuring the capability that is described in this objective.

Mr. Chambers: The Inland Fisheries Management capability is not in existence in the branch or the department at the existing time. The objective recognizes that it is a necessary component if you are going to carry out that responsibility and mandate. Therefore, if the fisheries resource is transferred, that responsibility would have to be in place if you were to meet that objective.

Mr. Chairman: Presumably there is a plan in place; how many people are you talking about? You have not got them but you do know how many people you will need to ensure that capability.

Mr. Chambers: Not in exact numbers. I think I indicated to you earlier that we are still awaiting and are probably two weeks away from a consultant's report which addresses part of that particular question, so I am not in any position to be able to answer it at this time. We do, at the present time, carry out enforcement of fisheries regulations, so there is a degree of fisheries responsibility in enforcement.

What I am indicating is that we do not see a need for any increase in staff, or very little increase in staff, in the enforcement level of the department because we are already carrying out that responsibility.

Mr. Chairman: So it would be true to say that in the year under review, 1979-80, you are not in a position to fully achieve that objective?

Mr. Chambers: That is right.

Mr. Chairman: Let us leave that at that, then. If we could, Mr. Chambers, I would like to continue on this line of questioning tomorrow. Then, as I think we have already advised you, we want to go into some discussion about responsibility centres, and some discussion of the particular expenditures under a number of votes that we have indicated to you. Perhaps there will then be some questions about the General Development Agreement and the Yukon River Basin Study.

I hope you can be back with us tomorrow morning. Thank you and Ms Phillips for being here this morning.

Committee will now adjourn to Executive Session.

Before we do that, I just want to say thanks to the Clerk of the Assembly, Mr. Pat Michael, for sitting in this morning for Missy Follwell who unfortunately is in the hospital, but who we hope will be back with us soon.

Committee stands adjourned.

The Committee adjourned at 11:32 o'clock a.m.



The Yukon Legislative Assembly

Issue No. 8 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Thursday, January 29, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisor from the Office of the Auditor General:

Harold Hayes

Principal

Witnesses:

Lynn Chambers, Deputy Minister, Department of Renewable Resources

Judy Phillips, Administrator, Department of Renewable Resources

EVIDENCE

Thursday, January 29, 1981 — 9:30 a.m.

Mr. Chairman: Standing Committee on Public Accounts, meeting number 8, formal hearings, will come to order.

We are dealing again, this morning, with the Department of Renewable Resources and I would like to welcome back Mr. Lynn Chambers and Ms Judy Phillips.

Mr. Chambers, yesterday, I indicated the kind of ground we wanted to cover this morning. Rather than continuing *ad nauseum* with the detailed discussion of the organizational chart and the objectives, I wonder if I could just ask you a couple of questions about objectives and activities, by way of summarizing that discussion, to allow us to move on to the next section?

Section 4.2.1 of the Financial Administration Manual, states in part that "Management sets certain objectives which it tries to accomplish through the efforts of the people it directs. In this sense, it looks toward a final goal through a series of steps and processes."

Within this context it seems that the goal is the end to which the effort is directed. The series of steps and processes leading to that goal are the objectives which are something towards which the effort is directed, or something to be achieved. Activities are processes or means of achieving the objectives leading to the final goals. Would you agree with that analysis of goals, objectives and activities?

Mr. Chambers: Yes, that is how we use them in the department.

Mr. Chairman: It seemed to me yesterday, the way you were describing your objectives of the Wildlife Branch, that many of these were really activities that go on within the branch. Would you agree with that?

Mr. Chambers: To a degree. Mr. Chairman, again, we get into semantics. Each one has some definition of an activity, sub-activity level, projects, programs, between financial definitions and our own definitions. If we are talking of activities, I believe I understand what you are talking about and I agree with that.

Mr. Chairman: Would you agree that it is the activities which determine the funding requirements of the department?

Mr. Chambers: Yes.

Mr. Chairman: Objectives, then, are the sum of the activities. Would you agree that the objectives should summarize what you wish to accomplish by carrying out these activities then?

Mr. Chambers: Yes, your objectives are a statement of intent of what you desire to accomplish to meet your end, overall goals.

Mr. Chairman: I do not have any more questions about that. I just wanted to summarize and see if my understanding about this was closer to yours.

I think you indicated yesterday that, in respect to parks, there was a rewrite of the objectives and long-term goals coming and that possibly something might be in order for the rest of the ministry. Rather than pursuing that now, let me go on to the other questions.

Mr. Byblow, you have a couple of questions about responsibility centres, right?

Mr. Byblow: Mr. Chambers, last year in the Committee hearings, the Finance Department identified the Department of Renewable Resources as one of three departments that developed responsibility accounting through the establishment of responsibility centres.

Because I am not too clear how that works and exactly what is done to achieve that, could you describe it?

Mr. Chambers: I will give you a general description of it and any specifics on how we have implemented that within the department I will turn over to Ms Phillips.

The statements last year in the Publics Accounts hearings were true; we were one of the departments going to this system. We have set up the responsibility centres, but only one of the branches is working with it in detail, or has it broken down in detail. The system itself is an historical accounting system; it tells you, after the fact, what has been spent and where it has been spent. It is of assistance to the managers, who are responsible for those activity areas, to better forecast what the relative costs are by sub-activity or at the level they want.

The computer system itself is not yet set up to handle the detail of information that we are accumulating information on. For instance, our maintenance part of the campgrounds is broken down and we get some of the information from the computer, but we have to get some of the information manually through our Administrative Branch and we are calculating costs right down to the campground level.

Mr. Byblow: You indicated that only one branch of the department was actually using this system. Which one would that be?

Mr. Chambers: The Parks and Historic Resource Branch; that is in the last fiscal year.

Mr. Byblow: In trying to summarize this system, it essentially could be described as an activity identified as to cost throughout the steps of the management process. Would that be correct?

Mr. Chambers: Even to a lower level than an activity. Perhaps I will turn that question to Ms Phillips to answer as to which level lower than the activity that we are defining costs at.

Ms Phillips: The activities that we have identified within the Parks and Historic Resource Branch is one of operations and one of maintenance. Those are further broken down into sub-activities; however, those sub-activities define a total cost of, you might say, materials and supplies. What we have tried to do is break down those materials and supplies into the different campground areas as they relate to the districts that you have seen pointed out in one of those maps.

Does that answer your question?

Mr. Byblow: It essentially amounts to a refinement of costs per activity that is broken down so that you can separate operation and maintenance from the general sense.

Ms Phillips: From an activity level down into an actual campground.

Mr. Falle: I would like to know where agriculture falls in your organizational chart? I do not see it on there.

Mr. Chambers: It does not.

Mr. Falle: Your department is not looking after agriculture, then?

Mr. Chambers: The Territorial Government does not have a responsibility for agriculture. We do not have an agriculture branch or a department of agriculture in Yukon.

My department was directed to develop an agriculture policy so we are working on the development of an agriculture policy, but we do not have any activity level or program level called "agriculture" within the Territorial Government, either in my department or any other department.

Mr. Falle: You say "we", "our department". In what category would it fall?

Mr. Chambers: Whose responsibility is it within the department to develop the agriculture policy?

I have directed that responsibility to my Resource Planning Branch.

Mr. Falle: It will come under Resource Planning.

Mr. Chambers: That is correct.

Mr. Chairman: I notice on Page 9 of the statement you gave us yesterday, you referred to resource inventory in the Southern Lakes area of 7,030 square miles. Apart from the area of land covered, what type of information do you have with respect to fish, wildlife, minerals, et cetera, from this inventory? What resources have you catalogued?

Mr. Chambers: The inventory that is referred to is a bio-physical inventory, which is a team approach of gathering an information base. It is being gathered on an ecological land classification system.

I would not want to go into the technical details, as I am probably not completely competent in doing that. As a general overview, we are there gathering information on suitability and capability; the classification will allow suitability and capability being interpreted for various types of uses such as wildlife, forestry, fisheries and agriculture; so, they are gathering information on the vegetation, the soils, the water regime and those various things. They are not gathering information on specific population numbers of moose, caribou or fisheries.

Mr. Chairman: The inventory specifically covers renewable resources.

Mr. Chambers: That is right, but in the areas where we are carrying out the ecological land survey, we are coordinating our

work with the Canadian government. Geological Survey are covering the areas, which is giving additional information on the non-renewable resource base. We have cooperated with the archaeologists and are assisting them logistically with aircraft and so on, so we are also getting some of that information collected at the same time.

Mr. Chairman: Before I turn you over to the tender mercies of Mr. Hanson, Mr. Byblow has one short question.

Mr. Byblow: My question goes back to the responsibility centres. Because of the way that you have described it, would it be fair to say that the responsibility centres are in fact cost centres because of the method by which costs are broken down per activity?

Mr. Chambers: I will turn that over to Ms Phillips to answer.

Ms Phillips: I am not exactly sure if I am reading you correctly, but I think what we are trying to determine in the responsibility centres is the actual costs of specific areas, as they are designated to the specific areas. In that way, I guess the answer would be yes.

Mr. Byblow: Given that the responsibility centre, as you describe it, is in a sense a cost centre, is there any calculation done on an annual basis to determine costs?

Ms Phillips: This is our first year of actually having a responsibility centre and being able to collect data in this way. It is not fully functional yet; there are many things that we have to do in the internal system, between the Department of Finance and ourselves, to be able to collect that data. So, it has not been used because we have no historical background as to what these costs are. This responsibility centre is set up to try to enable us to formulate that.

Mr. Byblow: Is it your intention to computerize this information so that you have this data base?

Ms Phillips: That is right. This is our first year, though, and we have not been able to analyze that data at this point in time.

Mr. Byblow: I see this function as being very useful in the financial —

Ms Phillips: In financial control and in analyzing what it is costing us in specified areas.

Mr. Hanson: I will be on Vote 1401 right now. Do you have any parks in the Territory, or does your department not presently have any parks in operation?

Mr. Chambers: Under the *Territorial Parks Ordinance*? No, we have not.

Mr. Hanson: Do you have any designated for future parks?

Mr. Chambers: I understand your question to be an intent of designation or a question of intent. Yes, we have been awaiting the transfer of campground lands from the Federal Government to the Territorial Government. Then we will probably classify a majority of our campgrounds as recreational parks, under the authority of the *Parks Ordinance*. Since 1974, we have had a number of areas throughout the Yukon reserved on the Federal Department of Indian and Northern Affairs' books, for future Yukon Territorial parks but none of those have been transferred to date.

Mr. Hanson: Therefore, we have no actual start of any park areas for our government?

Mr. Chambers: Not as far as physical development, except for those campgrounds that I mentioned. We are actively inventorying and looking at the park classification system so that it could be implemented if and when lands are transferred to the Territorial Government.

Mr. Hanson: The campgrounds now number 57. The number of designated sites is 890. How many of the designated sites have you tied up the land for so that it cannot be used by anyone else, roughly?

Mr. Chambers: Those are the 1979-80 figures that I believe you have given me. There are more designated sites than that now. There are about ten different systems of how those campgrounds are held from lease to simple utilization.

To my knowledge, we do not have complete Territorial control of any of them, but I would stand to be corrected on that.

Mr. Hanson: There are presently 57 campgrounds in use. How many programs are completed at this point?

Mr. Chambers: When you refer to "completed", you mean the capital infrastructure is in totally? Again, we have to go back; we are talking about the 1979-80 year. We started quite a large reconstruction and new construction program under the subsidiary agreement with the Federal Government. In the figures for 1979-

80, most of the 57 designated campgrounds at that time were under one or another phase of rehabilitation, reconstruction or new construction.

We have completed some now.

Mr. Hanson: Do you allow for roads going into these campgrounds in your budget projections?

Mr. Chambers: Yes, we develop them as project costs; especially in a brand new campground, the road is part of the overall project cost, the same as the site planning as well as the infrastructure that goes into it.

Mr. Hanson: Before the Chairman asks the question, I might as well ask it of you. Did you spend the \$400,000 that was kicked around for a long time?

Do you remember the \$400,000 that we spent quite a bit of time on? I presume that was spent in your new workshop.

Mr. Chambers: The assumption is incorrect, but yes, we did spend it.

Mr. Chairman: Believe me, I was not going to ask about that again, Mr. Chambers.

Mr. Hanson: On 1410-planning, what does the planning actually entail? I see you have joint planning for Whitehorse North and Whitehorse South but what other planning are you doing?

Mr. Chambers: We have two active areas under plan right now, the East Kluane Planning Area and the Dempster Highway Planning Area. I have brought with me both of those planning proposals that went out as public documents in case you are not familiar with them. The final plan has not yet been developed so it is not available for public consumption.

Mr. Falle: Again, the agriculture policy comes in under Resource Planning. Is the planning for the residential lots and everything else south of Whitehorse still in the same department?

Mr. Chambers: You have two questions. The answer to your first question is, as I previously stated, yes, we have been directed to develop an agricultural policy and it is being done by the Resource Planning Branch. The second part of your question is that we were in a joint planning exercise with the Federal Government on both Whitehorse South and Whitehorse North Study Areas and that study included the land use planning for various uses outside of the block land transfer area.

Mr. Falle: The department is also responsible for public meetings?

Mr. Chambers: Are you referring to public meetings in regard to the planning process?

Mr. Falle: Yes.

Mr. Chambers: Yes, that is part of the public participation process. It is only one method of public participation. We use several other ones.

Mr. Byblow: Mr. Chambers, I would like to talk about 1420 a bit. This branch of the department is essentially responsible for all of the objectives or activities as outlined to us yesterday; that is my assumption. Is that correct?

Mr. Chambers: Yes, those are the objectives. That does not necessarily mean that we have activities or projects within the department that are meeting all those stated objectives.

I think I stated yesterday, for instance, certainly part of the fisheries objective cannot be met because we do not have the mandate today, although we do carry out the enforcement of the fisheries regulations as well as printing the fisheries regulations synopsis.

Mr. Byblow: I note in the Estimates that the number of man years is 28. Your chart, 1c, calculates a man power of 26. Are the missing two man years the educational leave that you were talking about yesterday?

Mr. Chambers: Chart 1c shows those 26 permanent man years. In addition to those, there are 3.5 casual man years and I apologize for omitting that on the chart; two of those casual man years are - if you want to attach a line and a circle underneath the conservation or the enforcement section; 1.5 of those man years are under the management section of that branch.

Mr. Byblow: So in addition to the 26 outlined in the chart, there are 3.5 more positions?

Mr. Chambers: Correct. Again, I believe you are looking at the man year complement of the 1979-1980 Estimates.

Mr. Byblow: Yes, I am.

Mr. Chambers: The organization chart that I provided you with is dated in 1980, so that there is a difference in the man year complement between the organizational chart and the Estimates.

Mr. Byblow: I am still not perfectly clear. Would that mean, then, excluding the casuals, the complement of staff that you have now is 26, which would be a reduction of two from the 1979-80 Estimates?

Mr. Chambers: No, I believe in the Estimates that you are looking at, the 28 does include the casuals. We have to raise casual man years as if they were permanent man years.

Mr. Byblow: I am not too clear on how the casuals fit into the system.

Mr. Chambers: Casual man years are basically used for a short duration in the form of summer assistance, technical work, or in the form of necessary secretarial or clerical help.

The best example is that we utilize part of the man years in the enforcement section to enable us to man the district field offices on a two or a three half day week.

Mr. Byblow: In addition to the casual hires, as you have identified them, are there any additional contract-type personnel?

Mr. Chambers: Yes, we heavily utilize professional service contracts for technical assistance to carry out specific functions. An example that I could relay to you is the cutting and aging of grizzly teeth that we collect from the hunters as biological specimens. We write a service contract for an individual to do that for us under the supervision of the bear biologist.

Mr. Byblow: That type of activity shows up in what section of the Estimates?

Mr. Chambers: It will show up as Professional and Special Services, Primary 20.

Mr. Byblow: Primary 20 identifies \$27,000 and that is the estimate of contract services for the type of activities as you described.

Mr. Chambers: That is right.

Mr. Byblow: It is in addition to the 3.5 casual man years?

Mr. Chambers: Yes, the casuals will show up as if they were permanent man years.

Mr. Byblow: So, if the budget identifies 26 and you have 29.5, there would no doubt be a variance there.

Mr. Chambers: I am not sure I understand that. The figure of 29.5 that I gave you is in relationship to the organizational chart. I misinterpreted the question you were asking. You were looking at the 1979-80 which, in fact, was 28 and included the casuals.

Mr. Byblow: We will move into another general area now.

Your objectives, I believe specifically numbers 1, 3, 5, and, perhaps indirectly, a couple of others, call for a monitoring of wildlife populations. Essentially what you are doing is trying to ensure that harvesting by hunters does not deplete the herds or the populations.

My question specifically would be: how do you monitor the populations of wildlife and, if you could, relate your explanation to the chart?

Mr. Chambers: I believe I recall saying yesterday that we do lack a good information base as to what our populations are, so I will answer you more in a theoretical system rather than in the levels of populations we do have.

Whenever you have a very good survey and count of a population base, you could use that as your base. Annually, or at whatever interval the professionals felt that they required a second type of base level, you have a comparative system to use so you would have some indication of what the population is doing.

The population of each species, though, is quite different. There is population dynamics, which I cannot give you technical answers on, but there are many things the specialists monitor in regards to that population. They monitor everything from natural conditions such as predators which do act upon a population, to the harvest by sports hunters and effects of weather on the populations. Those are

a few of the areas that the biologists do look at in monitoring what is happening to the population itself, whether it is increasing or decreasing or whether it is being maintained at some type of a sustained yield.

Mr. Byblow: You are describing some of the criteria you use in establishing this data base.

Mr. Chambers: Yes.

Mr. Byblow: Let us take the specific example of the moose population. So that you can advise the ministry regarding regulations for hunting quotas and so on, you would apply these factors to determine the moose population. Is that correct?

Mr. Chambers: Basically, and I certainly have not covered the whole field of criteria that the professionals use in order to come up with the population dynamics of moose; I have just given a general indicator of some of the kinds of things, yes.

Mr. Byblow: Does your department know how many moose there are in the Territory?

Mr. Chambers: No, we have a guesstimate. The guesstimate could be out 10,000 either way, so it is not very accurate.

Mr. Byblow: Do you conduct any aerial counts?

Mr. Chambers: Yes, the aerial counts are done because the indicators that the biologists use relate that the population itself is in trouble. I do not mean the population as a whole, but the specific population in a specific region; therefore, they do much more intensive aerial counts and so on in a specific region to get some population base. Usually there are a number of factors that bring it to their attention, many of them being word of mouth observation from trappers, hunters, outfitters and so on.

Mr. Byblow: So in addition to the criteria you referred to such as weather, quantity of harvest, predators, there is an informal data gathering system. What do you do with all of this data? Is there a method of accumulating and assimilating it? I still am not very clear as to just how detailed your system is.

Mr. Chambers: There is a lot of soft data. The other types of data and indicators that they use in setting seasons and harvest levels come through the return of hunter questionnaires. We are fairly fortunate in this Territory that our sports hunters are seemingly overly conscientious; we have somewhere in the neighbourhood of between 75 and 85 per cent on our hunter questionnaires returned, which does allow our biometrician to come to some fairly definite analysis on the levels of population that are being harvested; the numbers are fairly accurate.

Mr. Byblow: Is it fair to say that you have a reasonably accurate inventory of wildlife populations?

Mr. Chambers: No, that is not a fair assumption. The only species on which we have a moderately accurate number of is the sheep population. Again, I say "moderately accurate"; we certainly do not say that those are all the sheep, but we feel that our sheep population in the neighbourhood of 22,000.

Mr. Chairman: Supplementary to that, Mr. Chambers, I think your earlier phrase was "a lack of a good information base". From my own layman's point of view, I would guess such a base is ultimately essential to good management of a resource. From a manager's point of view, how do you plan to achieve this information base? Is it a problem of time or of money?

Mr. Chambers: It is a problem of both. You have to appreciate that the branch itself, as a professional management section, is really only about four or five years old. They are gaining knowledge, information and expertise the longer they are working in Yukon, but we are a relatively young branch with a very broad and vast area and scattered population to come to grips with. It is really a matter of time and money.

Mr. Chairman: We cannot talk about future budgets here, but in terms of your own planning that is in place, how many years do you expect it will take you to achieve an adequate information base or data base about the major populations of species here?

Mr. Chambers: Adequate for what?

Mr. Chairman: From the point of view of the management of the wildlife resource.

Mr. Chambers: In most of the trouble spot areas, we are now capable of gathering the information in order to make management recommendations. I do not know if we will ever have adequate information to carry out ideal management, but I think that we are now concentrating our efforts in gathering some population numbers.

We are in our fourth year of a five-year program on the Porcu-

pine Caribou Herd, which is giving much more than just population numbers. In other areas, we have also started a very active program with mountain caribou and we are putting more emphasis on moose. By this I mean we are monitoring population, monitoring migration, use areas; and, in regard to the Porcupine Herd, the calving areas and so on.

There is a continuing building of a resource base of information which gives professionals, who are advising managers, more competence and certainly better management perspectives in their recommendations.

Mr. Chairman: Without a sound data base, are your management regimes not built on sand or are you not doomed to a lot of ad hoc management regimes?

Mr. Chambers: I would say they are not ad hoc, but they are certainly interpretative; It is a dependency upon the abilities and the skills of the staff, along with the information that they have. The longer the staff stay with us and the more information base that they build, the better the recommendations and the better their interpretations.

I guess I do not refer to it as ad hoc, really, but certainly much of it is based on intuition and dependent upon professionals to do the interpretation and give advice to management.

Mr. Chairman: It has been my view that when we get into debates about acquiring responsibility for managing more resources, one of the things that the people in Ottawa probably judge is the way we have managed the one resource we are now responsible for, so good management becomes critical not only for itself, but it has larger implications.

You suggested that the present problems may come partly from lack of money. I do not want to get into policy questions here, but since the government does derive some revenues from the management of this resource, hunting licences and so forth, would increased revenues from this sector improve your management position or enable you to make the management decisions? In other words, can you allocate those revenues to management?

Mr. Chambers: No. Like all government revenues, revenues that are collected go back into the general fund.

The revenues that are generated, and the management that is carried forward, are separate and independent; management is not to be paid for by revenue generation from that particular resource. In regards to wildlife, the people who are generating the revenue are only one segment of the user.

Mr. Chairman: I accept the point, Mr. Chambers, and of course I understand the use of the Yukon Consolidated Revenue Fund and so forth.

My point is really one of cost benefit analysis, which I would think is a function of management, when you have to make decisions every day according to that kind of criteria; benefits to the government, of which you are a part, are partly the revenues.

Have you looked at the revenues and the expenditures and your management needs? Have you done any cost benefit analysis of the wildlife management regime?

Mr. Chambers: I guess I can again restate that I have not done a cost benefit analysis of revenues generated as towards management costs. I have looked at some of the comparative costs across some of the southern jurisdictions and most of those seem to be sort of falling one-to-four. I have looked at costs in comparison to that, but it really has no dollar relationship to management.

Mr. Chairman: You mentioned provincial comparisons, do you know how our hunting licence fees for outside and resident hunters compare with other provinces?

Mr. Chambers: Yes, we established them by comparative rates and we are in the process, again, of looking at them in all these areas. As a general statement, I would say that our fees are on the low side, comparatively.

Mr. Falle: Mr. Chambers, wildlife is a renewable resource. What you have been telling us this morning is that all the emphasis is put on controlling the hunters, counting the animals, doing an inventory, but as a renewable resource, what are you, as a manager, doing to make sure that that resource is renewable and ongoing? If there are no moose in an area, are there any plans to bring some into it? What are you doing to renew the resource itself? Instead of just straight exploitation of the resource, what are you doing to renew that renewable resource?

Mr. Chambers: Well, we are attempting to manage it as a renewable resource and its renewal comes from natural popula-

tion growth. In a lot of jurisdictions of wildlife management, and certainly in Yukon, one of the only management tools that we have right now in order to manage population numbers is harvest levels by the sports hunter.

You can do many other things such as habitat manipulation, replanting into those areas that are now void of that particular species of wildlife. In the existing jurisdiction, the Territorial Government does not have the responsibility for habitat or land management, so, the only management tool that you have left is to try to manage the individual sport hunter who harvests the population itself.

Mr. Falle: I realize that, but as a manager of a resource, would it not be better to be able to make sure that resource is an on-going resource?

Mr. Chambers: What I am attempting to explain is that the biggest factor in that, as an on-going resource and the one that we have control of, is the sports hunters. If the population is, in essence, in trouble, our professionals will give us the recommendation and we would close down that particular area to hunting, with the thought that the area would rejuvenate itself through natural population increases.

Mr. Falle: But you have no plans afoot to artificially rejuvenate the herd, just natural rejuvenation?

Mr. Chairman: I hope you are not asking Mr. Chambers if he plans to do that himself.

Laughter

Mr. Chambers: We have no specific plans to look at them. Certainly, as we have indicated, one of our objectives is to look at those areas in which there may be populations gone.

The two most serious cases we have in that regard are probably our sheep and moose. Moose populations travel quite widely; one area that may have a decrease in population will be repopulated from other moose coming into that area.

Mr. Falle: I asked the question because I know we are supposed to be getting some elk in here. We are going to bring them up from the south and put them in here to try to bring up our herd, or break why they are not reproducing. I was wondering if this is just a one shot thing? You people are going to be managing these animals and putting them in the right places and really looking to see what happens. To me that is a step in the right direction; at least we are trying to get our animals up.

We have already let them come in naturally or we have brought them in; we have had them here for many years and they are not doing anything. Obviously there is a problem; I do not think anybody can put their finger on it and say what it is. You people are definitely at the stage of doing more planning in that area, actually managing your resources and, hopefully, you want to bring it back up.

Mr. Chairman: Mr. Falle, I think you are talking about "boat" caribou.

Mr. Falle: Boat caribou?

Mr. Chairman: As I believe, that is an unresolved policy question and we probably should not be asking Mr. Chambers about it here in any case.

Mr. Falle: They are coming up.

Mr. Chairman: Oh, we have just had an announcement that they are coming up. Perhaps the Minister will get around to advising the newspapers soon.

Mr. Falle: I read it in the paper.

Mr. Chairman: Oh, okay.

On this titillating note, we will take a ten minute recess for coffee. Committee stands in recess.

Recess

Mr. Chairman: Committee will come to order.

Mr. Byblow: Mr. Chambers, I would just like to wrap up the 1420 vote and talk about the chart in relation to it. In the conservation division of the branch, I note that you have seven specialized personnel and three technicians.

Mr. Chambers: Excuse me, in the enforcement section or in the management section?

Mr. Byblow: Conservation section, I call it.

Oh, I am sorry. I am referring to Chart 1c.

Mr. Chambers: Yes.

Mr. Byblow: I am referring to what I believe would be the

management section, then, the biologists and technicians.

Mr. Chambers: Yes.

Mr. Byblow: From our discussion earlier this morning, I would assume that these seven specialized personnel and three technicians, along with all your conservation officers, are part of the system of gathering your data base for the inventories that you are attempting to compile. Would that be correct?

Mr. Chambers: Yes, they are part of the system.

Mr. Byblow: In the management section, do you have any management system that evaluates the performance of these people, either on an annual or other frequency basis?

Mr. Chambers: I understand your question, but I would like to clarify it. You are not talking performance evaluation of the individual by his immediate supervisor, but rather an evaluation as to the effectiveness of the responsibility area?

Mr. Byblow: I am referring to both, the performance of the individual and later I want to question and tie that into how that performance rates with the activity that is being performed in terms of your department's goals and objectives.

I guess what I am really wondering is, Mr. Chambers, what management system do you have to review your activities and personnel?

Mr. Chambers: The evaluation and performance of the personnel is the responsibility of the immediate supervisor. I also have an opportunity to review that after the immediate supervisor has evaluated the performance of his staff. That happens once a year, prior to the anniversary date of that particular employee.

As to the performance evaluation of the management system that is in place within the branch, again, it has many of the indicators as I mentioned before. We do have hunter questionnaires; we do have field offices throughout the Territory in which we have one-to-one communication with the local public, trappers, hunters and so on. We do have trapper educational programs. We have public meetings with associations such as the Fish and Game Association and the Yukon Trappers Association. We have a Wildlife Advisory Committee that does advise the Minister. It is through many of those kinds of public contacts that you can get some evaluation of the effectiveness of your management, as set down in your goals and objectives. They are not an exact science, but they are indicators.

Mr. Byblow: Your individual employees have a yearly review and that review is done by the immediate supervisor and then passed on to the upper management.

In relation to the responsibility centres and activities that we were talking about earlier this morning, my understanding is that that is essentially a method of determining costs. That would be a quick summary of what we were talking about.

In relation to the management section and the employees therein, is there any form of accountability of their activities beyond the yearly evaluation?

Mr. Chambers: Are you talking financial accountability? There is accountability for management. Before we go on, I think we should try to get some general terminology of the accountability for management. Everyone in the department is accountable to his superior for management and on up the line in the pyramid.

In regards to financial accountability, I have full financial signing authority for the department, with a limit of \$20,000. I have re-delegated the responsibility under Sections 18, 19, and 20 of the *Financial Administration Ordinance*, which deals with the commitment, spending and payment authorization of our budget, down to the Directors and, in a lesser amount, down to some of the staff to facilitate the carrying out of their specific responsibilities in the field. The levels that I have transferred down to the Directors of each one of the branches amounts to \$15,000 and correspondingly, as the level of activity area is much less with some of their staff.

Mr. Byblow: Regarding fiscal accountability, the delegation is to the Directors of each branch?

Mr. Chambers: Yes.

Mr. Byblow: It is up to the judgment of the Director as to the degree of accountability he extends below that. Is that a reasonable assumption?

Mr. Chambers: Yes. Upon the Director's recommendation to myself, I further transfer financial responsibility for signing authorities down to levels lower than the Director.

Mr. Byblow: I believe that answers that.

With specific reference to the Vote 1420, Primary 61, there is management expenditure of \$295,700 for the rental of machinery and office equipment; the reference is external. I am curious as to what that expenditure entails.

Mr. Chambers: I know the answer to that question, but I will turn it over to Ms Phillips as she has the information right in front of her.

Ms Phillips: That particular expenditure is due mainly to fixed wing aircraft and helicopter rentals.

Mr. Byblow: That is nearly \$300,000 for the use of helicopters. Is that correct?

Ms Phillips: Helicopters and fixed wing, yes.

Mr. Byblow: What is that aircraft used for in the game management section?

Mr. Chambers: Those costs are utilized, as set up in 1979-80, both the enforcement section and the biologist section. At the biological level, they are involved in flying surveys and radio tracking some of the species that they do have radio collared.

In the enforcement section, the aircraft are mainly involved in call-out and inspection types of services that are rendered to the public or to anyone who requires their services.

Mr. Byblow: Could you briefly explain the method your department uses to monitor that expenditure? From your description of it, it occasionally and perhaps quite often can be an incidental unanticipated expenditure? Where is your fiscal control of that in the department?

Mr. Chambers: You are referring to the enforcement and the unanticipated calls?

Mr. Byblow: Yes.

Mr. Chambers: Based on past experience, we allow in our budget for a level of expenditure for aircraft rental to the conservation officers. We hope, within that level, that there will not be these unexpected expenditure levels which we have to respond to and, so far, we have been fairly fortunate in staying within that budget. However, if there are emergency calls and it is necessary that the have to go out, we do give them that authority to go ahead.

It is an uncontrollable type of expenditure, especially in the areas of emergency where we can not anticipate it.

Mr. Byblow: You will have to pardon my layman's understanding of it, but let us assume that a game officer has a report of some unlawful hunting in an area of his jurisdiction and his only access to it is by helicopter. Can he make the decision to hire the helicopter, go out, do his enforcement duties and your department pick up the bill?

Mr. Chambers: The authorization of his superior is usually required. I think what you are referring to is that you set up a budget and this is an over-expenditure of that budget; then it is under the authorization of his superior and it may have to go to the Director.

Mr. Byblow: I have one additional primary, Mr. Chambers and then perhaps we will leave 1420. It is Primary 30; in the game management section there is an expenditure of \$52,000 in the fiscal year about which we are talking. Would that be for the travel cost of your management people into the field, or what?

Mr. Chambers: That particular primary covers both the staff's costs internally within the Territory to carry out their duties, as well as externally, where they travel outside the Territory in order to take part in various federal-provincial or provincial-territorial committees and meetings where it is necessary that they attend.

Mr. Byblow: To what extent does your staff travel outside the Territory to attend the activities as you have just briefly noted?

Mr. Chambers: In this particular division we have equal responsibility levels to those in the provinces. So, many of our staff in all areas, are involved in provincial and sometimes provincial federal committees. The kind of thing I am talking about is the Water Fowl Committee, which sets up the regulations in regards to seasons and bag limits, and so on, for the Pacific waterway. We have a full membership on the Western Fur Council, those types of meetings.

Every one of those areas usually necessitates a trip out, unless we are hosting them, which we do, then the other provinces travel here for those kinds of meetings. They vary as to numbers; usually, those areas that have a regulatory or an advisory capacity meet at least annually.

Mr. Chairman: Let us move on to the question that Mr. Hanson wanted to ask about the General Development Agreement.

Mr. Hanson: Would you give the Members a brief outline of the GDA and leave yourself open to questions?

Mr. Chambers: Do I understand your question, Mr. Hanson, to be not the General Development Agreement, but rather the Subsidiary Agreement under the General Development Agreement, as it pertains to the renewable resources?

Mr. Hanson: I stand corrected; make it brief.

Mr. Chambers: For your information, I have brought down copies of both the General Development Agreement and the Subsidiary Agreement on Renewable Resource Development, if you would like either or both.

Mr. Chairman: Could we have those tabled?

Mr. Chambers: The Subagreement on the Renewable Resource Development area generally covered the objectives of increasing the inventory and expanding the Territorial capability for future land use planning and management; for expanding the tourist industry in the Territory, thus contributing to the development of more diversified economy; providing basic information on the renewable resources that are a prerequisite to regional planning; involving native peoples and other disadvantaged groups in training employment and income opportunities that would help to improve their socio-economic position; and providing an expanded public infrastructure base on which to foster local participation and entrepreneurial opportunities.

There are basically three programs within that Subagreement. One program, called the Renewable Resource Information and Analysis, is the ecological land survey program that was being carried out by the Resource Planning Branch, which I alluded to earlier.

It is to meet that objective of increasing our knowledge on the resource base and enable us to do better regional and land use planning.

The second program is termed Tourism and Recreation Facilities. It is the program under which the major campground redevelopment and rehabilitation and infrastructure is being completed.

The third program is the Resource Development Corps and this is a Manpower Training and Skill Development Program intended to meet those objectives of assisting the native and other disadvantaged peoples to gain skills and employment opportunities. That program is mainly attempting to work back into Program 2, campground rehabilitation and development, where we have been utilizing those training programs to build some of the campground infrastructure.

We also have a departmental program which has utilized the Resource Development Corps as well, and that was for the construction of our warehousing and storage areas in the conservation officer districts at Haines Junction, Watson Lake and Ross River.

There is a fourth program which is really the monitoring and evaluation. It is some of the administrative costs of running the program and putting out public information on what the program is. It will be utilized for doing some evaluation of the activities under these programs and whether they have met or how successfully they have met the overall objectives of the agreement as it was signed.

Is that in enough detail to answer your question, Mr. Hanson?

Mr. Hanson: Yes.

What is the life of this agreement?

Mr. Chambers: The agreement is to March 31st, 1982, although there is a receivable or clean-up year which follows from then until March 31st of 1983. This time will be used for the claimability to get all the accounts paid and claimability on the federal agencies that we are cost-sharing the program with.

Mr. Hanson: Is this agreement the basic plan for the department?

Mr. Chambers: Is this accomplishing part of the basic plan?

Mr. Hanson: Is the basic plan for the department built on the strength of this agreement?

Mr. Chambers: No, not at all.

Mr. Hanson: Regarding the hiring of native people, how many natives have you been able to hire to work under this agreement to date, and in any one year?

Mr. Chambers: I do not have those figures available to me.

That particular part of the program was being directed and run under our manpower division, which was in the Department of Education. I can bring that figure back to you if you so wish. There was a high degree of native peoples who were used in, certainly, the construction of the warehousing and storage facilities that we were putting in; we gave them money to put them in for the department in Ross River, Watson Lake and Haines Junction. If you specifically want that figure, I can give it to you.

Mr. Hanson: If you would, when you go back, write a letter to the Chairman giving the figures, if you will, please, and we will probably append it to our report.

Mr. Chairman: Thank you, Mr. Chambers.

Mr. Hanson also had a question about the Yukon River Basin Study.

Mr. Hanson: I would like you to give us a brief outline on that, too — very brief, as I have some questions to ask.

Mr. Chambers: Mr. Chairman, I also brought ten copies of the Yukon River Basin Study Agreement, which I will table with you for your information.

The Yukon River Basin Study Agreement is an agreement among two federal departments, the Department of Environment and the Department of Indian and Northern Affairs, the Province of British Columbia and the Government of the Yukon Territory. The intent of the study itself is to gather and analyze a quantity of information on various subject areas, such as hydrology, water quality, fisheries, wildlife, tourism, parks, recreation, placer mining, energy and socio-economic factors in the basin, or portions of the basin, to allow some indicators or analyses of future developments and the concerns and impacts of those elements, certainly as they relate to water allocation and water usage.

The cost benefit of the Yukon Territory entering this agreement is that for \$100,000, we get \$2.2 million worth of information.

Mr. Hanson: Will this new agreement, the Yukon River Basin Study, entail the hiring of more people, contract workers?

Mr. Chambers: The management control of the agreement itself is set up so that each one of the four government agencies, which I named, will appoint a senior person to a management committee which is responsible for the control and management of the study. They have not met to date, although I expect they will be meeting in the near future.

I cannot relay all the terms of reference of what they will give, but it would be certainly our intent to assist them in whatever way possible. We do have a person appointed to that board. They would be hiring a Study Director who probably would have available to him a group of advisors as to what kinds of studies, the parameters of studies that they would be going into, and then through whatever means — it could be through federal, territorial, or consultant agencies — will gather this information and analyze it. It will be produced for public information.

Mr. Chairman: Are there any other questions on that? Thank you very much, Mr. Chambers.

Let me move on to a couple of other items which are smaller scale concerns than the three things we have just tripped briefly over.

As I understand it, you have been doing some work in Yukon River campgrounds recently. Is that correct?

Mr. Chambers: Yes, two years ago, there was work done on some campgrounds along the Yukon River in cooperation with the Parks Canada.

Mr. Chairman: Was any of that work continued last summer?

Mr. Chambers: We had a new program that started last summer on the Yukon River that fell under the auspices of the Tourism Subagreement. That was continued restoration work at Fort Selkirk.

Mr. Chairman: As I understand it, in connection with that work, your people were contracting for some boat services for use in that work. Is that correct?

Mr. Chambers: For the work last summer?

Mr. Chairman: Yes, and the time before. You had mentioned that it started two summers ago.

Mr. Chambers: Contracting boat services?

Mr. Chairman: Yes. Use of boats in this work.

Ms Phillips: I think we did have some contracts to transport some items from point A to point B, but I would have to go back and look at the contracts.

Mr. Chairman: Could you specifically look at them. Let me explain what I heard. Two summers ago, you had hired a boat; last summer a boat was bought, but I cannot find any reference to this in any of the capital expenditures. Something happened to that boat. Someone told me it blew up or something, and the subsequent plan is to go back to renting a boat. What I am particularly interested in, Ms Phillips, if you could dig out the information, was, if such a boat was purchased, on what authority?

Mr. Chambers: Perhaps I could answer that. We have previously had service contracts for specific moving of materials to sites, to Fort Selkirk. The program that was started last year was under the Tourism Subagreement. The project is developed by a committee and it goes to the Management Committee for project authorization. It was consequently turned back to my department, and, in turn, to my Parks and Historic Resource Planning Branch. They implemented the first year of the program.

Within that project authorization was the cost of capital acquisitions of boats, and whatever other necessary equipment was needed for the restoration project.

The money was not raised in our Estimates, but rather in the Estimates of Tourism. I have no authority to speak for Tourism Estimates, but I believe when you look at them, you will see that there is some two million dollars within Tourism to cover the Territorial portion of the 6.6 million two-year Tourism Subagreement. So, that is where the acquisition costs for the boat came from. I cannot verify that it blew up, or whatever. I believe there was an accident with it.

Mr. Chairman: Could you just confirm for me that the boat does not exist any more?

Mr. Chambers: I believe the boat exists, but I am not sure of its state of repair.

Mr. Chairman: I had heard by way of the moccasin telegraph that it had been written off, and I just wanted to see if I could have that confirmed.

Mr. Chambers: Whether or not it has been written off by our Supply and Services?

Mr. Chairman: Ms Phillips nodded her head "yes".

Ms Phillips: I do not want to misrepresent that to you. I will check into it and see if it formally has been written off.

Mr. Chairman: I appreciate your explanation, Mr. Chambers, because, as I say, in trying to trace this boat, I could not find it anywhere in your schemes. I would be worried about a boat that had been bought without it having been voted for. If we had not voted for the boat and then the boat had blown up, that would be a concern. If I could get a report on that we would appreciate it.

Let me ask you about a couple of things. You may remember that in our report last year, we drew attention to the fact that there was an unclear distinction between grants and contributions. I think it was in connection with Tourism to the YVA. I notice from press releases I have here that one grant was given to the City of Whitehorse for use under the Whitehorse Historic Building Program. I am not sure exactly where that money came from. Do you make contributions to any non-governmental organizations for which you receive some accounting?

Mr. Chambers: Yes. There was a commemorative expenditure, I guess you would call it. Grants and contributions, yes. The one that you are referring to, I think, is to the Old Log Church, in which the Commissioner of the day commemorated the Log Church as having historical significance. That falls under the auspices of the *Historical Sites and Monuments Ordinance*. To do that, the funds came out of the capital that we have in the historical resource budget.

Mr. Chairman: I was not concerned about that particular one. I was just wondering, Mr. Chambers, do you make any contributions — not grants, but contributions — to any non-governmental organizations? Tourism gives partly a grant and partly a contribution to YVA. You, for example, do not give any money to the Conservation Society, or the Fish and Game Association, or any of those worthwhile groups?

Mr. Chambers: No. I was trying to recall — there is a society on humane trapping, although I believe in your definition it is a governmental organization, on humane trapping. I believe it is a governmental organization that was set up across Canada that we contribute to, or have contributed something like seven or eight hundred dollars a year towards it in the past, by agreement with all the western provinces.

Mr. Chairman: I once asked a trapper about those humane

traps and he tells me they still kill them.

One other small subject: I have a copy of a letter addressed to the Government Leader from the MLA for Mayo concerning the accommodation of some of your employees, and this letter is dated July 17, 1979. I understand they are now moved. There was some suggestion that previously they might have been working in violation of the *Labour Standards Ordinance*. Is their accommodation and working situation happy and comfortable now?

Mr. Chambers: You are talking about my departmental staff

Mr. Chairman: About 265. I understand they are no longer at 265 Gold Road.

Mr. Chambers: Oh, pardon me. I thought it was the situation of Mayo that you were talking about. It was just from Mayo.

Mr. Chairman: The MLA for Mayo had written to the Government Leader about it.

Mr. Chambers: Yes, that situation was rectified during the time that the MLA for Mayo became a Minister.

Mr. Chairman: This goes back a little bit to the big question we were talking about, the organization structure, do you have something that you would call a Departmental Management Committee? When you are talking about the big questions that would involve, not just renewable resources, but might touch on numerous areas of responsibility, do you have a committee of senior officials that you assemble?

Mr. Chambers: Yes, within my Department I meet weekly with my four branch Directors to discuss areas of concern to the department, administrative questions, and financial questions and policy questions.

Mr. Chairman: Is the senior Financial Officer in your operation a member of that committee?

Mr. Chambers: Yes, she is.

Mr. Byblow: Mr. Chambers, perhaps you could help me understand a couple of things about the Subagreement. What is the duration of this agreement?

Mr. Chambers: March 31, 1982.

Mr. Byblow: What are the total funds allocated to the Department of Renewable Resources under this Subagreement?

Mr. Chambers: In the Renewable Resource Agreement, I believe attached to the back of that agreement is the Schedule C. The total funds available for carrying out the programs within the agreement are \$6.6 million, of which 1.4 is Department of Indian Affairs and Northern Development dollars; the remainder of the funds are the \$3,120,000 available from DREE. There is a little over two million dollars from Territorial funds which are raised on an annual basis.

Mr. Byblow: With the agreement concluding on March 31st 1982, and that expenditure to have taken place by that time, are all the programs to be conducted under the Subagreement in place and identified as to cost?

Mr. Chambers: No, the programs are not all in place and we will not be able to recover or take advantage of the full amount of the funding available to us within the terms of the agreement.

Mr. Byblow: Could you identify what portion of the \$6.6 million if I could use the total figure as opposed to the appropriations of the various departments, we will not be able to properly expend under the terms?

Mr. Chambers: I could not give you that answer today. This morning before I came here, I was attempting to set up a management committee meeting to have a review of last year's activities. As you are aware, not all of the programs are within my department.

I would guesstimate, and please take this only as a guesstimate, that we will probably only expend in the neighbourhood of \$1 million to \$5.5 million of the \$6.6 million over the period.

Mr. Byblow: So there will be something in the order of \$500,000 to \$1 million not expended.

In terms of the programs, will that be to do with the information gathering and analysis, the tourism section, or which?

Mr. Chambers: The majority of it will probably fall within the Resource Development Corps; there was \$1 million available in that particular program. We will be fairly close within the tourism infrastructure program, the campground development, and we will be fairly close within the inventory. Certainly, our intent is to maximize and spend 100 per cent of the 1.4 million DIAND dollars; and if there is a shortfall within that one, it would be with the

availability of those dollars from DREE; it was a \$2.4 million program in total.

Mr. Byblow: In light of the fact that there is one year remaining to the conclusion of the Subagreement, under the terms of the plan, is there a master plan of expenditure in the coming year?

Mr. Chambers: Yes, each agency sets up their projects; some of those are on-going projects. For instance, in Program 2, many of the projects were phased over two to three years. Those which were started a year ago will be in their clean-up year this year; those that started two years ago, if they are a three year program, will be in their clean-up this year.

If there are any new programs starting, we will look at and try to negotiate those, if they are more than a one year program, over a clean-up period. As I earlier stated, we do have a clean-up year between 1982 and March 31st, 1983 in order to clean-up the expenditures and the activities under these programs.

Mr. Byblow: Would it be possible for the Committee to receive some simple document that will list each program and its cost?

Mr. Chambers: To date?

Mr. Byblow: To date and in terms of the plan for the coming year.

Mr. Chambers: Yes, I could provide that to the Committee as soon as I have received it. I indicated that I was just attempting to set up a management board meeting for some time this month to review the activities of last year and to review the projects for the coming year.

Mr. Byblow: I think it would be useful to the Committee if the documentation could be provided for everything up to date.

Mr. Hanson: I would just question that because we are on the 1979-80 budget year; we are not on the 1981-82 budget year. I question that because I think it is a matter of policy you are getting involved in.

Mr. Chairman: I do not think it is a matter of policy, Mr. Hanson, but let us not have a procedural dispute about it. What we want to have, it seems to me, is some documentation beyond there. Can you define your need, Mr. Byblow, a little better?

Mr. Byblow: With the agreement having been signed in 1979 and expenditures having taken place in that year, I would, for my needs, be quite satisfied with the fiscal year about which we are talking, in order to compare them to the Estimates and the money voted, which is our responsibility.

Mr. Chambers: Yes, we could provide you with the 1979-80 fiscal year expenditures, by project.

Mr. Byblow: In the process of providing that kind of documentation, could you indicate in that document what projects were planned for that fiscal year and what actually took place and the costs associated?

Mr. Chambers: Yes.

Mr. Byblow: Thank you.

Mr. Chairman: Are there any further questions?

I do not know whether there will be a shaft of light come from the heavens into the Committee room in a minute, Mr. Chambers, that will inspire us to want to call you back, but let me assume that we have taken enough of your time. Thank you and Ms Phillips for your appearance here and for your answers and information. I hope that your stay has not been too unpleasant and that in some small way our report may be useful to your continued management of the department.

Mr. Chambers: Thank you.

Mr. Chairman: The witnesses are excused.

The Committee will now adjourn to Executive Session.

Committee adjourned at 11:31 o'clock a.m.



The Dukon Legislative Assembly

Issue No. 9 (Second Sitting)

24th Legislature

PUBLIC ACCOUNTS COMMITTEE

Formal Hearings: Evidence

Friday, January 30, 1981
9:30 a.m.

Chairman: Tony Penikett

Standing Committee on Public Accounts

Chairman: Tony Penikett

Vice-Chairman: Peter Hanson

Members:

Maurice Byblow

Doug Graham

Jack Hibberd

Missy Follwell

Clerk to Committee

Pursuant to Standing Order 46.(3)

Mr. Falle Substituted for Mr. Hibberd

Expert Advisor from the Office of the Auditor General:

Harold Hayes

Principal

Witnesses:

Mr. Derm O'Donovan, Director, Supply Services

Mr. Rob Fuller, Manager, Systems and Computing Services

Mr. Andy Johnston, Territorial Treasurer

Mr. Art Nutt, Director of Financial Operations

Mr. Tom Roberts, Budget Director

EVIDENCE

Friday, January 30, 1981 — 9:30 a.m.

Mr. Chairman: Standing Committee on Public Accounts, meeting number 9, formal hearings, will come to order.

This morning we are examining witnesses from the Department of Government Services, specifically in respect to financial management system projects transferred from the Department of Finance to the Department of Government Services.

I would like to welcome as witnesses Mr. Derm O'Donovan, Director of Supply and Services, and Mr. Rob Fuller, Manager of Systems and Computing Services.

Mr. Hanson will lead off this morning, but I understand there may be a short opening statement. Am I correct, Mr. O'Donovan?

Mr. O'Donovan: I do have a brief here concerning the three sections under Government Services.

Mr. Chairman: Would you care to read it into the record, Mr. O'Donovan?

Mr. O'Donovan: The Department of Government Services was created in December, 1978, following the Territorial election and subsequent re-organization. From December, 1978 until July, 1979, the department was under the direction of the Deputy Commissioner, Mr. Doug Bell. The first Deputy Head to direct this department was Mr. Andy Johnston, in July, 1979.

When Mr. Johnston was appointed to the position of Territorial Treasurer, Mr. Vantell assumed the responsibilities for this office on October 15th, 1979.

The department is composed of three main areas: Systems and Computing Services, Supply Services and a Public Affairs Bureau. Our accomplishments in the four areas questioned by the Public Accounts Committee are as follows:

The policies and procedures approved by Cabinet on May 23, 1980 created a Central Transportation Agency. This new unit of Supply Services assumes the responsibility for all transportation arrangements including air charter, scheduled air, U-drives, pool vehicles, general freight and shuttle movements.

A short capsule comment on this particular area, which is indicative of the type of things that have come about through it is that the rent-a-car contracts that the government was into rather heavily each year, last year spent \$112,000 for an eight month period; that was 1979. This year, for the same period, we have spent \$32,000. This was a result of the coordination of the Central Transportation Agency coordinating all of the travel and the contracts that were let.

Capital requirements also had significant changes. The acquisition of passenger carrying vehicles alone, as a result of the transportation agency, was reduced by \$55,000 for this same period.

In our Systems and Computing Services Branch, the conversion from the IBM Series 3 computer to the new IBM 4331 system is well under way. This will result in increased computing capacity and better servicing to other departments. The completion of a study on an operational and systems requirements for the next five years has resulted in a personnel and hardware plan for data and word processing throughout our government.

Some chapters for a policy manual on data processing were drafted early in 1979 using the federal guide to electronic data processing administration as a model. They suspended the development of this manual temporarily at the end of 1979, as a result of other commitments and because our computing capabilities were far below an adequate level. With our current backlog of important projects, we considered this at the present time to be a low priority. Once the vacancies are filled and the budgetary requests are met, it is anticipated that the development of this manual will proceed.

The accounting system for asset control has been completely redesigned to eliminate registers, ledgers, index cards and file folders. The new system which we are aiming at will assist us in the computerization of asset control in the near future, providing that funds are made available to this department.

Computerization of this function will result in the freeing up of a man year which could certainly be utilized in other areas of our responsibility. It is also anticipated that capital asset control, if it goes to computerization, will then have the method of giving all of the programs in the government, by department, computer printouts on a quarterly, semi-annually or annual basis. As it stands right now, there are no printouts that take place by individual

departments. To arrive at a definitive figure concerning the capital assets in any department would require a major inventory at this particular time.

The shipping and receiving policies and procedures have not been changed since we have taken over the responsibilities for the Department of Finance in December, 1978. In order to create an efficient central shipping and receiving section, consultation must take place with other departments to transfer funds from their budget to ours for freight and thus, establishing a central commitment control.

It will, however, not be possible to establish this central commitment control or the subsequent central shipping and receiving without the concurrence of the other government agencies and departments of this government.

Mr. Hanson: When you are free from us here and go back to your office, the first thing I would like to have is an organizational chart of your full department sent to the Chairman so we can all have a look at it.

The first thing on the list of questions is transportation. Briefly would you tell us what your policy is — rather briefly, if you can?

Mr. O'Donovan: The Central Transportation Agency was set up because it was felt that the individual travel costs by department was extremely excessive and the various modes that they used to get to their destinations within Yukon were anything but economical and efficient.

If I could just speak in general terms, I think I could probably give you a better idea rather than if I am too formal with the explanation. The idea behind a Central Transportation Agency was that on any given day here in Yukon, it would not be unusual to find five or six different government vehicles on a long-haul trip to, say Dawson City. Within each one of those vehicles you might find one individual.

A trip such as that, considering the distance that was travelled to Dawson City, would take at least one working day and then it would involve an overnight situation, followed by a day of work followed again by a day of travel home. Under the existing situation, prior to the Central Transportation Agency, we worked out a cost determination for this kind of travel and what it was costing the government. This included all of their expenses, hotels, meals, the salaries of the individuals, the cost of the car, buying it, and so on.

I will use Dawson City as an example. If five men from five individual Territorial Government departments went to Dawson City for one day's business using government vehicles, it would have cost them, I believe, \$2,400. The five individual departments would all be going in an uncoordinated manner. As a result of the Central Transportation Agency investigating the best way to do it it was found that we could charter a plane to Dawson City — and these are actual costs I am giving you, these are not fictional — that same trip for the same five individuals would have cost \$1,024. So, with figures as dramatic as that, we felt that we were on the right track in creating the Central Transportation Agency.

Along with that we found that the use of vehicles within the radius of Whitehorse was abused considerably by various agencies and departments. I can give you one brief explanation to illustrate this. One vehicle that we had in our possession was eight years old in eight years it had accumulated 15,000 miles; that was the mileage on the speedometer. Yet, during the investigation of that the hollering was loud and clear that they still needed it no matter what.

We felt, when these things started to come to light, and I think the study took almost a year, that it might perhaps be better to create this Central Transportation Agency and coordinate the in-town travel. Once we arrived at that we then came upon another system that we felt would enhance the Central Transportation Agency to the public and we decided that we would go to a chauffeur system. This chauffeur system was done on the basis of a tender. We tendered with the local taxi companies and other people who were interested in this. We tendered on the basis of a 15 mile radius of downtown Whitehorse. The object of this, of course, was to do away with the necessity of having a car parked outside of everybody's office.

This has worked quite well. There has been some inconvenience as sometimes you have to wait ten minutes; we like to think that ten minutes is the normal waiting period. On occasion, due mainly to errors of human nature, it has run to twenty minutes and then of course you are talking additional monies and salaries. Overall, we have found that the cars that we still have are no longer idle; the taxi service is working out quite well and the overall coordinator of

the Transportation Agency, Mr. Ray Pilloud, is coordinating travel in the most economical means possible. That may result in scheds or air charter or using a car. He now has all of the departments and agencies coming to him with their travel itineraries. On that basis, he is able to decide which is the best way to go.

I could go on, but perhaps we will wait for the questions.

Mr. Hanson: In your studies, did you ever look at the Government of Yukon leasing or purchasing a plane of its own?

Mr. O'Donovan: Yes, we did. There were a couple of extenuating factors which did not allow us to get to the bottom line, in terms of that study. That was not the main focus of the Central Transportation study, as such; it came out of it but it was only one of the factors and it was not dealt with as strongly as any of the others.

To come back to your original question, the local medical evacuation situation gave you, I would suggest, the option of perhaps looking at leasing a plane for the Yukon Government. Without the medivac situation, the figures just were not there.

Mr. Chairman: With the medivac situation, Mr. O'Donovan, is it not true that the study showed that there would be a cost benefit for the government to lease a plane?

Mr. O'Donovan: With the medivac? To be honest with you, that is too vague at this point to say, categorically, that yes, the medivac situation made the complete difference. It is definitely pointing in the direction that the medivac situation will create the opportunity for the government to lease its own plane.

Mr. Chairman: We do not want to stray into an area of policy.

Mr. Byblow: I have just one question with regard to the revised transportation policy. That, no doubt, would have reduced the size of the fleet, and if so, by how much?

Mr. O'Donovan: I believe it was reduced by some 30 cars immediately, up front. We had somewhere in the neighbourhood of 90 cars and we are down to around 62 now.

Mr. Chairman: In the statement, you have given us a couple of figures. The rental car contract has been reduced from \$112,000 to \$32,000 in the similar period a year later. To make those figures meaningful, one would have to have an idea of the areas in which you had increased expenditures. In other words, could you give us some idea of the spending on the taxi contract or plane charters?

Mr. O'Donovan: Yes, the spending of the taxi contract is costing this government around — and I will give you the average because I have averaged it out so far — \$1,200 a month.

Mr. Chairman: About \$15,000 a year then?

Mr. O'Donovan: Yes.

Mr. Chairman: What about charter planes, if they are replacing trips to Dawson, for example?

Mr. O'Donovan: I cannot give you a definite determination on that. I could if we had the accurate figures from the previous year on which I am basing most of the studies. What the individual departments had done in the area of air charters last year was just not clear. We have figures for this year and I can give you what we have used but I cannot give you the comparative to say that yes, we are 50 per cent better than last year.

Mr. Chairman: In global terms, or approximate terms, what are you spending now?

Mr. O'Donovan: The current year is \$501,000. I projected that. I do not have it here with me but I did this a few weeks ago. I believe we projected \$1,300,000; that is collectively for the government on air charters.

Mr. Chairman: You could drive a lot of cars to Dawson City for that.

Mr. O'Donovan: You should understand that — Yes, right, but when I speak to you about air charters, I am not giving you figures for scheduled air travel. We try to make use of scheduled air as much as possible, especially where it is one individual who has to travel from A to B. When there is a group of people, it becomes more attractive to go air charter.

Mr. Chairman: Yesterday, when we were talking to Renewable Resources, we heard about their expenditures on things like helicopters and fixed wing for the purposes of carrying out their activities. Under the transportation policy now, would those rentals come under your purview or control at all?

Mr. O'Donovan: Yes, they do. They are coming under our control.

Mr. Chairman: That \$1,300,000 you gave us, would also include

money spent by Renewable Resources in the current year?

Mr. O'Donovan: Correct. Yes, as a matter of fact, Renewable Resources, in terms of that charter figure is substantial. They use helicopters a lot and that is where they really ring up the till on us.

Mr. Hanson: I will go to the next one in line, I guess, if there are no more questions on transportation. On the electronic data processing policy manual — that is Mr. Fuller, I guess — could you briefly explain a little further as to what is going on with that system and if it has been upgraded substantially since the first committee's report on it?

Mr. Fuller: There has not been a lot of work performed on the policy manual since the last report you received. It was started back when our branch was part of the Department of Finance under the FMS umbrella. Shortly after we became part of the Department of Government Services, we came to the realization that the computing facilities had long since gone past the point of being critical and that we really needed to turn our energies around and devote it to addressing that issue. We basically put the development of the policy manual on the shelf and it has been there ever since. The project of changing the computing facilities and going through the conversion and all of the other work that is necessary is still underway and is still requiring just about the total dedication of our resources.

Mr. Hanson: When you say "not very much", do you mean "none at all"?

Mr. Fuller: None at all.

Mr. Chairman: Our discussion on that subject then should be very brief.

Mr. Byblow: In suspending the development of the policy manual, I understand that some work is being done, interdepartmentally, in the form of a Systems Priorities Committee. Could you explain the functioning of that committee?

Mr. Fuller: When we went through our planning exercise to determine what the hardware and personnel requirements were going to be for our branch for the next few years, we identified a backlog of systems development projects for at least five years. We also realized that there was really very little chance that we were going to be given the resources to clean up that backlog in a very short period of time, so the Subcommittee on Finance directed that the committee be formed to basically set priorities for that backlog because a lot of departments were going to be unhappy. It probably should not be anyone in my position setting those priorities so the committee was formed consisting of Mr. Vantell, Mr. Johnston, the Treasurer, and an undesignated member at that time who has since been named as Garth Graham. It is made up of those three Deputy Ministers.

They just recently had their terms of reference finalized and communication has recently gone out to all of the departments to announce that the committee exists and what their function is. They will be receiving submissions, and have received submissions so far, for requests for development. As a planning exercise for our branch we had sat down with departments in the past but had not really considered them as formal applications so many of them were a repeat of what we had already identified. When the committee was formed, they thought rather than wade through all of that material, that is, the working papers that we used last year, they would basically start with a fresh slate and ask for new submissions.

Mr. Byblow: Has the committee met as a group?

Mr. Fuller: It has.

Mr. Byblow: As a result of their meeting, the request to resubmit their priority systems has gone to the departments?

Mr. Fuller: And also submit any new systems that had not been identified in the past and to give us an update on old submissions where the situation may be somewhat different than it was a year ago.

Mr. Byblow: What is the intended outcome from this committee?

Mr. Fuller: The committee should be giving direction to my branch as to the priorities that we should guide ourselves by when we set out to study these systems.

We have only two system analysts and, as we said, five years' backlog of work for them to do, so someone has to set the pecking order.

Mr. Byblow: At what point will the policy manual be drafted as a result of the committee work?

Mr. Fuller: My feeling is that perhaps the committee should be involved in determining what priority this manual should have since the committee's workings will be defined somewhat in that manual, I believe. Because the development of that manual will require some of the same resources that the committee is also determining the priorities for, I feel that they should work hand in hand.

Mr. Chairman: Last year, we understand, there was a five year backlog; would it be true to say that there is now, effectively, a six year backlog?

Mr. Fuller: Potentially, but until these requests come in I would not be able to verify that. There is no doubt that that backlog does grow and, since we have not done anything substantially to decrease it, I would say that would be a fair statement.

Mr. Chairman: Are there any other questions on asset control?

Mr. Hanson: Mr. O'Donovan, could give us a brief outline on what you are doing in asset control and what improvements you have made since you have been in the department.

Mr. Chairman: Perhaps I could begin by giving you a general question, Mr. O'Donovan, and we hope you give a brief response.

You talked about the elimination of registers, ledgers, index cards and file folders. Could you tell me how the new system deals with the information on the registers, ledgers, index cards and file folders?

Mr. O'Donovan: No, probably not in great detail. In capital asset control, what we have been doing for a number of years, and it is only because we have been doing it since day one, everything has been done on a manual basis. For the checks and cross-checks and balances in the previous year, we were using something like ten different registers. Through some assistance and guidance from the new Internal Auditor, who has been coming down there on a periodic basis since she started, we have come up with several methods which has reduced the bureaucracy that we were involved in, if you like to use that word. She has cut it almost in half with some of her helpful suggestions.

What we are leading up to in reducing this paperflow, of course, is to computerize what we have. We hope to do that within a period of a year. There are now basically five different systems that are giving us all of the figures and data that we have concerning Yukon Government assets.

The main item, of course, is a capital asset control register which is divided up into five divisions. One is the statement of capital assets; the Auditor General ledger, the acquisition journal; the deletion journal; and the transfer journal. Within these five subsections we give an accounting to the Yukon Government concerning the position of capital assets each fiscal year.

Mr. Chairman: So until you know what computer system you are going to use, you cannot really say how the information is going to be absorbed by the new system.

Mr. O'Donovan: No, because we know that we are going to a computer system and we have an idea of what we want from that computer system, but until we get down to the actual negotiation or talking stage with our data section, it is very difficult for me to comment; I just do not know.

Mr. Chairman: In your initial statement this morning you talked about the computerization of this system in the near future; just now you said within a year. Could you be a bit more precise?

Mr. O'Donovan: I cannot be more precise than that. All I know is that what we are aiming for is within the 1981 fiscal year. I cannot tell you when it is going to come on stream yet because we have not discussed the actual month in which we are going to start.

I can say this, though, the Internal Auditor, who is presently working within this section, anticipates finishing the report she is working on within a couple of months.

Our general direction is, if you like, that it will be as soon as that is completed, because we feel there will be some ammunition there to assist us.

Mr. Fuller: Also, if I may add, I think the Systems Priorities Committee will play a role in determining the relative priority of that system along with the others.

Mr. Chairman: Perhaps we could move along to Central Shipping and Receiving.

Mr. Hanson: Would you give us a brief outline, a little more than what is here, anyway, of the workings and goals of that department.

Mr. O'Donovan: First of all, there is no Central Shipping and

Receiving in the Yukon Government. Secondly, along with the assets, this was the second area that was identified within FMS this would be back in 1978. Both this area and the assets never came on-stream; the assets did not come on-stream because of the computer system. The Central Shipping and Receiving did not come on-stream because it was a case of putting the cart before the horse. You cannot have a Central Shipping/Receiving area or system until you have a commitment control. One without the other will not work.

That involves a fairly long, drawn-out explanation which I will give to you if you like. At this time we are not anticipating, because there is no collective will for it, creating any central shipping and receiving area; this was more or less put on the back burner almost from the day it came out. It was not a very well thought-out procedure. As I said, you cannot create central shipping and receiving in isolation of some other things, such as a commitment control.

Mr. Byblow: Could you explain what you mean by the commitment control aspect?

Mr. O'Donovan: Maybe I will just pick an item and use it as an example. You are a department that wants to buy a book. You order a book and create a requisition giving your signing authority which indicates that, yes, your department has the funds to buy this book. It comes down to us and, we as the purchasing people will turn around and go out and buy that book for you.

Because of the fact each department within YTG has its own invoices and administrative staff, once we send that purchase order out to buy that book for you, we do not know when you are going to get it. We really do not know because we are out in the dark. The reason is that on that same purchase order we have indicated to the supplier that they should send the invoices to you.

Let us assume that you are the Department of Education and you are in Mayo. That book gets delivered to you in Mayo; the invoice comes into your head office department, the Department of Education here in Whitehorse. The way bill comes to Transportation, which in turn documents the statistical data so that we understand how much freight the government is going through and at what cost, and it verifies the tariff rates that are charged. When we have done all that, we will forward our copy to the department and the department then will match that way bill with the invoice hopefully, and then send it on to Finance for payment.

Now there are 1,001 things that can happen along the way. You are in Mayo and you go out on vacation or you get sick and are away from work or perhaps the receipt from the carrier is not that important to you. I can go on all day with reasons, but those are the reasons that form the problem. In other words, it takes a long time to get an invoice paid in some instances and, in other instances, it happens just bang, bang overnight; it just depends.

If you went to a central shipping and receiving, this book would not come to you in Mayo anymore. The book would be delivered to a central depot in Whitehorse. At that time the purchase order would be pulled out to match the way bill and the two would be married immediately; the invoice would be sent to this one destination so that all three copies come together in one place, just like the Central Transportation Agency. At that point, they would need the authorization from the department to code the invoice to their code.

Also, and I will use an example from my NWT days, in the Central Shipping and Receiving, the Supply Service department paid all freight for every department; they had the freight part in their budgets. In other words, all of the departments collectively threw it into one pool. That ended the problem of the suppliers, in most instances, because no government is without its problems.

But, collectively, that is the process that is involved to get to central shipping and receiving.

Mr. Byblow: What you have described about the existing system partly explains some of the comments and stories we hear about this long period of time before invoices are paid, because of the existing, and to use a loose term, "confusing method".

Mr. Chairman: Could I just get in there, Mr. O'Donovan?

Who prepares those forms for the orders that go out to the supplier of the book?

Mr. O'Donovan: Every department creates its own requisition. In other words, no purchase is made anywhere in the government until a requisition has indicated that the person requesting the goods has the signing authority and the authority to spend funds.

Mr. Chairman: One small step in the system that you describe is the instruction to send the bill to the department ordering the book. It occurs to me that you might solve some of the problems we have heard about on late payment if that form said to send the bill to Finance. Or would that just create another generation of problems in the system?

Mr. O'Donovan: If the invoice is sent directly to Finance? How would Finance know whether that person got the book?

Mr. Chairman: I am asking because we have heard that savvy suppliers in this town know where to send their bills to get them paid faster than people who send them to where they are supposed to send them.

Mr. O'Donovan: Yes. While I can agree with what you are saying, because I am sure that happens, that also creates its own set of problems. If this gentleman in Mayo got that book or did not get the book, you can be paying for things twice, very quickly. You need to marry the system; you have to get it all under one roof, I believe, if it is going to work.

Mr. Chairman: Does it happen, for example, that sometimes the bill gets sent to Mayo, too, or some of the other paperwork, along with the book?

Mr. O'Donovan: Yes. It just depends on the attention of the person at the other end. Everybody has to read and understand exactly what originated in the first place and that does not happen.

I think, basically, what is involved here is the delay in getting all of the people who have all of the documents together when perhaps, maybe, they should be looking in just one area.

If they had one area, they would only have one area to make complaints to. Then, politicians or whomever wanted to be involved could simply go to area and say, "Okay, this man says he has not been paid. Where is it?"

Another area I neglected to tell you of in that purchasing cycle: once the purchasing people send out that order, they never know whether the order is even complete or not. How can they? They do not get the invoice and they do not get the tear-off copy that indicates that these goods were, in fact, shipped? So, unless they have the central shipping and receiving and commitment control, they cannot get enough of the documents back to effectively close off that file and say, "It is finished; it is closed."

Mr. Chairman: Given your description of the elaborate mysteries of the system, I am sure politicians would rather not get involved, but sometimes they have to when people complain that a system is not working properly.

Are there any further questions on this?

Mr. Byblow: You indicate that consultation has to take place with all the departments in order to set up that system. Has there been any progress on that process?

Mr. O'Donovan: I came here in 1978 and I believe that just prior to my coming here, there was some discussion. I believe the federal Audit department made some of the initiatives; I cannot recall now whether these were verbal or written, but I know that the federal people seemed to feel that we could do much better if we had gone to a central commitment control.

I cannot comment too much about why it did not; I can just tell you that the collective will of the day seemed to indicate that they did not want a commitment control for a number of factors. I am not qualified to comment on the reasons that they did not, but I do believe it was a federal initiative or suggestion that perhaps we should at least look at it, because many other governments have it.

Mr. Hanson: In the system as you see it, what would be the additional time delay — using the horrible example of Mayo, as everybody uses it — of the goods coming here and then being shipped again to Mayo by your department?

Mr. O'Donovan: That is a real fair statement, because that would happen. I would not say that the delay would be more than two days, because that is what I have experienced in the past, using this system. The point you bring up is relevant. There is about a two day delay if we go to central shipping and receiving.

What we do is make a couple of people very happy. I believe that we make Finance happy because we process the paper a lot more quickly, with fewer steps. I definitely think we make the supplier happy. But, the departments may have to wait a couple of days longer to get those goods.

Mr. Hanson: If you make a supplier happier you would make a politician happier, because he does not hear about it then.

I have no further questions.

Mr. Chairman: That seems to cover the ground we wanted to go over. I would like to thank Mr. O'Donovan and Mr. Fuller for being with us this morning. We hope it has been a reasonably pleasant interlude in your week. We are sorry that Mr. Vantell could not have been with us, but we understand he is ill.

Given the state of health of everybody around the Territory, I guess we are lucky to have our Clerk back with us today; she has just come from hospital.

Perhaps it would be appropriate to take a coffee break early and then we could come back to Finance after coffee. Is committee agreed to that?

Committee stands recessed for ten minutes.

Recess

Mr. Chairman: Committee will come back to order. I would like to welcome back Mr. Andy Johnston, Territorial Treasurer, Mr. Art Nutt, Director of Financial Operations and Mr. Tom Roberts, Budget Director; I say welcome back again. You are becoming the most popular stars of the Public Accounts Committee.

Mr. Johnston: Thank you, Mr. Chairman.

Mr. Chairman: We wanted to wrap up a couple of items the Committee felt they had not completely covered. Some of them have to do, I think, with any comments you may have about the response from Government Services regarding the four projects that have been transferred out of your hands. Also, there are two or three particular questions.

Mr. Hanson: I would like to give notice of motion that the Organizational Chart for the Department of Government Service be appended to the report.

Mr. Chairman: Thank you, Mr. Hanson. That is a notice of motion.

Mr. Falle: Mr. Johnston, could you give us an update on 4, 5, and 12 of the PAC Report?

Mr. Johnston: Mr. Chairman, I find myself in an awkward position on these three recommendations. The Government Leader, who is also the Minister of Finance, gave a response, I believe, at the Fall Session last year when the Report of the Committee was tabled. At that point in time, he indicated that the regulations, policies, procedures, and so on, that were in place in the Yukon Government were, in his estimation, satisfactory in these three areas.

Mr. Chairman: I appreciate that, Mr. Johnston, but I wonder if you could briefly tell us what is in place, because the Committee's recommendation may have been based on innocence rather than anything else.

Mr. Johnston: I can appreciate that approach. On item number 4, Mr. Chairman, the project management for major projects within the Yukon Government is the one that I suppose I have least knowledge of. "Major projects" could mean many things, but I would think that perhaps construction contracts might be the most prominent major projects within the Yukon Government, as far as dollars go.

At this point in time, I believe the Department of Highways and Public Works is responsible for, if not all, at least most of the construction contracts. First of all, they have a Contract Administrator, who is responsible for awarding the contracts and then ensuring that payments are made under the proper conditions. Secondly, they have an engineering department that is responsible, I would believe, for ensuring that the design, the building inspection and so on is all carried out properly.

So, there would be appear, with my limited knowledge of what happens in Highways and Public Works, to be a sufficient system in place for handling and monitoring these major projects.

Mr. Chairman: Speaking to the question of your legislative authority as Treasurer, you are satisfied with the system that is in place.

Mr. Johnston: Yes. All the departments must sign, under Section 20 of the *Financial Administration Ordinance*, indicating that the goods and/or services have been provided in a proper manner, and so on, before they requisition payment of various billings that they send to our department. We are not aware of any major variances from this procedure and have not been provided with any observations from internal audit or the Auditor General of Canada.

Mr. Chairman: Perhaps you would like to go to Number 5.

Mr. Johnston: Number 5, I believe, covered the preparation of variance reports. At this point in time, there is a government policy indicating that departments must prepare variance reports at certain times during the fiscal year. There is, as well, a procedure which outlines the method to be used and the forms to be filled in, and so on.

In general, I can say that we receive these in the Department of Finance. There is the odd exception, but it is very infrequent. I should say that sometimes they are not as timely as we would wish to see them. There are occasions where, upon analysis, we have to go back for more information.

The system is in place and it is a matter of educating the departments. It is a matter of the departments having the proper personnel and time to complete these properly.

I would suggest that it will never be done perfectly and, as the central control agency over financial affairs, we will always have to go back to departments for more clarification on certain items.

I believe there is an adequate system in place, it is just a matter of how well it works; that is a matter of judgment.

Mr. Chairman: Perhaps Number 12?

Mr. Johnston: Number 12 has to do with contract proposal evaluation. At this point in time, there are a number of items in place covering Yukon Government contracts.

There is a contract procedure which has been in place for a number of years now; it is a fairly large document of, I think, 30 pages, which covers items such as tendering, awarding contracts, contract administration. It also covers different kinds of contracts: construction contracts, purchase contracts, service contracts, and leases.

This is available to all departments. Of course, the major department that would use it, particularly for the construction contracts, is Highways and Public Works, who have a position for contract administration.

As well, Mr. Chairman, regulations have been issued under the authority of the *Financial Administration Ordinance*, which covers some of the same areas. These regulations are available in the form of regulations. As well, we have included those in one of our financial manuals, and Supply and Services have included excerpts in their Supply and Services Manual, covering various parts of these regulations.

Again, these regulations do not get into quite as much detail on the administration of contracts, but they do cover the conditions under which various contracts can be entered into and how they are to be entered into, under what authorities.

These regulations have been developed over many years. I know Mr. Koken in Highways has been here for over 20 years. Throughout those 20-plus years he has been actively involved in improving these regulations, making them more consistent with, in some cases, the federal contract regulations, because a lot of our construction projects are federal-oriented. In some cases, we use their money directly so we must follow their guidelines.

So, again, I have not heard of any major problems or areas that should be improved in these regulations. I believe they are in place.

Again, you will find exceptions; I believe we found a situation last year where a department did not adhere to them, but I do not think that is normal.

Mr. Chairman: We found a case this year where they may have been in place but we were not sure whether they were working.

Mr. Johnston: Pardon me?

Mr. Chairman: We found a case this year where they may be in place but we were not sure if they were working.

Mr. Johnston: I believe that they are in place is the point I am making. Certainly, when we make payments, we ensure that the proper signatures are provided.

Now, if somebody signs under false pretenses, it is very difficult at times to find this out. We normally find out through audit, which is either external or internal.

Mr. Byblow: Just in summary, to qualify this recommendation, you would say that the criteria we are talking about respecting contracts are in the form of regulations.

Mr. Johnston: Yes, Mr. Chairman, as far as awarding contracts, that is in the form of regulations. As far as monitoring contract performance, that is more a procedure. That is another document that the government issues; there are policies and procedures, and

there is a fairly lengthy procedure covering contract administration.

Mr. Chairman: Perhaps we could move on, then, to the next item we have on our list, Satellite Accounting Systems.

Mr. Johnston: I think, Mr. Chairman, I can be more helpful on the rest of the items.

Mr. Chairman: The reason I want to ask you about this is, Mr. Johnston, you will recall last year, when you were before the Committee, there was a brief mention of this subject. At that time I think you expressed some concern about the existence of some satellite accounting systems and expressed the wish that some of them would be retired.

Could you give us some kind of status report on these?

Mr. Johnston: Yes, Mr. Chairman. What I would like to do is very quickly indicate what I meant last year and then give some examples of what is happening.

What I meant last year was that the Department of Finance hoped to provide, first of all, information which departments were not getting, either from our system that was in place at that time or from their own internal satellite systems.

Secondly, we wanted to provide information, which they were getting from their satellite systems, that hopefully would result in the elimination of those systems.

I believe both these types of information have been given to departments.

As the years go by and we give the departments more reports more of that information will be available.

I would like to give a couple of illustrations; one involves Human Resources and the other involves Highways and Public Works. In the the Department of Human Resources, the new classification of account system, running on the new general ledger package, provides this department with two new reports. One is social assistance analyzed by type of expenditure; the second one is social assistance analyzed by type of client. Examples of that would be single/unemployable; single/employable; married/unemployable; married/employable; they have a number of categories of clients.

This new information has not yet eliminated the duplicate records which the department is keeping, but they indicate that they are becoming confident in the information.

This is only the first year that they have got the two systems running, their own manual one and our computerized one.

Secondly, they want to build up two years of information on the computer file before they eliminate the manual records. They need this to establish trends for budget purposes and so on.

They have indicated, in our recent discussions with them, that at this point in time they do not see a problem with eliminating their manual records once the two year period has passed. I think that is a very major step in accomplishing what we started out to do last year.

The second example of the Department of Highways and Public Works is that they receive a number of reports; I will rhyme off a few of them. I believe Mr. Blackman, in his submission to you a few days ago, had several of the reports here indicating the amount of detail now provided. It has matched up with the Jorgenson system very well. Before, they had the Jorgenson system, but no information coming off.

In some of the reports, they have a detailed analysis by camp; they have an analysis of the highway regions by camp; they have an analysis of the highway system by region, in other words different levels of detail; and, lastly, they have an analysis of equipment by type of expenditure. These reports are new; they do not really replace manual systems because in most cases they did not have a system in place at all.

I will use equipment to give you an example of what they did last year. We gave them a computer run in the old system. Using labour as an example, it said under Expenditure - Type One, these are all the charges for all the pieces of equipment. Under "Expenditure Type Two, these are charges for new tires for all the equipment." They did not have any report that showed them what they had purchased for one piece of equipment.

So, in previous years if they wanted it, they would have to go through and they would look at the first page and pick out that unit number and put it on an adding machine and take the second page and find the unit number and put it down. Eventually, by manually adding up all these individual items, they could come up with the

total for each piece of equipment.

The new report summarizes all of these expenditures by piece of equipment so they can say, "Unit number one, here it is and here are all the expenditures against that unit." As well, we show them the revenue that accrues to that unit, with a net. That was not available before. So this is the type of information.

The system was partially computerized and partially manual; it gave them a listing but they had to go through and pick out pieces of information. Now we give them the same information, but we summarize it in the way they want it, so it is quite an improvement. I know they are making quite good use of that.

They are the two examples that I wanted to give. There are others, but I think that is sufficient to illustrate our point.

Mr. Chairman: Let us move along to another question which arose during our examination of the Department of Highways and Public Works.

The concern is the procedure for the transfer of funds from one vote to another vote. I will explain the instance or the example which interested us.

We heard that the Department of Education had been voted some capital money to buy some equipment for training operators at the Vocational School. We then heard that the money was transferred to the Department of Highways and Public Works so that that equipment could be purchased. Then the Department of Education, in fact, leased it and the normal charge-backs happened with the Road Equipment Replacement Fund. We were left with the fascinating prospect, to our mind, of the Department of Education having paid for a piece of equipment twice, but Highways ending up owning it.

Apart from that interesting twist on property ownership, what we were really curious about was the first step. We had been operating under the assumption that when the Legislature voted money under one vote, it could not be transferred to another vote without legislative authority. What we wanted to understand is how that process happens, how the money is transferred from one vote to the other.

Mr. Johnston: There are two parts to this question, as you have indicated, Mr. Chairman, the process used and the specific example that you mentioned.

As you know, the Main Estimates (Capital) are now passed in the fall; in this case, in November of 1980 for the 1981-82 fiscal year. We will use the Main Estimates for capital as an example. A budget in any organization is a plan which, in my experience, has never worked out to be 100 per cent in tune with what actually happens in the subsequent period under question; this happens in this government.

So, we have devised a way of being able to meet emergencies, changes in priorities throughout the year, particularly as the Assembly is not in Session for a very lengthy time in Yukon.

Here is what happens. A form called an appropriation adjustment is filled out. We indicate on it as to whether it is a transfer between departments or whether it is a new thrust of the government. This particular form is normally initiated after a direction from Cabinet that they wish to see something happen. The departments involved get together and determine the amount required and where it is going to come from. They, through Finance, initiate an appropriation adjustment. The department head signs it. The Territorial Treasurer, Deputy Minister of Finance, indicates the financial implications for the government on another section. He signs the document and it then goes to the Committee on Finance who recommends to Cabinet as to whether or not to proceed. If Cabinet makes a decision that they are going to proceed, the Commissioner signs the document, as he must under the *Financial Administration Ordinance*.

If it requires new funds or a transfer from one department to another, it normally results in a supplementary being brought to the Assembly for approval at a future point in time; even though the Commissioner approves it, it is only an interim approval. The Assembly must, as you have indicated, approve the spending for the various departments. That is the way it works.

Now, I would like to go through the item that you raised with and Mr. Blackman and show that the system is working properly and that the Assembly has approved part of and will approve the balance of the transfer that took place.

The \$1,289,000 that you are referring to was voted by the Assembly for the capital budget for 1979-80. It was not for equipment; it was for the new Yukon Vocational Technical and Training facility that may be under way. That particular budget was approved in

the spring of 1979. The funds were identified for that particular purpose and voted under Education.

In 1979-80, the Cabinet decided to change their priorities and decided that rather than proceed with this particular facility, they would purchase some road equipment to be used on the Porter Creek Access Road and subsequent uses after that.

Mr. Blackman used the appropriation adjustment number 79-94. That was issued to initiate this procedure and give the department authority to proceed with these items. The items were not fully received during the year of 1979-80; only about \$300,000 to \$400,000 of those items were received before the end of March so that is all that could be charged against that year.

When we processed our Supplementary Estimate No. 1 for the 1979-80 year, there was an adjustment for the Department of Highways which increased their Road Equipment Account from approximately \$100,000 to \$400,000 or \$500,000.

In other words, the Assembly voted the funds that were spent in 1979-80, so the full amount was not expended that year. I am sorry that I am getting confused on the years, but we are talking about three different years here. During the 80-81 year, another budget adjustment was processed, number 80-11. This gave the department authority to spend another \$700,000 on equipment. In other words, the equipment that was received in the subsequent fiscal year, and the supplementary estimates that will be coming before the Assembly this year will have an additional amount under Road Equipment and Highways to approve that.

So, as you can see, the difficulty was that the capital budget was passed in the fall for the next fiscal year and the priority of the Government changed after that point in time. I know I am getting the year mixed up, Mr. Chairman; that \$1,289,000 was in the the 1980-81 budget. So the amount under 1979-90 for the first appropriation adjustment was not taken from Education. It was just simply a new item, and that was recorded as a supplementary which was given to the Assembly in the fall.

If you look under Highways, you will see where they increase road equipment from about \$100,000 to about \$400,000 or \$500,000.

The second appropriation adjustment was to adjust the 1980-81 budget, so, in fact, that did go through in the fall of 1979 for the capital budget for the 1980-81 year.

So, what has happened then, as a net result of all of this, in 1979-80 we had approximately \$400,000 spent for road equipment under Highways which was approved in Supplementary No. 1, and authorized by Cabinet to proceed during the year because it was not in the original budget by budget adjustment number 79-94.

Then in the fiscal year — I can carry this all the way through — we had another \$700,000 which was transferred from the Department of Education to Highways, from one project to another, which was initiated by Cabinet and the Commissioner later with a second appropriation adjustment, which is now coming to the Assembly in Supplementary No. 1 for this 80-81 year. So, it is a process which carries from Administration through the Cabinet, Commissioner, Legislative Assembly route in every case.

Mr. Chairman: I appreciate the explanation. Did you say that money was originally in the budget as a building —?

Mr. Johnston: It was in the the 1980-81 budget.

Mr. Chairman: For the Vocational School expansion?

Mr. Johnston: That is correct.

Mr. Chairman: So, originally we voted some money for a building and we end up with a couple of graders.

Mr. Johnston: Yes. As I said, priorities of the government would change, so they decided to change that and they bring it back to the Assembly after the fact, not being able to do it on the day they want to make a decision.

Mr. Chairman: Someone may want to talk to someone else about that in this Chamber later, but that is not for us to talk about now.

Mr. Johnston: That is the procedure. This has been going on for years, and I am not aware of any problem with it.

Mr. Chairman: No, the procedure seems —

Mr. Johnston: Unfortunately, Mr. Blackman just went so far as the first appropriation adjustment and he did not realize what happened subsequent to that. He probably did not understand it in full.

Mr. Chairman: I think you will recognize that it is probably enough to confuse the normal person which is what most of us are over here.

Mr. Johnston: Well, it took me five or ten minutes to find all the

documents, but they are there.

Mr. Chairman: I appreciate your modesty, Mr. Johnston. I will not claim to perfectly understand this yet, but I think the explanation on the record will certainly give us enough to look at.

Did you have a question, Mr. Byblow?

Mr. Byblow: This authority that permitted Cabinet to reappropriate it, you referred to 79-94 and 80-11. How does that fit into the scheme of the Ordinance?

Mr. Johnston: The Commissioner may, under a section of the *Financial Administration Ordinance*, approve interim appropriation for various expenditures. The Assembly must then give their approval at a later date. What I am saying is that there were two appropriation adjustments approved by the Commissioner after the administrative and Cabinet approvals were on it. Subsequently, one of those had been approved in the first Supplementary for 1979-80; the second one will be approved in the first Supplementary for 1980-81.

Mr. Chairman: Mr. Hanson is going to ask Mr. Pearson to bring three walnut shells and a pea with him to the next budget session.

We will go on to the next item: charge-backs and work orders. Now, I am sure the confusion again was all ours when we discussed this question with you a million years ago, two weeks past. We got into the subject of charge-backs and work orders and all of us were getting off on a wild goose chase. Actually I think we were talking about lightbulbs. We subsequently found out from Public Works that in fact there are no charge-backs for changing lightbulbs and they did not know what we were talking about.

Mr. Johnston: Not in the same manner I was talking about.

Mr. Chairman: Mr. Koken also had not heard about these work orders that you described were coming into place. So, I just wondered if we could, not get into a long inquiry, but just attempt to clarify the situation with both of these items, Mr. Johnston.

Mr. Johnston: I will address the lightbulbs first, Mr. Chairman. Every year the Public Works section of the Department of Highways and Public Works come up with a charge per square foot. I believe it is, for departments "renting" space from the Government. In other words, my department pays a rental charge. Included in that is the cost of leases, of maintaining buildings and changing lightbulbs. That is not a work order system. That is simply a charge you get, I believe it is every period. They attempt to liquidate their expenditures for running all of these buildings by these charges. Sometimes they are successful and make money; sometimes they lose money.

The work order system I was referring to covers items different from that. They would be things such as a department getting mechanical work done on a vehicle in the Highways workshop. It would be for things such as Education wanting a school yard plowed by the Department of Highways and Public Works.

Mr. Chairman: Before you go any further, the second example I can understand. Would the first example now be redundant with the new transportation policy? Departments are less likely to have vehicles now that would require much mechanical work.

Mr. Johnston: That is right. But if the vehicle is charged to the Department of Government Services, they would be charged; in other words, if they are the owner of the vehicle.

So, what we are saying on those particular kinds of items, Mr. Chairman, and there could be a thousand examples of what they might be, is that the Department of Highways and Public Works charge for their services. At this point in time, there is not a good system of accounting for it. First of all the originating department has to authorize their request for services. The Department of Highways then has to perform the work and come up with a total cost to cover the materials, labour, equipment rental and whatever. Then the department that asked for the work is charged.

What we are saying now is: it could be by many means but the requesting department might make a phone call, they might send a letter, they might send a note, they might even see somebody on the street and say, "Please come and do this for me." We are saying that should be formalized.

The second problem that arose out of that was when the charges came through, the departments really could not identify what they were because if they had five charges that period, charged to a certain account, they got a figure which included all five lumped together.

To alleviate the second problem of being able to identify what

they are being charged for, we have initiated a report which breaks these items down by individual amounts. So, they can see they got charged \$1,000 and it covered a \$32 item, a \$17 item, and so on adding up to \$1,000.

But we have not addressed the work order system itself. You are right, it is not in place now. We have thought about it for quite while. The Auditor General has made comment on it. We have talked to Highways in the past, but not Mr. Blackman, as he just arrived recently. I do not think it is an unusual system. It is in place in most places I have worked in before. It is just a matter of formalizing it.

Mr. Chairman: It sounds like a good idea, but Mr. Koken did not seem to have heard of it. I presume your officials and Mr. Blackman's officials are talking about it.

Mr. Johnston: We have spoken to Mr. Smith, the Administrative Officer, about it. Again, it will not be any extra work for Highways, but it will be a lot of additional information and method of authorizing for the departments involved.

Mr. Chairman: I am sure it was my fault, but there was also some confusion about the structure of charge-out rates. Will the systems that are coming into place be able to give some kind of good accounting of these rates?

Let me give you an example. You were talking about the renting of space. Will you be able to tell, if you get a little bit of extra space how much of that is made up of lightbulbs or carpet?

Mr. Johnston: Well, let us put it this way: the new classification system provides a much greater breakdown of expenditure for all the departments. The Department of Highways is no exception; they would have a better idea of what goes into making up the total cost to run a building. The departments that rent space would not really have access to that. They would just be told what the rental was, but I would imagine that the Department of Highway and Public Works would have a better feeling for what portion of that rental cost is made up of different categories of expenditures.

Mr. Hanson: I would like to ask a question. Mr. Johnston, you were in the House when we questioned the witnesses from Government Services. We talked about the Central Shipping and Receiving, and you heard his answer. Would you mind giving us your opinion on this subject?

Mr. Johnston: Well, Mr. Chairman, I know that this is a subject very dear to Mr. Hanson's heart. He does get a few complaints about late payments. I did hear the reply from the Director of Supply Services indicating that the best way to centralize the payment of invoices would be to centralize the receiving function.

In theory that is right. You can centralize the processing of invoices without centralizing receiving; it just means that the documents are coming from a number of places rather than one. I agree with him that the best way is to have control in one area.

I would say, though, that the actual payment should still remain with the Department of Finance, but possibly, if we were to centralize receiving, that that should be with the Department of Government Services.

Mr. Chairman: From the management point of view, you are supportive of the notion of central commitment control?

Mr. Johnston: Yes, I believe that in an organization this small that it probably would be better than a decentralized system. Also I have worked with both centralized and decentralized payment of invoices; I have always found the centralized system works a little better because you can pinpoint it down to the Department of Finance as being the problem area and perhaps rectify the situation.

Under the current system, we process the invoices as we get them from the departments. It is very hard to find out what the problem is — or problems are if there are more than one — and be able to do something about it because there are 18 departments involved. There is a system in place but, because you have so many individual departments responsible for it, it is very hard to make it work properly.

Mr. Chairman: As you may have to hold your peace for a year Mr. Johnston, do you any other comments on any of the other answers you heard regarding the four FMS projects transferred to Government Services?

Mr. Johnston: No. I might say that on the asset control, we are as well, awaiting the report of the Internal Auditor who is doing some work in that area, and has been for some time.

When we receive that report, if there are areas of concern, we

will be prepared to assist in addressing those areas, but at this point in time, we are not aware of problems.

Mr. Chairman: I would like to thank Mr. Johnston, Mr. Nutt and Mr. Roberts. Once again, I appreciate you taking the time to come here and help educate the Committee.

The witnesses are now excused.

I would like to give a special thank you to Mr. Harold Hayes, Principal from the Office of the Auditor General, for spending these two weeks with us and, once again, being a very expert advisor to the Committee.

I would also like to thank our Clerk, Missy Follwell, for struggling out of her sickbed to be back here to mind the store.

The Committee now stands adjourned. The formal hearings for this year are over. Committee will reconvene in Executive Session for the purpose of drafting its Report.

Thank you.

The Committee adjourned at 11:04 o'clock a.m.

APPENDICES

APPENDIX 1

PAC DOCUMENTS TABLED - 1981

PAC #	DATE TABLED	DEPARTMENT	DOCUMENT TITLE
1	81-01-20	Finance	Government of Yukon Territorial Accounts, Fiscal Year 1979/80
2	81-01-20		Report of the Auditor General of Canada on "any other matter" arising from the examination of accounts and financial state- ments for year ended March 31, 1980
3	81-01-20		Report of the Standing Committee on Public Accounts, Vol. 1, April, 1980
4	81-01-20		Opening Statement, Mr. Johnston
5	81-01-20		Finance - Organizational Chart
6	81-01-20		Status Report on Phase II, FMS Projects As At January 16, 1981
7	81-01-20	Internal Audit	Finance Operating Manual
8	81-01-20		New Form of Estimates
9	81-01-21		Position Description, Director of Internal Audit
10	81-01-21	Highways and Public Works	Position Description, Auditor
11	81-01-21		Internal Audit Schedule
12	81-01-21		Organization and Responsibili- ties of Department of Highways and Public Works
13	81-01-21		Departmental Structure of Department of Highways and Public Works
14	81-01-23		Inventory Summary - a sample of typical Highway maintenance activities

PAC DOCUMENTS TABLED - 1981

PAC #	DATE TABLED	DEPARTMENT	DOCUMENT TITLE
15	81-01-23	Tourism and Economic Development Renewable Resources	Road Equipment Replacement Account - Flow Chart
16	81-01-26		Road Maintenance Category System Map
17	81-01-27		Purchases - Road Equipment Replacement Account: Fiscal Year 1979/1980
18	81-01-27		Equipment sold during Fiscal Year 1979/1980
19	81-01-27		Progress update from Tourism and Economic Development on 1980 PAC Recommendations
20	81-01-28		Goals and Objectives of the Department of Renewable Resources
21	81-01-28		Organization Chart for Department of Renewable Resources
22	81-01-28		Map entitled "Yukon Conser- vation Officers' District Boundaries"
23	81-01-28		Map entitled "Resource Planning Branch - Regional Planning Priority Areas"
24	81-01-28		Map showing (1) Major Camp- grounds and (2) Minor Camp- grounds with minimal development
25	81-01-29		General Development Agreement between Governments of Canada and Yukon
26	81-01-29		Canada-Yukon Territory Sub- sidiary Agreement on Renewable Resource Development

PAC DOCUMENTS TABLED - 1981

PAC #	DATE TABLED	DEPARTMENT	DOCUMENT TITLE
27	81-01-29		An Agreement Respecting Studies and Planning of the Water Resources in the Yukon River Basin
28	81-01-30	Government Services	Organization Chart
29	Filed 81-02-13	Renewable Resources	Memo re purchase and use of boats

APPENDIX 2

Status Report On
Phase II FMS Projects
As At January 16, 1981

1. Financial Administration and Accounting Control Manual

This project is progressing steadily towards completion. There are sixteen chapters contained in two volumes. The following statistics are self-explanatory:

Chapters completed and distributed:	8
Chapters approved but not yet distributed:	2
Chapters drafted but not finalized:	1
Chapters being drafted:	4
Chapter 15 on-going usage for issuing financial directives	1
	<hr/>
	<u>16</u>

We hope to finalize this manual shortly after March 31, 1981.

2. Department of Finance Operating Manual

A Department of Finance Operating Manual is in place and will be updated as new or revised procedures and systems are implemented.

This project is complete.

3. Transportation Policy

After extensive research by the Department of Government Services a submission was made to Cabinet to adopt a new transportation policy for the Government of Yukon. After Cabinet approval was given appropriate steps were taken to enforce this policy. A Transportation Section was created in Government Services and Chapter 11 of the Supply Services Manual on Transportation was issued October 15, 1980.

This project is complete.

4. Electronic Data Processing Policy Manual

This project has been transferred to the Department of Government Services.

5. Review Revenue and Recovery Recording and Collection Procedures

The Government of Yukon asked the Audit Services Bureau, who were under contract to perform Internal Audit, to review this area. As a result it was recommended that a computerized system for maintenance of accounts receivable subsidiary ledgers be developed.

It is agreed that a computerized accounts receivable system would be beneficial and as a result one of the available software packages has been reviewed. Further investigation of other packages will be conducted in the 1981/82 fiscal year with a recommendation then being submitted to the Systems Priorities Committee.

6. Internal Chargebacks

The initial review of this project revealed two distinct problems:

- i) The Government of Yukon lacked a proper Work Order System for user departments to request work to be done by the Department of Highways and Public Works.
- ii) The user departments were not informed of the details of charges made against their budget for the above mentioned work.

We will initiate development of a Work Order System in 1981/82.

We have resolved problem ii) above by providing the user departments with computer reports detailing these internal chargebacks at the end of each accounting period.

7. Commitment Accounting

We discovered that the Comptroller General of the Government of Canada had some concerns as to the rigid legal requirement for commitment accounting contained in the Federal

Administration Act and was studying this subject in detail.

We spoke to Mr. McCrindell, Mr. Murray and Mr. Austin of the Comptroller's Office. They indicated it would be extremely beneficial to us to wait for their report, tentatively scheduled for completion October 31, 1980, prior to getting deeply involved in this project. Even the Federal financial watchdogs have trouble keeping to scheduled completion dates as they recently informed us that the report would be ready no earlier than March 31, 1981. We are waiting for the report prior to proceeding and perhaps re-inventing the wheel.

8. Asset Control

This project has been transferred to the Department of Government Services.

9. Training and Career Development/
Financial Orientation Training

A training coordinating committee (of which Finance is a member) has been established by the Public Service Commission. Several training seminars have already been made available.

In addition to the above, Finance, with the assistance of the Public Service Commission, will be developing a Financial Orientation package for new employees. It is intended that this package will also be suitable for long service employees who desire some form of "refresher" training.

At present Finance does present financial training sessions on specific topics as the need arises (e.g. Software International G.L. System Training Seminar being held January 19-23, 1981). This type of training is in addition to the proposed package and will, of course, be continued.

With the establishment of this committee, the project has been removed from our FMS list.

10. Account Verification and Pre-Audit Function

This project is presently underway and will be completed

by April 1, 1981. It should be noted that this review commenced some two months in advance of the projected start date.

Finance will report on completion of this report.

11. Central Shipping and Receiving

This project has been transferred to the Department of Government Services.

12. Invoice Processing - Centralized or Decentralized

The present system, which is decentralized, has been reviewed and it was found that by re-emphasizing and monitoring our current procedures it is more than adequate. This matter was reviewed in conjunction with the account verification and pre-audit function project which is currently in progress.

It should be noted that should the Department of Government Services decide, at some point in the future, to develop a system of central shipping and receiving we will re-assess the situation.

APPENDIX 3

GOVERNMENT OF YUKON
ESTIMATES 1981-1982

DEPARTMENT OF

PAC #8

MINISTER

DEPUTY MINISTER

DEPARTMENTAL OBJECTIVE

FINANCIAL SUMMARY (000's)

1981-82
MAIN
ESTIMATES
\$

1980-81
MAIN
ESTIMATES
\$

CHANGE
\$

CHANGE
%

OPERATION AND MAINTENANCE

Expenditure to be voted

Expenditure Recoveries

Revenue

CAPITAL (information only)

CAPITAL RECOVERIES
(information only)

HIGHLIGHTS

APPENDIX 4

EXECUTIVE COMPENSATION PLANPOSITION DESCRIPTION

BASE DATA: Position No.: 02-66 Position Title: Director of
Internal Au
Class No.: Class Title: Chief Audit
Department: Office of the Branch/Unit: Internal Au
Government Leader
Incumbent: K.L. Sherwood Signature: *K.L. Sherwood* Date: 8/1/66
Supervisor: Government Leader Signature: Date:

1. PURPOSE OF POSITION:

- 1.1 To review legislation, agreements, policies and other documents to establish audit requirements.
- 1.2 To design, implement and supervise audit programs that satisfy these objectives.
- 1.3 To act as a liaison between political, public service departmental heads, external auditors and the Audit Committee.
- 1.4 To fulfill the administrative responsibilities of operating the Internal Audit branch.

2. ORGANIZATION STRUCTURE:

- 2.1 The Chief Auditor reports to the Office of the Government Leader.
- 2.2 Reporting to the Chief Auditor is a working audit and support staff. This is currently made up as follows:
One Auditor, Class II
One Clerk Typist III
- 2.3 The Chief Auditor reports to the Audit Committee. This committee serves an advisory function and acts as liaison between Internal Audit and the deputy heads from the various departments, corporations and boards within the government.

3. PROGRAM RESPONSIBILITIES:

The Internal Audit program is responsible for the following activities:

- 3.1 The review, evaluation and recommendation on financial systems and internal controls.
- 3.2 The review, evaluation and recommendation on management information systems, distribution and effectiveness.

- 3.3 The review, evaluation and recommendation on program evaluation systems.
- 3.4 To ensure that procedures used within the government are in compliance with legislation, approved policies and guidelines.
- 3.5 To fulfill audit requirements on a special assignment or emergency basis.
- 3.6 To provide a control function within the operations of government which can be relied on by the external auditors in their review of the territorial accounts.
- 3.7 To report audit findings and recommendations on a timely basis to management at the political and senior public service levels.

4. PROGRAM DIMENSIONS:

Staff supervised directly: two

Government-wide budgetary figures:

Capital: \$30 million dollars

O & M: \$87 million dollars

Liquor Corporation gross revenues: \$9 million dollars

Housing Corporation gross revenues: \$11 million dollars

W.C.B. gross assets: \$8 million dollars

5. POSITION SUMMARY:

- 5.1 To establish audit requirements.
- 5.2 To supervise the implementation of the audit function.

APPENDIX 5

Purchases - Road Equipment Replacement Account
1979/1980

11 Pickups	\$ 70,917.00
6 Graders	551,688.00
14 Dump Trucks	829,330.00
2 Loaders	168,510.00
3 Stake Trucks	72,469.00
2 Vans	14,000.00
1 Crawler Tractor	163,445.00
1 4x4 Crew Cab	13,343.00
1 Truck Tractor	<u>74,345.00</u>
	\$1,958,047.00
Shop Work Orders re: Modifications, etc.	<u>15,953.00</u>
Total Expended - 1979/80	<u><u>\$1,974,000.00</u></u>

APPENDIX 6

EQUIPMENT SOLD DURING FISCAL YEAR '79-'80

PAC #18

GOVERNMENT OF THE YUKON TERRITORY

CASH BLOTTER

Supply Service, Asset Control June 29, 1979:

* Auction Sale, Sale #79/3

Total Proceeds less 8% commissioner

\$ 67,804.00

Road Equipment July 6, 1979:

Unit #23-017

4,500.00

Unit #23-018

3,000.00

Unit #23-020

6,000.00

Tanker to L.I.D., Unit #17-176 JV 79-08-16

1,000.00

Total \$ 82,304.00

* See attached list.

6700 Vehicles & Equipment .

<u>Unit</u>	<u>Lot</u>	<u>Price</u>
1104	121	\$ 200.00
1243	200	200.00
24-109	240	20,000.00
18-208	129	500.00
16-098	179	3,400.00
19-014	114	450.00
23-022	183	5,100.00
16-090	175	3,600.00
15-158	195	1,800.00
16-078	177	1,300.00
17-180	178	2,100.00
19-203	124	1,000.00
19-213	132	1,150.00
18-309	202	400.00
18-212	201	600.00
19-133	113	650.00
16-079	176	1,100.00
23-006	185	4,000.00
23-008	184	5,000.00
18-205	174	1,000.00
18-402	130	800.00
18-710	109	800.00
18-755	116	1,400.00
19-048	123	900.00
19-057	128	500.00
19-160	127	650.00
19-224	126	1,000.00
23-013	182	7,000.00
19-219	115	800.00
19-229	125	800.00
18-404	135	800.00
17-174	198	3,100.00
19-292	196	150.00
--	188	600.00

UNIT CODES:

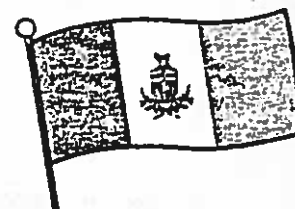
- 15 - Tandem Axle Dump
- 16 - Single Axle Dump
- 17 - 5 & 10 Ton Recovery
- 18 - Light Trucks 3/4 to 2 Ton
- 19 - Light Trucks 1/2 Ton Pickup
- 23 - Graders
- 24 - Crawler Tractor

APPENDIX 7

Government of Yukon

BOX 2703, WHITEHORSE, YUKON Y1A 2C6 TELEPHONE 403-667-5811

TELEX 036-8-260



Department of Tourism & Economic Development

OUR FILE
YOUR FILE

PAC #19

1981-01-23

Mr. Tony Penikett, Chairman
Public Accounts Committee
Yukon Legislative Assembly
Box 2703
Whitehorse, Yukon
Y1A 2C6

Dear Mr. Penikett:

Thank you for your letter of January 19, 1981 wherein you requested a progress update on recommendations No. 11 and No. 14 as found in the Report of the Standing Committee on Public Accounts of April, 1980.

Recommendation No. 11 states: "THE DEPARTMENT SHOULD TAKE ACTION TO IMPROVE THE QUALITY OF ITS STATISTICS SO THAT IT CAN ADEQUATELY DEVELOP PROGRAMS AND MEASURE THEIR EFFECTIVENESS"

On April 16, 1980 Mr. Hanson, the then Minister of Tourism & Economic Development replied to this recommendation in the Legislature as follows:

"Mr. Speaker, recommendation number 11, the Department should take action to improve the quality of its statistics so that it can adequately develop programs and measure their effectiveness.

It is correct that the statistics base of the Department is inadequate to properly measure the impact of the tourism industry, to project trends, develop programs and evaluate their effectiveness. This data base is presently limited to a monthly volunteer accommodation/occupancy survey, information centre registrations, an occasional and often incomplete exit survey, and data provided by other agencies such as international border crossings and tourism attraction attendance rates such as at museums and Parks Canada sites.

In 1977, a study was carried out by the Management Services Division of BC Research to determine the information required to develop a comprehensive tourism data base. To implement this data base would require one man year and related support costs plus \$50,000 in professional services or an annual cost of \$90,000

.../2

plus an additional \$100,000 every three or four years to carry out a major exit survey. It is primarily because of this cost factor that the Government is not prepared to implement the development of an enlarged tourism data base at this time. However, we intend to request the Management Committee of the Tourism Subsidiary Agreement for funds to carry out an evaluation of the tourism marketing program during the current year."

For the above stated reasons, it has not been possible to undertake a comprehensive tourism data base. However, significant progress has been achieved. The Department is presently undertaking a Coupon Conversion study of its 1979-80 media advertising program. This survey will measure the cost effectiveness of various forms of media advertising and determine what percentage of people requesting Yukon travel information actually arrive in Yukon. Participation in the joint marketing "Worlds of Alaska and Yukon" program has also provided Yukon with access to extensive and sophisticated tourism marketing research and analysis at no cost. This market research analysis was presented at a public meeting on January 22, 1981 to which all members of the Legislative Assembly were invited.

Recommendation No. 14 states: THE CONTRACT WITH THE YUKON VISITORS ASSOCIATION SHOULD BE REVIEWED AND CLARIFIED AS TO WHETHER IT IS A GRANT OR CONTRACT. IF IT IS A CONTRACT FOR SERVICES, THEN THE YUKON VISITORS ASSOCIATION SHOULD PROVIDE PERIODIC BILLINGS FOR THE SERVICES SO THAT THEY CAN BE APPROVED AND PAID ACCORDING TO THE PROCEDURES OF THE GOVERNMENT.

Mr. Hanson, the then Minister of Tourism and Economic Development, replied to this recommendation in the Legislature on April 16, 1980 as follows:

"Recommendation Number 14, the contract with the Yukon Visitors' Association should be reviewed and clarified as to whether it is a grant or contract. If it is a contract for services, then the Yukon Visitors' Association should provide periodic billings for the services so that they can be approved and paid according to the procedures of the Government.

The Yukon Visitors' Association Agreement is both a grant and a service contract. The grant component of the Agreement consists of a contribution towards the Administrative costs such as salaries, rent and telephone expenditures of the Yukon Visitors' Association. The service contract component of the agreement consists of a provision by the Yukon Visitors' Association of hospitality training programs such as Yukon Hosts, industry communications such as a newsletter and co-operative marketing initiatives, the latter of which is cost-shared by Government and the Yukon Visitors' Association on a 50/50 basis. The Yukon Visitors' Association Agreement is presently administered as a service contract and does provide for periodic billings for services too that they can be approved and paid according to the procedures of the Government."

This is still the case. Payment is made to the Yukon Visitors' Association on the basis of invoices with supporting documents submitted to the Department. These supporting documents are in the form of financial statements indicating actual expenditures incurred and funds received as well as proof of advertising and convention promotion in accordance with the Terms of Reference between the Yukon Visitors' Association and this Department.

I trust that the foregoing provides you with the replies you require to the recommendations made in April of 1980 by the Public Accounts Committee.

In light of the fact that the Yukon Visitors' Association participates in the formulation and implementation of tourism development and marketing programs, I have taken the liberty of forwarding a copy of this reply to their Association.

Yours truly

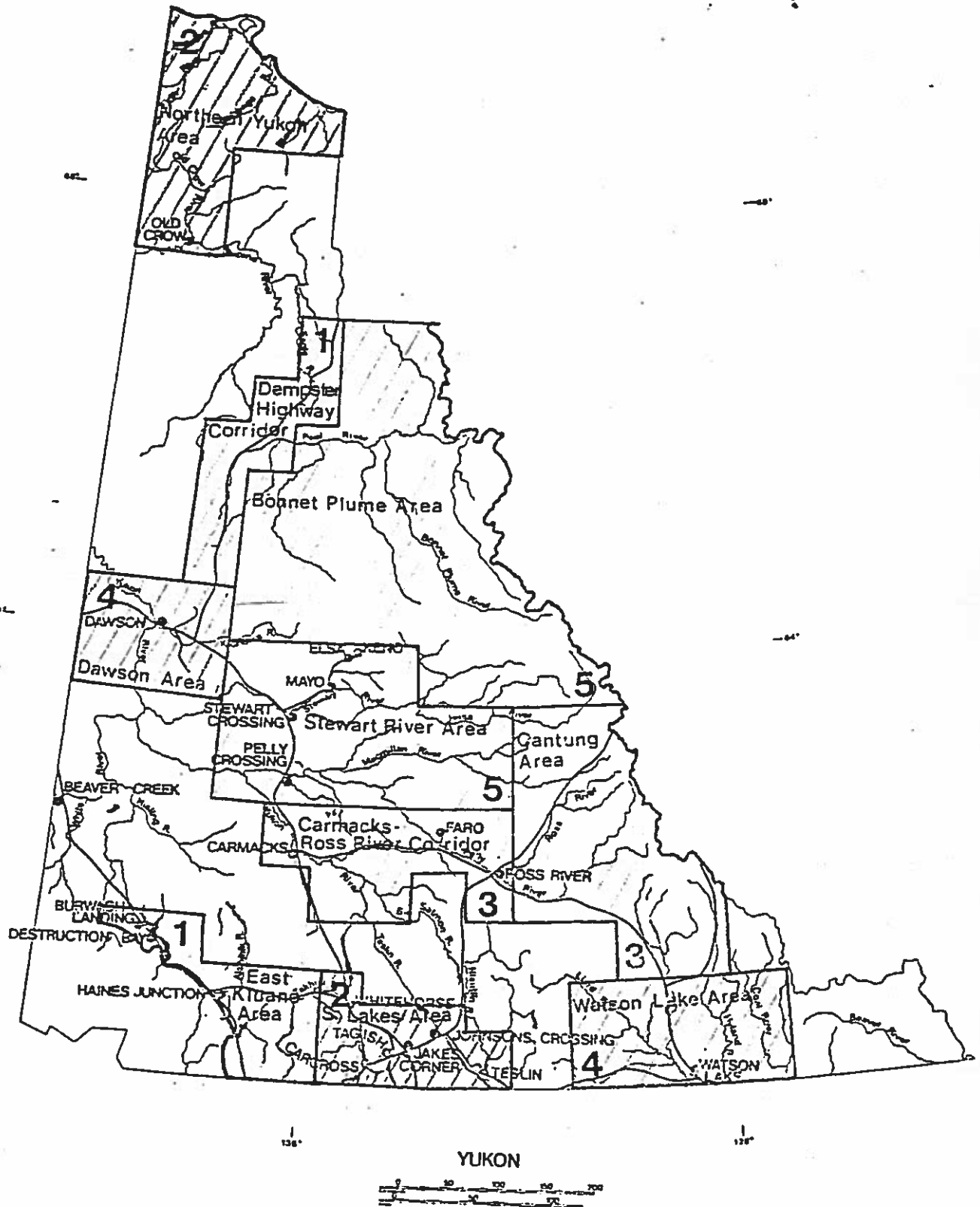


Peter Kent
Deputy Minister
Tourism & Economic Development

cc: B. Redfern

APPENDIX 8

PAC #23



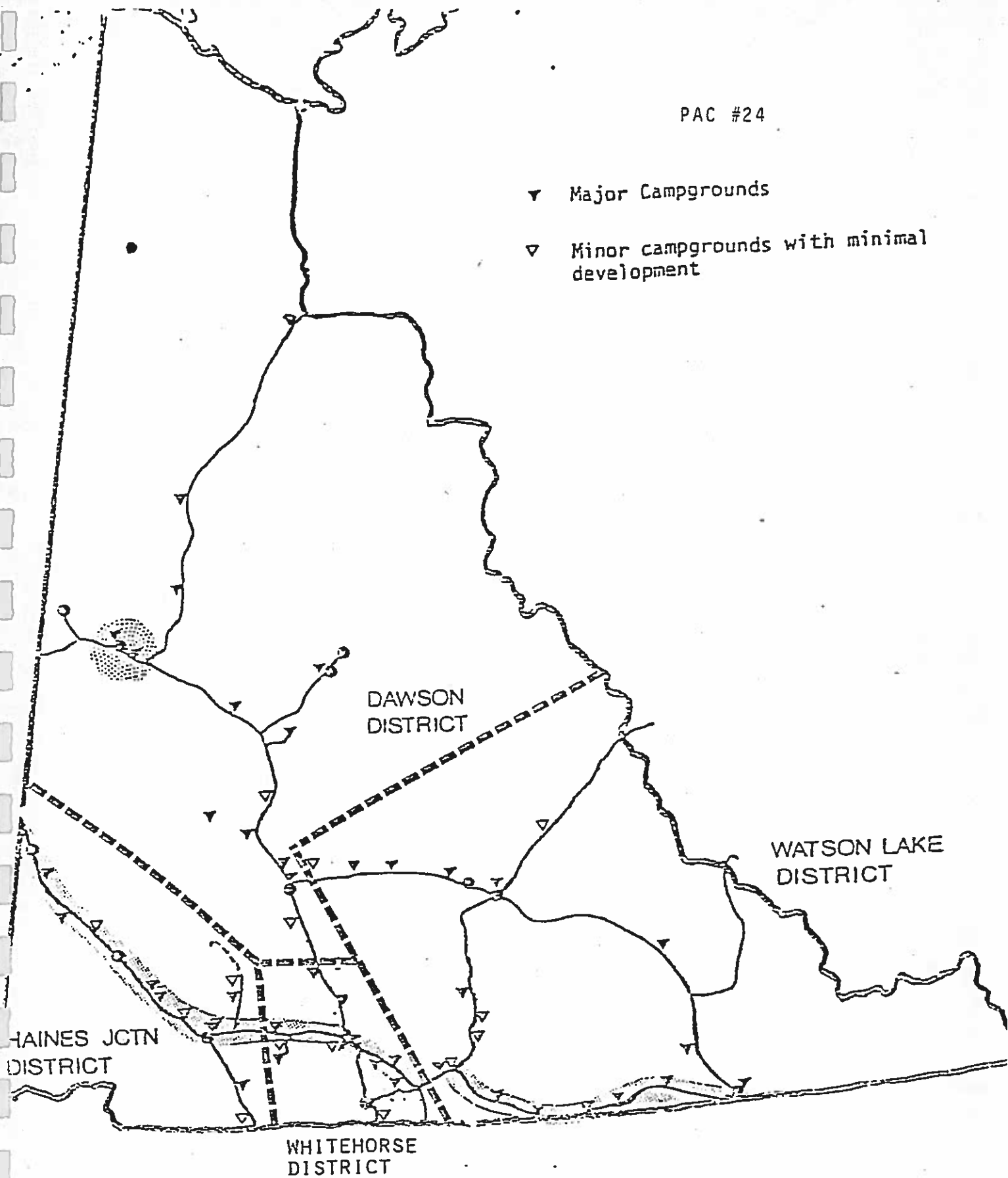
RESOURCE PLANNING BRANCH
Regional Planning Priority Areas

APPENDIX 9

PAC #24

▼ Major Campgrounds

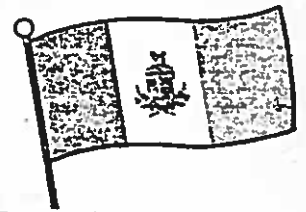
▽ Minor campgrounds with minimal development



APPENDIX 10

Government of Yukon

BOX 2703, WHITEHORSE, YUKON Y1A 2C6 TELEPHONE 403-667-5811 TELEX 036-8-260



RENEWABLE RESOURCES

OUR FILE 6030-1

YOUR FILE

81 02 10

PAC #29

MEMORANDUM

TO: T. Penikett, Chairman
Standing Committee on Public Accounts
A-9

FROM: R-1

With reference to your questions concerning the purchase and use of boats on the Yukon River, I am pleased to be able to outline and clarify the situation for you.

The Parks & Historic Resources Branch implemented a joint (50:50) interim management program with Parks Canada along the Yukon River in 1978 for a two year duration. The main purpose of the program was to provide camping areas, stabilize as many historic structures as possible and provide information and assistance to river travellers through regular river patrols. The authority to enter into the agreement and expend funds in this regard was provided through Executive Committee Record of Recommendations 78-13-1 and 78-14-1 dated March 23 and 31, 1978 respectively. The agreement ran the full course of 2 years but was not negotiated or renewed due to possible uncertainties regarding the Yukon River and the ensuing Native Land Claim negotiations.

During the first year of this agreement a minimum of three 22 foot freighter canoes, one 18 foot aluminum and one 28 foot river boat were required for the three patrol crews and a work crew. Parks Canada supplied one freighter and the river boat whereas the Parks and Historic Resources Branch provided one existing freighter and purchased one freighter and the aluminum run-about under the authorities cited above. The emphasis for this joint program was shifted in the second year to stabilization of historic structures at Fort Selkirk and one patrol crew for the River. No additional equipment was purchased in 1979 although a number of river freighting contracts were entered into with Minto Trading Post to move heavy construction materials and supplies from Minto to Fort Selkirk.

...../2

"YUKON - HOME OF THE KLONDIKE"

In 1980 a much larger and expanded stabilization program at Fort Selkirk, Forty Mile and Thirty Mile River was proposed and approved under the Canada/Yukon Tourism Subsidiary Agreement. The Parks and Historic Resources Branch agreed to implement this project in late June of 1980. This Branch recommended and received approval for the purchase of heavier and sturdier riverboats for the purposes of the project from the sub-agreement Joint Management Committee along with approval for other necessary equipment and supplies.

During the summer 1980 implementation of this project, the Branch had cause to use the 22 foot freighter canoe purchased in 1978. The operators (casuals) of this boat were found to be consuming alcohol on the job which led to the outboard motor of the boat to be destroyed. The operators were terminated at once and the motor was later Board of Surveyed. The boat was recovered and is completely serviceable. It should be noted the motor was estimated to have approximately 300-400 hours of operation at the time of being destroyed.

At approximately the same time, a motor on one of the riverboats purchased for the project in 1980, was described by an anxious operator as "exploding" when in fact misaligned or seized gears in the leg of the motor caused a rather abrupt and loud stoppage. This incident was in no way attributed to misuse or neglect and the motor has since been repaired under warranty at no cost to the Yukon Government.

With reference to your questions concerning the 1979/80 project expenditures under our subsidiary agreement, I am pleased to advise as follows:

PROGRAM I

<u>Project</u>	<u>Approved</u>	<u>Expended</u>	<u>Recovered</u>	
Dempster Highway				
Vegetation	41,400.00	58,621.17	41,400.00	DIAND
Biophysical Mapping	24,000.00	9,007.30	5,404.38	DREE
Technical Support	20,000.00	17,332.30	17,332.30	DIAND
Equipment	14,000.00	13,851.25	13,851.25	"
Administration	10,000.00	10,770.99	10,000.00	"
Workshop	30,000.00	458.38	458.38	"
	<u>139,400.00</u>	<u>110,041.39</u>	<u>88,446.31</u>	

PROGRAM II

<u>Project</u>	<u>Approved</u>	<u>Expended</u>	<u>Recovered</u>	
Marsh Lake	66,400.00	66,344.29	39,806.57	DREE
Kusawa Lake	232,700.00	212,846.77	127,708.06	"
Campground Workshop	350,000.00	36,919.05	22,151.43	"
Dempster Campground	37,400.00	27,798.36	16,679.02	"
Campground Shelters	161,300.00	42,187.77	25,312.66	"
Campground Signs	35,000.00	19,272.21	11,563.33	"
Congdon Creek	80,100.00	80,056.70	48,034.02	"
Site Planning	24,000.00	22,410.52	13,446.31	"
Rehabilitation	163,800.00	149,312.88	89,587.73	"
Lapie River	45,700.00	45,716.99	27,400.00	"
Chadburn Lake	35,000.00	33,975.00	20,385.00	"
Public Participation	5,100.00	3,534.31	2,120.59	"
	<u>1,236,500.00</u>	<u>740,374.85</u>	<u>444,194.72</u>	

Interim Appropriations were approved by the Commissioner on July 26/79.

With respect to Mr. Hanson's question regarding the hiring of native people, I must advise you that no records have been kept on the racial origin of the individuals as it would be considered discriminatory, however, in the fiscal year 79/80, eleven individuals were hired and to date in 80/81, a total of forty-one have been hired.

I trust the above will adequately answer your queries.



L. Chambers
Deputy Minister
Department of Renewable Resources

