

Vol. 5

4th Session  
25th Legislature

YUKON LEGISLATIVE ASSEMBLY

REPORT

of the

STANDING COMMITTEE

on

PUBLIC ACCOUNTS

together with

EVIDENCE

May, 1984

Legislative Assembly Office

Whitehorse



## *Yukon Legislative Assembly*

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

Dear Mr. Speaker:

I am pleased to present the Fifth Report of the Standing Committee on Public Accounts. The Committee hopes that the Assembly will find it to be of interest and value.

Sincerely,

Tony Penikett, M.L.A.  
Chairman  
Public Accounts Committee

May, 1984

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STANDING COMMITTEE ON PUBLIC ACCOUNTS

Yukon Legislative Assembly  
Fourth Session 25th Legislature

MEMBERS

Tony Penikett, M.L.A. Chairman	Whitehorse West
Bill Brewster, M.L.A. Vice-Chairman	Kluane
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\* Piers McDonald, M.L.A. (Mayo)  
substituted for Maurice Byblow throughout  
the Formal Hearings.

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PREFACE

The Standing Committee on Public Accounts has held eleven meetings since November, 1983. During the Formal Hearings, February 7-16, 1984, officials were called from the Public Service Commission, the Workers' Compensation Board, and the Department of Economic Development to account for their financial and managerial administration. As well, witnesses were called from the Departments of Municipal and Community Affairs, Finance, Justice, Government Services, and Health and Human Resources and the Yukon Housing Corporation to detail progress on implementation of recommendations and undertakings made in previous years and to discuss the Auditor General's report on "any other matter".

The Committee spent a considerable amount of its time this year on the outstanding issue of project management. As various witnesses appeared before it the Committee became increasingly concerned about the question of "authorship" of the "Government's Response" in the Report of the Auditor General with regard to a 1983 recommendation of the Committee requesting a management audit of two capital projects. Although the Department of Finance has the ultimate responsibility for the accuracy of the responses, there was concern the content of some responses could have been provided by another department and that the Department of Finance may not have verified the statements submitted. The Committee views the publication of the erroneous response very seriously.

Another area of concern to the Committee is that it has no way of knowing how some departments manage their financial and human resources as they have no measures of productivity. Without evidence of this, it is difficult for departments to justify the level of funding sought in the Estimates.



The Committee was pleased to note that the material now being included in the Estimates book makes it a more relevant and informative document. However, the Committee urges improved communication between the Department of Finance and the other departments to ensure a clear understanding of the responsibilities of each in preparing and finalizing the detail to be included in the Estimates.

Finally, the members again wish to thank Raymond Dubois, Deputy Auditor General, and Harold Hayes, Principal, of the Office of the Auditor General for their continued cooperation and immeasurable assistance during the Formal Hearings.

FORMAL  
HEARINGS

NOTE: \*\*\*\*\*  
\* In the following section \*  
\* there are number indica- \*  
\* tors in the margin. \*  
\* These relate to the page \*  
\* reference in the appended \*  
\* "Formal Hearings: \*  
\* Evidence". \*  
\*\*\*\*\*

## PUBLIC SERVICE COMMISSION

The Public Service Commission was the first ministry to be selected for review by the Committee in 1984. The witnesses were the Public Service Commissioner, Jean Besier; the Director of Compensation, Geri Walshe; the Manager of Employee Records and Pensions, Dorothy Drummond; the Manager of Training and Development, Carey Conway; and the Director of Recruitment and Labour Relations, Pat Cumming.

### 1. DELEGATION OF HIRING AUTHORITY

#### Background

3:3 The Public Service Commission, in accordance with Section 10(2)  
of the Public Service Commission Act, has delegated authority  
5:7 to a number of departments for the hiring of casual employees.  
Such departments include the Department of Highways and  
Transportation and the Department of Renewable Resources, both  
of which have a large requirement, particularly in the summer,  
for the hiring of casuuls, and the Department of Education for  
3:5 the hiring of apprentices under the apprenticeship program. The  
3:3 Commission has established guidelines, including rates of pay,  
3:5 for hiring of casuuls under the delegated authorities.

5:8 The maximum term of service for an employee in a casual  
position is six months at which time he/she is to be terminated  
but it sometimes happens that the person is terminated for only  
one day and is then re-engaged for a further six months. If a  
re-appointment continues beyond an acceptable limit, the Commission  
suggests that the department seek approval to convert the casual  
position to a permanent position if there is a proven need for  
it.

### Analysis

3:5 In delegating authority to departments for the hiring of  
casuals, the Commission has a responsibility to ensure that the  
5:7 procedures followed are in accordance with its guidelines and  
standards and that they meet the requirements of the Public Service  
5:7 Commission Act. The Commission, however, does not have the  
3:5 capability to carry out an effective monitoring of delegated  
authorities. It is, therefore, not in a position to ensure that  
procedures and guidelines have been followed to meet the  
requirements of the Act.

3:5 The Committee was advised that the Commission intends to  
initiate an audit process of delegated authority. The Commission  
also intends to develop an agreement with each department to reflect  
the terms and conditions of the delegated authority. To date  
it has developed a contract of delegation with the Department  
of Education.

3:3 According to page 61 of the 1982/83 Territorial Accounts,  
casual appointments, including contracts, totalled 1,176 during  
that year. No information is provided in the Territorial Accounts  
or Estimates on the number of person-years involved, the extent  
to which casual appointments were made by departments under  
delegated authorities, or how many persons were re-engaged after  
termination.

1. Recommendation

The Commission should establish procedures as soon as possible to monitor the practices and procedure exercised by departments through delegated authority to hire casual employees.

2. Recommendation

The Commission should disclose in public documents the total number of casual

hires, the number of casual appointments made by departments through delegated authority, and the number of appointments terminated after six months and then re-engaged.

## 2. ESTIMATES INFORMATION AND PERFORMANCE INDICATORS

### Background

According to the 1982/83 Estimates, the objectives of the Public Service Commission are to provide for the recruitment of public servants, job evaluation, pay and benefits administration, negotiation and administration of collective agreements, staff establishment control, organization analysis, employee training and development, appraisal, and employee documentation and records administration. Approved person-years for 1982/83 were 17.25 and approved expenditures were \$1.1 million. Some statistical information is presented in both the Estimates and the Territorial Accounts for 1982/83.

### Analysis

3:11 The supplementary information provided in the Estimates is extremely limited and does not justify the level of funding being requested nor identify what is to be achieved with that funding. The Commissioner agreed that this should be done and that it is the Commission's responsibility to provide information in the most meaningful form possible.

5:11 The Commission is currently engaged in a goals and objectives setting exercise which is to include the development of performance indicators and performance measures. Ultimately, a performance measurement system should facilitate sound budgeting for activities within the various branches.

By way of an example, performance measurement in relation to the proposed level of activity for recruitment and labour relations could be measured in terms of what it costs to recruit an employee from Outside, or from within Yukon, or what it costs to settle an employee grievance. In the case of employee records and pensions, performance could be measured against the cost to maintain an employee's record. In the case of training and development, performance could be measured against the number of training days provided to meet the needs of employee training.

3. Recommendation

The Commission should include in its Estimates information, wherever possible, planned activities supported by performance indicators justifying its request for funds in order to create a base for future accountability.

3. TRAINING AND DEVELOPMENT

Background

3:7 The Training and Development Branch is responsible for the  
training program for public servants. It develops and teaches  
3:8 training courses or, if necessary, contracts with consultants  
for that purpose. Course participants are required to complete  
rather informal course evaluation forms. However, due to manpower  
constraints, the Branch has been unable to obtain written feedback  
from supervisors as to the effectiveness of training courses.

3:7 The Branch is also responsible for screening and approving  
or rejecting requests by employees to take courses or for  
3:8 educational leave. Individuals granted educational leave receive  
a maximum of seventy percent of salary during the period of leave  
and are required to continue in government employ for an equivalent  
period on their return.

3:7 Due to budgetary constraints and the temporary cut of the position of the Manager for Training and Development, the Manager's salary for 1982-83 was charged against other Branches of the Commission rather than the appropriate Branch.

#### Analysis

3:8 The cost of, and the number of employees taking, educational leave is not disclosed in the Estimates or the Territorial Accounts. Depending on the number of employees taking educational leave and their salaries, this cost could be significant to the Government and should be disclosed in public documents. It is an integral part of the cost of training employees.

3:7 The Commission apparently was able to find sufficient funds in the other Branches to meet the salary of the Training and Development Branch Manager in 1982/83 so that the temporary cut of his position was rendered meaningless. Charging his salary to other Branches resulted in the costs of the Training and Development Program being understated by the amount of the salary.

#### 4. Recommendation

The Commission should disclose in public documents the full cost of its Training and Development Program, including the cost of educational leave and the number of employees taking that leave.

#### 4. CLASSIFICATION SYSTEM

##### Background

The Public Service Commission is responsible for the classification of positions and evaluation of jobs in accordance with the Public Service Commission Act.

3:5 The duties, responsibilities and qualifications for positions are set by departments through job descriptions. The job is then classified by the Commission's Compensation Branch which confirms the qualifications.

#### Analysis

3:4 The Commissioner advised the Committee that conflicts can arise between the Commission and the hiring departments with regard to the assessment of required standards. The Committee was further advised that the Commission is about to overhaul the bargaining unit classification plan to make it more flexible and to enable people with marginal qualifications to be hired and promoted.

The Committee will follow up on the revision and implementation of the new classification plan.

### 5. LOCAL HIRE PROGRAM

#### Background

3:1 The Public Service Commission is responsible for the recruitment, selection, appointment and promotion of public servants. When considering filling a vacancy or creating a new position, departments are to take into account the stated policy of promoting career opportunities for people in Yukon and the qualifications of potential local applicants. If a department concludes that it must hire someone from outside Yukon, it must be able to justify this decision to the Commission.

5:7 Many of the advertisements for permanent positions in locations outside of Whitehorse state that preference will be given to qualified local residents. As far as appointing casual, temporary and summer student employees is concerned, government policy



directive 1/7 states that "it is the policy of the government of Yukon to hire local residents for casual and temporary duties, where practicable."

### Analysis

3:5        The Commission is about to overhaul its bargaining unit  
5:9        classification plan. One of the objectives of the overhaul is  
to try to incorporate more of the local hire goals by making the  
plan more flexible so that local people with marginal qualifications  
could, with training, work their way up through the system.  
5:10       Apparently there has been reluctance on the part of the union  
to agree to some of the proposed class series.

5:10       The Commission has been unable to complete an assessment  
of the benefits of local hire and related associated training  
costs as compared to recruiting qualified people from Outside.  
According to a written submission the Commission will be reviewing  
policy 1/7 along with other Public Service Commission policies  
in 1984/85 and will produce a manual of up-to-date policies and  
procedures. The Committee notes the intention to assess the policy  
of local hire and will follow up on this.

## 6. AFFIRMATIVE ACTION

### Background

3:5        As far as "affirmative action" goes, the Commission has  
participated in a small way in the Northern Careers plan and the  
Department of Indian Affairs and Northern Development's on-the-job  
training scheme which deals with native people specifically. A  
problem encountered is that suitable candidates are in demand  
by several organizations. There is also an underfill program  
in place within government and on-the-job training for the disabled.

Analysis

5:9       The Commission has been only marginally involved in affirmative action due to certain constraints, not the least of which is the relatively small size of the public service which does not allow carrying a significant number of employees with marginal qualifications.

3:5       The Commission hopes to accommodate affirmative action goals in the current overhaul of the classification plan. The terms of reference for the consultant engaged to look at the plan include points for affirmative action.

          The Committee requests the Commission to report back to the Committee the extent to which revisions to the classification plan reflect affirmative action goals.

## WORKERS' COMPENSATION BOARD

The Workers' Compensation Board was the second agency to be selected for review by the Committee in 1984. The witnesses were the Chairman of the Board, Brian Booth; the Director of Finance, Patch Buckler, and the consulting actuary to the Board, Crawford Laing.

### ASSESSMENTS AND CLASSIFICATION

#### Background

4:1 Assessments paid by employers provide for compensation payments to all injured workers, medical aid, rehabilitation and administration of the Board.

4:1 Assessments are based on the employer's assessable payroll at a rate established for the industry in which the employee is engaged. Employers who have similar types of operations, hazards, or accident experience records are placed in the same classification. Each of the classifications is reviewed annually by the Board to determine whether or not the rate is adequate. The last three-year period is used as a base measure in order to determine the cost experience and set the rates for each classification.

4:5 The Board's independent consulting actuary makes recommendations to the Board on the rates that should be charged for the different industrial classes following his review of past experience. Claims  
4:9 are reviewed periodically to determine if some industries within a class should be moved to a more appropriate rate.

5:1 An annual operating budget including the cost of claims projected by the independent actuary and administrative expenses is prepared and is then used in setting assessment rates.

## ANNUAL REPORT

### Background

4:1 The basic principle of the Workers' Compensation Act as it applies to employers is collective liability. The rate each employer is assessed is determined by the accident experience in his type of industry. When the rates are set by the Board, they are based on the accident experience of the class as a whole.

4:2 The Board's Annual Report for the year ended December 31, 1982, includes a Statement of Transactions by Class and supplementary analyses by class of estimated assessable payrolls, accidents reported and permanent disability awards approved.

### Analysis

4:8 The Annual Report does not define the various classes or relate these to specific industries. This information had been included in earlier Annual Reports and is now contained in an annual assessment rate book provided to employers. In addition the Annual Report contains no information on the year's assessment rates or changes in these from the prior year. Information in the Annual Report on both definitions of classes and assessment rates would make this document more useful.

4:9 Details of actual rather than estimated assessable payrolls by class compared to those of the prior year would facilitate comparative analysis.

### 5. Recommendation

The Board should include in its Annual Report a description of the various classes and disclose the specific industries within each class, the assessment rates of each class for that year and for the previous year, and details, by class, of actual assessable payrolls compared to those of the prior year and to those estimated.

## RESERVES

### Background

According to the financial statements the statements for year ended December 31, 1982, which are included in the Board's Annual Report, the Board maintains special and operating reserves which amounted to \$9.0 million and \$5.1 million respectively.

### Analysis

4:6 The Board's consulting actuary mentioned that the Yukon Workers' Compensation Fund, being small, is subject to greater fluctuations than that of other Boards and therefore it is all the more necessary to have a contingency reserve in case of a bad run of accidents or serious catastrophe. The actuary further indicated that the general  
4:6 objective is to have free reserves in the contingency fund approximating one year's revenue. It was his view that the reserves were getting to the level necessary to have a soundly operating fund and so certain of the appropriations to reserves are to be reduced in 1984.

In the future the Committee will review management of the reserves within this general objective.

## OCCUPATIONAL HEALTH AND SAFETY OFFICER

### Background

5:2 The occupational health and safety officer employed by the Department of Consumer and Corporate Affairs carries out safety inspections and accident investigations on behalf of the Board and is appointed under the provisions of the Workers' Compensation Act. In its 1983 Report the Committee had questioned why this officer works for the Department of Consumer and Corporate Affairs rather than the Board.

### Analysis

5:2 The Board pays the salary and all expenses of the occupational health and safety officer. The Board does not direct the officer in any way but does receive a monthly report that outlines the type of inspections or safety work that the inspector has done.

5:5 When the Workers' Compensation Fund was started it was originally administered by the Department of Consumer and Corporate Affairs. When the Workers' Compensation Board was established it was decided to leave occupational health and safety in the Department and that is where it has remained. However the Board is responsible for paying the officer's salary and expenses.

Accident prevention regulations are made pursuant to the Workers' Compensation Act presumably to recognize the necessity of linking the collective insurance system with accident prevention.

In a relatively small jurisdiction, such as Yukon, it is felt that responsibility for inspection and enforcement of Occupational Health and Safety regulations should be centralized under the one agency which has a vested interest in reducing the social costs resulting from poor safety practices. Dilution of that responsibility is not seen as being an efficient use of limited resources.

5:2 The Board considers that the only way to cut costs in workers' compensation is to cut the frequency and severity of accidents through occupational health and safety programs and education. The Board feels that it could be more efficient if it were to direct and monitor the safety inspection program itself.

### 6. Recommendation

The occupational health and safety officer should be transferred from the Department of Consumer and Corporate Affairs to the Workers' Compensation Board.

## PERFORMANCE INDICATORS

### Background

4:2 The Board measures performance in the terms of efficient  
adjudication of claims and undertook a study in 1983 to look at the  
time taken to process claims. The Board also maintains statistics  
that provide the frequency and occurrences of claims and the time limits.

### Analysis

4:2 Neither the time taken to process claims nor the change in the  
5:1 rate of accidents in relation to the number of workers employed is  
5:2 incorporated in a formal performance measurement reporting system nor  
5:4 is any such information included in the Board's Annual Report. The  
5:5 Board recognizes that both could be used as performance indicators.

### 7. Recommendation

The Board should develop a performance measurement system including comparisons with previous years of the time taken to process claims and of changes in the rates of accidents which should be summarized in the Board's Annual Report.

## DOUBTFUL ACCOUNTS

### Background

4:4 The Board's allowance for doubtful accounts at December 31, 1982  
amounted to \$582,000. The policy of the Board with respect to doubtful  
accounts is that they are not written off for three full years and  
only after every attempt has been made to collect them within that  
5:6 period. The actual write-offs for the past three years have been as  
follows:

1982	\$30,000
1981	\$14,400
1980	\$ 3,700.

Analysis

Information with respect to the allowance for doubtful accounts and the actual write-offs during the year is not presently disclosed in the financial statements of the Board.

8. Recommendation

The Board should disclose in its financial statements the allowance for doubtful accounts and the actual write-offs for the year.



## DEPARTMENT OF ECONOMIC DEVELOPMENT

The Department of Economic Development was the third ministry selected for review by the Committee. Departmental witnesses were Deputy Minister John Ferbey and Director of Administrative Services, Connie Zatorski.

### 1. DEPARTMENTAL REORGANIZATION

#### Background

6:1       The Committee was made aware through the Department's opening  
statement of a recent reorganization of the Department. The  
organization charts and documents created some confusion and led  
to a number of queries as to person years within some of the  
programs. The Department acknowledged there were a number of  
errors and also a lack of explanation regarding certain positions  
6:3       filled by personnel from other Departments such as the emergency  
6:1       measures coordinator and one of the energy auditors.

6:8       The Department also stated that outside consultants would  
be coming in by the end of February, 1984, to look at the Department  
and at some of the overlaps that exist between branches.

#### Analysis

There appears to be some confusion as to the distribution  
of responsibilities within the Department. The various programs  
seem to have evolved out of ad hoc reactions to a variety of  
situations happening over time. The Committee expects the  
consultants' review will clarify the situation and create a more  
stable environment.

## 2. PROJECT MANAGEMENT

### Background

6:9 The strength of the Department lies in its human resources.  
6:10 The management of that resource is consequently of crucial importance. According to the testimony, the Department manages its human resources mostly on an ad hoc basis responding to requests as they come up and doing what they believe is their best with existing resources.

Before beginning a study or research project, the department does not establish a budget either in time requirements or an estimated cost. In addition, the Department does not keep a record of time spent nor does it accumulate costs related to economic studies, research activities or position papers. Consequently, the Department could not at this time identify the cost of its various studies or undertakings except in the case of statistical studies where the Department believes it could extract some information in relation to time spent.

The Department prepares its Estimates on the basis of person years in a very global sense.

### Analysis

6:9 A fundamental principle of human resource management is to  
6:10 establish clear goals and objectives against which performance can be measured. It is also fundamental for managers to plan and budget their activities before commencing projects. It is all the more essential to plan properly and to set goals in an area like economic development as the extent of research activities, the depth of studies undertaken or the sheer volume of position papers can vary greatly if not properly budgeted for and controlled.

Unless this is done there is no assurance that the Government is getting value for money from the Department's resources. Also, there is no assurance these resources are not wasted on projects for which there is no cost benefit. In addition, unless these activities are quantified and costed, there is no support in substance for resources requested in the Estimates. The legislature then has no assurance that the resources will be utilized with due regard to economy and efficiency as there are no performance indicators of any dimension in existence.

The Committee strongly believes in these fundamental principles of human resource management and deplores the fact the Department has almost totally ignored them.

9. Recommendation

The Department should immediately take proper measures to develop and implement the necessary management processes in order to control better its resources, to establish performance indicators, and to be accountable for the management of its human resources in the conduct of the various projects for which it is responsible.

3. ECONOMIC SIMULATION MODEL

6:4 Both the Yukon Annual Report and the Departmental opening  
statement refer to the re-design or major overhaul of the Yukon  
6:6 Simulation Model. The Committee was informed that the original  
model, basically an accounting model installed in 1978-79, was  
found to have limited capabilities which did not become apparent  
until approximately two years ago. An evaluation supported the  
cause for concern and concluded the model could not respond to  
today's economic forecasting needs. The Department then decided  
to abandon the old model and proceed with a completely new one

6:7 based on the already-developed fairly complex and sophisticated econometric model for the State of Alaska. This new model is now operational and, according to the Department, can respond quite readily to the particular needs of Yukon. For instance, it can provide a fundamental series of long term forecasts dealing with government expenditures and revenues, employment, and basic sectorial desegregation of information. Also with this is associated a demographic set of projections and energy demand projections.

6:6 While the Committee feels the previous model had limited usefulness, at least in its latter years, it looks positively upon the Department's initiative to develop the current econometric model and hopes it will meet the Department's stated expectations.

#### 4. ESTIMATES

##### Background

6:2 The Department's Estimates document includes a definition of objectives at the Departmental and Program level plus some very summary financial and person-year information. One exception is the Special Programs Branch which includes more detailed statistics regarding activities under three cost-shared agreements with Canada.

##### Analysis

6:4 Definition of objectives of programs such as Economic Research and Planning are very general in nature and do not provide the necessary information for the reader to get a good grasp of the activities of the Branch and to understand fully the Department's responsibilities and its eventual accountability for those responsibilities.

6:4 An objective of the Public Accounts Committee which is shared by the Government is to get more relevant information in the Estimates which can eventually be reckoned in the Public Accounts and thus close the accountability circle.

6:2 The Department has informed the Committee that it has redefined its departmental objectives and significantly improved on the definition of its Branch objectives as cited for the Committee by the Deputy Minister for inclusion in the 1984-85 Estimates. The Committee recognizes this improvement.

6:4 However, pertinent information of a more quantifiable nature would permit the reader to visualize some of the planned achievements. Ideally, performance indicators would permit linkage between the Department's objectives and its accomplishments.

Information included in the Yukon Annual Report relating to the Economic Research and Planning Branch is a step in the right direction and is the type of data that would significantly add to the value of the Estimates documents.

6:8 A further improvement to a listing of planned economic studies, significant research activities and development of major position papers would be an estimate of the costs or planned utilization of resources. This would tie together planned activities and requested resources.

10. Recommendation

The Department should include in its Estimates document, wherever possible, planned activities supported by performance indicators justifying its request for funds in order to create a base for future accountability.

5. CONSISTENCY AND ACCURACY OF DATA

Background

6:5 In both the Departmental Estimates and in the Yukon Annual Report, there are statistics relating to three cost sharing agreements with Canada. The 1982-83 Estimates document includes actual information on accomplishments to February 1982 and the Yukon Annual Report of 1981-82 includes actual information on accomplishments to March 31, 1982.

Analysis

6:5 The method of reporting some of the statistics can lead to confusion in the mind of the reader while, in other cases, the information reported is not consistent or accurate. For example, in the case of the Special ARDA, the accomplishments to February, 1982, include projects that have been approved by the authorities but have not yet been accepted by the recipient. Consequently, the numbers reported can later decrease creating confusion for a reader not aware of the method utilized.

6:8 A further example which relates to lack of consistency is that the information on the number of persons assisted is shown as 2920 in the Estimates document and as 645 in the Yukon Annual Report. The explanation given by the Department is that in this case the Estimates information is provided by the Federal Government while the Yukon Annual Report information is from the Department itself.

The Department is responsible for the quality and accuracy of the information appearing in public documents such as the Estimates and the Yukon Annual Report. The Department should

ensure the information is accurate and consistent. In addition, when the computing method leads to fluctuations such as is the case for the Special ARDA statistics, the Department should fully explain the method utilized.

11. Recommendation

The Department should ensure that all information it includes in public documents is clear, accurate and consistent.

**STATUS OF PAC (1981) RECOMMENDATIONS**

In the PAC (1983) Report, the Committee reported that four of the fifteen recommendations made by the Committee in 1981 had not been fully implemented. The Department of Government Services (Public Works Branch) has assumed responsibility for the planning, development, and delivery of facilities and the Committee now considers the following recommendation to be implemented:

**10. Facility Construction Responsibility  
- Public Works (now Government Services)**

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.

The Committee considers that the following recommendations outstanding from the 1981 Report are not yet fully implemented:

**Recommendations Not Fully Implemented - PAC (1981) Report**

**1. Delegation of Authority**

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

The Deputy Minister of Finance advised that the new contract regulations and signing authority directives which will be issued under the new Financial Administration Act when it comes into effect on April 1, 1984, should resolve this long outstanding issue. The Committee requests that it be provided with a copy of the contract regulations and signing authority directives as soon as they are approved and issued.



9. Construction Program Coordination - Public Works (now Government Services)

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

The Department of Government Services advises that it is now responsible for the co-ordination of all government building construction programs. The Departments of Highways and Transportation, and Municipal and Community Affairs also have construction programs for roads and municipal works respectively. With this fragmentation there does not appear to be a central authority with knowledge of the Government's overall construction program and plans for long-term expenditures.

It would therefore be appropriate for the Department of Government Services to clarify this matter with the Department of Finance and report back to the Committee on it.

13. Performance Measurement - Renewable Resources

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.

The Department of Renewable Resources advised in writing that Management Consultants have been engaged to review the mandate of the Department, its goals and organization structure. The review is to be completed by March 31, 1984. The Committee expects its recommendation to be fully addressed in the 1985-86 Estimates.

STATUS OF PAC (1982) RECOMMENDATIONS

In the PAC (1983) Report, the status of the implementation of the thirteen recommendations in the PAC (1982) Report was as follows:

Recommendations implemented	8
1982 Recommendation revised in 1983	1
Recommendations not fully implemented	<u>4</u>
	<u>13</u>

The revised recommendation as noted above is dealt with in the Status of PAC (1983) Recommendations.

Recommendations Not Fully Implemented - PAC (1982) Report

5. Activity Performance Indicators - Consumer and Corporate Affairs

The Department should establish unit cost performance indicators for those activities where statistical information is available.

The Department of Consumer and Corporate Affairs advised in writing that its review of statistical data has been deferred until after the 1984 Spring Session of the Legislature. To date, the Consumer Services section has redesigned its statistical forms to allow capture of more meaningful data. The Labour Services section has temporarily deferred review and development of performance indicators. The implementation of initial performance indicators is scheduled for 1985 with the exception of the Labour Services section. The Committee expects to see evidence of this in 1985-86 Estimates.

6. Health and Safety Performance Indicators - Consumer and Corporate Affairs

The Department should establish performance standards for inspections and

investigations, depending on their complexity, and measure the performance of the Occupational Health and Safety Officer against them.

The Department of Consumer and Corporate Affairs advised in writing that in conjunction with the Public Service Commission it is developing a profile of the Occupational Health and Safety Officer position. The Committee will follow up on this and identified performance measures in the future.

11. Social Worker Performance Indicators  
- Health and Human Resources

The Department should establish performance indicators for social workers and disclose them in the Estimates.

The Department of Health and Human Resources advised that restructuring of the Department has resulted in clear delineation of the work responsibilities of social workers. Work-flow studies are proceeding and performance standards should be ready for inclusion in the 1985-86 Estimates.

13. Long-term Planning - Highways and  
Transportation

The Department should gather the information needed for an adequate data base and develop an action plan so that it will be in a position to plan and control more effectively its capital construction and maintenance activities.

The Department of Highways and Transportation advised in writing that it could not respond in a meaningful way to the Committee's concerns and requested clarification of the meaning of long-term planning, both as to time span and content. The Committee has provided its views

on long-term planning to the Department. With implementation of the accident plotting system last year and the improved activity reporting system, the Committee expects that the Department will be able to implement fully the Committee's recommendation in 1984-85.

STATUS OF PAC (1983) RECOMMENDATIONS

In the PAC (1983) Report, the Committee made eighteen recommendations as summarized on pages 40-43 of that Report. The status of the implementation of those recommendations is as follows:

Recommendations implemented	9
Not fully implemented	8
Recommendation withdrawn	<u>1</u>
	<u>18</u>

Recommendations Implemented - PAC (1983) Report

The Committee, based on the appropriate Department's comments before the Committee at the 1984 Formal Hearings or in written communication, considers nine of its recommendations to be implemented.

3. Meaningful statistical information - Government Services

The Department should provide more meaningful statistical information in its Estimates.

6. Verification of information - Government Services

The Department should verify that any information it includes in a public document is accurate and complete.

10. Native Indian Special Constable - Justice

In the Estimates, the Police Services program narrative should provide more detail on cost-sharing arrangements and deployment of personnel in Yukon and should include the cost and statistical detail on the Native Indian Special Constable program.

11. Criminal Injuries Compensation - Justice

In the Estimates, the Department should include a projected criminal injuries award figure.

13. Presentation of information - Yukon Housing Corporation

The Corporation should restructure the presentation of information in the Estimates and in its Annual Report to provide an analysis of costs related to each program and to provide information on unit operating costs.

14. Conflict of interest - Yukon Housing Corporation

The Corporation should examine By-law #5, Contract By-law, with a view to making amendments to prevent any unfair advantage for or the appearance of conflict of interest with former employees of the Corporation.

15. Maintenance - Yukon Housing Corporation

The Corporation should review its maintenance program to ensure that ongoing maintenance is carried out on a regular scheduled basis and that extraordinary maintenance is budgeted separately and carried out as expeditiously as possible.

16. Signing authority - Yukon Housing Corporation

The Corporation should undertake to ensure that all officials with signing authority are well aware of their limits and that they remain within these limits when authorizing expenditures.

17. Inventory - Yukon Housing Corporation

The Corporation should take steps to improve the management and control of its inventories.

Recommendations Not Fully Implemented - PAC (1983) Report

1. Revision of objectives - Government Services

The Department, when undertaking activities not falling within its stated objectives, should revise its objectives to include the new activities as soon as possible thereafter.

2. Descriptive narrative in supplementary estimates - Government Services

When a departmental objective is changed by a supplementary estimate, that supplementary should include a narrative which describes the change in the objective.

The Department of Government Services advised that its overall objectives are to provide a central resource of services to all government departments and agencies. The Department disagreed with the fact that arranging for the Handybus Service on behalf of the Department of Health and Human Resources would change the overall objectives of the Department of Government Services. The Committee disagrees with this position. Funding for this Service was provided to the Department which was to provide the Service to the public, even though on behalf of the Department of Health and Human Resources. The objectives of the Department ought to have changed to recognize this fact because the Service was not being provided to a government

department. The Department agreed to review its position and report back to the Committee.

**4. Unit cost data - Public Affairs**

The Public Affairs Bureau should provide unit cost data, where feasible, in the Estimates.

The Public Affairs Bureau of the Executive Council Office advised in writing that it has initiated a new activity monitoring system to determine unit cost data by activity and department. It is anticipated that the new system will be able to generate reasonably accurate base data by August, 1984, and provide for unit cost data for the 1985-86 Estimates.

**5. Formalization of procedures - Government Services**

The Department should, with regard to construction projects, formalize the duties and responsibilities of client departments and the Public Works Branch, as well as all management procedures to be followed during the project and have them incorporated in the policy manual.

The Department of Government Services advised that policies and procedures for project management were being prepared. At the time this report was finalized, the manual had been approved by the Minister responsible for Government Services and had been distributed to user departments for comment.

**7. Management audit of construction projects**

That the Auditor General be requested to do a management audit of the Faro



**School and the Dawson City Sewer and  
Water Project.**

In his report "on any other matter" for the year ended March 31, 1983, the Auditor General included reference to the Government's comments that a management audit of the Faro School and the Dawson City Sewer and Water Project was not necessary in the light of the responses by the Department of Government Services and the Department of Municipal and Community Affairs to the 1983 Public Accounts Committee recommendation. The Government's comment indicated that the responses by the Departments delineated the measures already implemented to prevent occurrences of similar nature in the future.

To assist the Committee in its further consideration of the apparent impasse with recommendation 7 of its Fourth Report, which was concurred in by the Legislature in April, 1983, the Committee requested Raymond Dubois, Deputy Auditor General, to explain to the Committee just what a management audit is and the basic criteria used to audit capital projects. Mr. Dubois explained that a management audit is an audit of the management processes that ensures the proper planning, financing, directing, controlling and evaluation of a given project from its inception to its completion. The criteria used are consistent with Treasury Board (Canada) guidelines and directives and are summarized as follows:

- (i) responsibility and accountability should be clearly defined and communicated;
- (ii) requests for funds should be supported by accurate and complete documentation;
- (iii) final approval should be based on full information;
- (iv) project implementation should be properly controlled; and
- (v) completed projects should be reviewed.

The Committee found the Government's comments included in the Auditor General's report on "any other matter" to be misleading. The comments said that the Department of Government Services and the Department of Municipal and Community Affairs had delineated measures already implemented to prevent occurrences of similar nature in the future and that they had communicated this to the Committee. The Deputy Minister of Municipal and Community Affairs admitted that this statement was "incorrect" in that no such information had been communicated to the Committee and that he did not know "what occurrences [he] should be putting measures in to prevent" from happening again. The Deputy Minister of Government Services advised the Committee that he was the author of the statement to the Auditor General. He also admitted that it was not a true statement because the measures taken to prevent recurrence in the future had not been delineated to the Committee. Furthermore, the project management procedures are not yet in place and would not be going to the Management Board for approval until the end of March, 1984. The Deputy Minister of Finance said that with regard to the Government's response, "I assume that it is truthful, but it is not something that the Department of Finance had been involved in." The Committee has difficulty with this statement as the Department of Finance has a major responsibility for government systems and procedures. The Committee regards this publication of inaccurate information as a very serious matter.

As the Government feels that a management audit of the Faro School and Dawson City Sewer and Water Projects is not required, the Committee withdraws recommendation 7 of its Fourth Report (1983). Comments and recommendations follow on each of the Projects.

A. FARO SCHOOL

Background

The Faro School Project had been recommended for management audit because of problems, mainly related to permafrost, experienced

with the Project, which resulted in additional costs to the Government.

Analysis

7:6 The Deputy Minister of Government Services advised that he had done a rather extensive investigation of the Faro School Project and had reported on it to his Minister. The question had been raised by the Committee in 1983 as to whether or not the consultants or the contractors should be held responsible for the problems.

7:7 The Deputy Minister's conclusion was that in fact the Public Works Branch was totally responsible as it had overruled certain recommendations made by the consultants about permafrost. Decisions had been taken during the excavation of the Project that were against the recommendations of soil experts and consultants and were in the end the cause of all the deficiencies.

7:7 The Committee was concerned to note that at the time of the Project a person with limited financial authority had unlimited authority as far as operational requirements were concerned. A project manager, with financial signing authority of \$2,000, could take operational decisions involving \$2-3 million. The Committee can only conclude that, at that time, there was little, if any, project management control. However, the Committee notes that this situation was later corrected and will be improved upon in the new project management policies and procedures which will be ready for submission to Management Board by March 31, 1984.

The Deputy Minister's report to the Minister was not made available to the Committee. It was, however, made available to the Auditor General. He has confirmed in writing that while the Deputy Minister's review was not as extensive as a management audit would be, it did cover the major aspects of the Project

of interest to the Committee. He also advised the Committee that all major conclusions contained in that report have been adequately communicated to the Committee through the Deputy Minister's testimony. The Deputy Minister later provided the Committee with an analysis of cost information on the Project.

12. 1984 Recommendation (arising from 1983)  
The Department should submit its project management policies and procedures to the Auditor General for review and comment once approved by Management Board.

B. DAWSON CITY SEWER AND WATER PROJECT

Background

In 1981, the Committee selected the Dawson City Sewer and Water Project within a general review of project management processes. The Project had been undertaken by the Public Works division of the Department of Highways and Public Works on behalf of the Department of Municipal and Community Affairs. It was substantially completed in 1980. The Committee was unable to come to any conclusion as to whether Public Works generally followed all the criteria established for project management. It asked to be advised of the outcome of any analysis undertaken by Public Works.

In 1982, the Committee was advised by the Department of Highways and Public Works that a review was underway. Also that the Department would have no objection to the Committee being provided with a summary of the review, if the Minister agreed.

As a follow-up to the 1982 PAC report, the Department of Highways and Transportation advised that the review was proceeding as time became available to the Director of Municipal Engineering. The review was still in progress when Municipal Engineering was transferred to the Department of Municipal and Community Affairs

in September 1982. In 1983, the Deputy Minister of Municipal and Community Affairs advised the Committee that he was not aware of any review being undertaken. This led to the Committee recommending that the Auditor General undertake a management audit of the Project because of its inability to obtain adequate information and explanations.

### Analysis

1:4 The Deputy Minister of Municipal and Community Affairs advised that to the best of his knowledge all that was done was to collect certain files, documents, and information to be used as a basis for the review by the Deputy Minister of Highways and Public Works. When he became aware of this he concluded from his inquiry that:

- (i) since it related to the management process of the Department of Highways and Public Works, and since Municipal Engineering was no longer part of that Department, it would not be relevant to continue the review;
- (ii) there were no major difficulties that had not been explained or could not be explained; and
- (iii) it would take at least three months of his senior manager's time to complete the review.

1:9 The estimated construction cost included in the pre-design report of January 1977 was \$4,965,000. Construction began in April 1979 under construction contracts totalling \$7,662,000 which were completed at a cost of \$8,207,000. The increase in cost was largely attributable to installation of extra water services. Factors giving rise to the increase in predesign estimate to tender prices for construction were inflation and system changes. In

addition to the amounts paid for construction contracts, the Consulting Engineers were paid \$1,037,000. Also other miscellaneous expenses (including YTG in-house expenses) of \$278,000 were paid for a total cost of \$9,522,000.

1:9        The operating cost in the predesign report was estimated  
1:4        between \$97,000 and \$99,000. In 1982, the operating deficit was  
         \$242,000. A justification for replacing the system was that  
         operating costs of the old system had crept up from about \$100,000  
1:10       and were approaching \$200,000. Contributing factors giving rise  
         to increased operating costs of the new system over the predesign  
         estimate were: a) increases in labour costs - 210%; b) vehicle  
         and equipment costs - 260%; c) administrative costs - 471%; and  
         d) power costs - 300%.

1:9        The Director of Municipal Engineering said that "the system  
         probably could handle a population of about 2,500 people, if every  
         lot was occupied." As a result, "you have a very large system  
         servicing a reasonably small population."

         As explained to the Committee a management audit is an audit  
         of the management processes that ensure the proper planning,  
         financing, directing, controlling and evaluation of a given project  
         from its inception to its completion. The Deputy Minister believes  
1:6        that "this project was well-planned, was well-designed, was  
         implemented, was well-controlled." The Committee does not have  
         sufficient information to support this belief.

1:5        The Deputy Minister of Municipal and Community Affairs  
         advanced, as one of the reasons for not continuing the review,  
         that it was directed at the project management processes of the  
         Department of Highways and Public Works. The Committee believes  
         that these project management processes would be equally applicable  
         and beneficial to Municipal Engineering, which was the function

transferred from the Department of Highways and Public Works and a new function for the Department of Municipal and Community Affairs.

The Committee can only conclude from the fact that the Project has cost the Government at least \$9,522,000, not including operating costs, that without an adequate review there can be no assurance that public funds have been spent with due regard for economy, efficiency, and effectiveness. The Committee notes that the Government does not have procedures in place that would meet the project management criteria. At least the Committee's recommendation has stimulated some action within Government Services to get project management processes in place in the near future. The Committee hopes that adequate project management processes will be established in the near future and apply to all departments engaged in major construction projects.

13. 1984 Recommendation (arising from 1983)  
The Department of Municipal and Community Affairs should determine the applicability of the project management processes developed by the Department of Government Services to projects undertaken by the Department of Municipal and Community Affairs and follow them as far as possible.

Recommendations Not Fully Implemented - continued

8. Transfer of responsibilities and funds  
- Finance

The Government should obtain legislative approval for a transfer of responsibilities and funds from one department to another.

The Department of Finance responded that "Authority to do so has been incorporated into the new Financial Administration

Act." The Committee will follow up on this at subsequent Hearings.

**9. Yukon Courtworkers - Justice**

In the Estimates, the Legal Aid program should include detail on the Yukon Courtworkers service.

The Department of Justice advised that the operation of Legal Aid is currently under review and the recommendation will be reconsidered on completion of the review (expected by March 31, 1984). Depending on the outcome of the review the Department will have to look at the advisability or feasibility of combining legal aid services with the courtworkers program.

**12. Production of documents - Justice**

The Department should produce public documents on a more timely basis and, through increased documentation, should develop performance indicators against which performance can be measured, wherever feasible, for each of its programs.

The Department of Justice advised that public documents are now being produced on a timely basis. Performance indicators have been established for the Correction Centre and Land Titles and are being used. Court performance indicators have not yet been established.

**18. Review of legislation - Consumer and Corporate Affairs**

The Department should review all legislation under its administration on a systematic basis, identify provisions therein that are not enforceable, and recommend legislative amendments to the Government.

The Department of Consumer and Corporate Affairs advised in writing that action is being taken to review its legislation on a systematic



basis. An in-house feasibility study on enforcement provisions is being conducted by the Department and is scheduled for completion by June, 1984.

### Outstanding Issue - 1983

#### GOVERNMENT RESERVATION OFFICE - Government Services

During the 1983 Formal Hearings, the Department of Government Services undertook to provide the Committee with a report on the savings achieved by the Government Reservation Office. This is still outstanding and the Committee reports as follows:

#### Background

The Government central travel office, or Reservation Office, has been operating since February 1982. Prior to its establishment Government Services stated that the Government had been losing out on possible savings from excursion fares, the use of government hotel rates, and substantial discounts for car rentals through a rental agency. Currently, private travel agencies verify the arrangements made by the Reservation Office, issue tickets and receive normal commissions.

The Department of Government Services did not undertake a cost/benefit analysis of operating this service as compared to the cost of using only a travel agency or agencies. The Department claimed that it was achieving cost savings and undertook to provide the Committee with a report on the savings achieved by the new system.

#### Analysis

The Committee has not been provided with a report on cost savings achieved. The Department, however, did provide the Committee with

some statistical information to January 4, 1984, on the operations of the Reservation Office. According to this information, fare savings of \$31,000 were achieved through excursion rate fares which totalled to \$370,000 compared with regular air fares of \$401,000, and accommodation savings of \$8,000 were achieved on government rates of \$17,000 compared with regular corporate rates of \$25,000.

The total savings of \$39,000 on fares and accommodation to January 4, 1984, do not take into consideration administrative costs of \$24,000, including \$3,000 for computer rental, or accommodation costs which are not known by the Department. There may be other overhead costs such as employee benefits.

**The Committee requests the Department to report back on the cost savings achieved by the Reservation Office taking into account all costs attributable to its operations.**

STATUS REPORT

Auditor General's Report "on any other matter"  
for the year ended March 31, 1983

The Committee at its Formal Hearings reviewed with the appropriate departments the observations and recommendations made by the Auditor General in his report (see Appendix 1) to the Legislature "on any other matter" arising from his examination of the Government's accounts for the year ended March 31, 1983. The Committee reports as follows:

1. Faro School and Dawson City Sewer and Water Projects

This item refers to recommendation 7 of the Committee's 1983 Report and is dealt with elsewhere in this report in the section titled "Status of PAC (1983) Recommendations." (See pages 30-37)

2. Bill No. 14 - Financial Administration Act - Finance

2:7 The Committee saw this as a political issue and did not deal with it.

3. Road Equipment Replacement Account/Fund - Finance

2:7 The Department of Finance advised that it might be a desirable objective of the Government to establish the Road Equipment Replacement Fund as a true revolving fund rather than the "partial revolving fund" it seems to be now. The Department acknowledged that the road equipment operations were of a quasi-commercial nature and that the assets could be regarded as income producing.

2:9 It also noted that the Account could be seen as developing into a full scale revolving fund. In the meantime, and until such time as full accountability and control is established, the Department agreed to include in the summary of transactions of the Road Equipment Replacement Account found in the Government's financial statements, a reconciliation of the Account with the road equipment capital assets and accumulated depreciation, beginning with the fiscal year 1983-84.

4. Land Development Costs Inventory - Municipal and Community Affairs

2:5 The Department of Municipal and Community Affairs advised that the land development costing policies would be submitted to Management Board for approval by February 22, 1984. As well, the Department advised that it had identified some 200-300 discrepancies between land registry and land inventory records. The Department, in suggesting a March 31, 1985, deadline for resolving all outstanding issues, acknowledged that it had left itself some breathing room and that the work could be completed earlier if no serious problems were encountered. The Committee believes that the Department should make every endeavour to have this long outstanding issue resolved by the time that the Government's financial statements for the year ending March 31, 1984, are finalized in September, 1984. Progress toward meeting this objective should be monitored by the Department of Finance.

2:7 The Committee was advised by the Department of Finance that it would be receiving periodic progress reports on the project but the reports as such may not be formal reports. The Committee believes that the Department of Finance in consultation with the Department of Municipal and Community Affairs should formally establish a work schedule and timetable for completion of the work so that progress can be effectively monitored. The Committee requests that it be provided with a copy of the work schedule and timetable when completed.

5. Assistance to Municipalities for Capital Projects - Municipal and Community Affairs

2:6 The Department advised that a simple form of agreement is now being drafted and that no funds will be disbursed to municipalities in 1984-85 without such an agreement.

6. Municipal Service Grants - Municipal and Community Affairs

2:6 The Department suggested that there may be some merit in reviewing proposed new regulations when reviewing new legislation, but that that would be a political decision. New regulations regarding municipal grants and services were to come into effect prior to April 1, 1984, when the next grant payments come due.

7. Data Processing - Government Services

7:3 The Department of Government Services advised that offsite tape storage facilities had been arranged for essential computer programs and tapes and that procedures to be followed in emergency conditions have been established.

8. Yukon Health Care Insurance Plan - Health and Human Resources

8:5 The Department of Health and Human Resources advised that the new computerized system should be fully implemented by about the end of September, 1984.

9. Establishment of Rental Rates - Staff Accommodation Program Yukon Housing Corporation

8:1 The Corporation advised that limitations of rental increases arising from Collective Bargaining Agreements signed subsequent to the preparation of the Main Estimates would be disclosed in the Corporation's Annual Report because of timing problems with respect to the preparation and introduction of Supplementary Estimates.

10. Delay in Implementation of Rental Increases for Staff Accommodation - Yukon Housing Corporation

8:2 The Corporation advised that the collective bargaining process could be jeopardized if notices of rental increases were issued for the next fiscal year under a Collective Bargaining Agreement that expired at the end of the preceding fiscal year although that Agreement continued in effect until a new Agreement was signed. The Committee noted that such Agreements provide for retroactive salary adjustments but make no provision for retroactive rental adjustments. The Public Service Commission should look into the situation and seek a resolution to it.

## SUMMARY OF RECOMMENDATIONS 1984

### Public Service Commission

#### 1. Delegated authority procedures

The Commission should establish procedures as soon as possible to monitor the practices and procedure exercised by departments through delegated authority to hire casual employees.

#### 2. Casual appointments

The Commission should disclose in public documents the total number of casual hires, the number of casual appointments made by departments through delegated authority, and the number of appointments terminated after six months and then re-engaged.

#### 3. Activity performance indicators

The Commission should include in its Estimates information, wherever possible, planned activities supported by performance indicators justifying its request for funds in order to create a base for future accountability.

#### 4. Training and Development Program Costs

The Commission should disclose in public documents the full cost of its Training and Development Program, including the cost of educational leave and the number of employees taking that leave.

### Workers' Compensation Board

#### 5. Classes and Assessment Rates

The Board should include in its Annual Report a description of the various classes and disclose the specific industries within each class, the assessment rates of each class for that year and for the previous year, and details, by class, of actual assessable payrolls compared to those of the prior year and to those estimated.

6. Transfer Occupational Health and Safety Officer

The occupational health and safety officer should be transferred from the Department of Consumer and Corporate Affairs to the Workers' Compensation Board.

7. Performance Measurement System

The Board should develop a performance measurement system including comparisons with previous years of the time taken to process claims and of changes in the rates of accidents which should be summarized in the Board's Annual Report.

8. Doubtful Accounts and Write-offs

The Board should disclose in its financial statements the allowance for doubtful accounts and the actual write-offs for the year.

Department of Economic Development

9. Management of Human Resources

The Department should immediately take proper measures to develop and implement the necessary management processes in order to control better its resources, to establish performance indicators, and to be accountable for the management of its human resources in the conduct of the various projects for which it is responsible.

10. Activity performance indicators

The Department should include in its Estimates document, wherever possible, planned activities supported by performance indicators justifying its request for funds in order to create a base for future accountability.

11. Accuracy of Information

The Department should ensure that all information it includes in public documents is clear, accurate and consistent.

**Government Services**

**12. Project Management Policies and Procedures**

**1984 Recommendation (arising from 1983)**

The Department should submit its project management policies and procedures to the Auditor General for review and comment once approved by Management Board.

**Municipal and Community Affairs**

**13. Project Management Processes**

**1984 Recommendation (arising from 1983)**

The Department of Municipal and Community Affairs should determine the applicability of the project management processes developed by the Department of Government Services to projects undertaken by the Department of Municipal and Community Affairs and follow them as far as possible.



Witnesses 1984

Office of the Auditor General (Feb. 7, 1984)

Mr. Raymond Dubois, Deputy Auditor General

Department of Municipal and Community Affairs (Feb. 7/8, 1984)

Mr. Peter Kent, Deputy Minister  
Mr. Leo Chasse, Departmental Administrator  
Mr. John Cormie, Director, Municipal Engineering

Department of Finance (Feb. 8, 1984)

Mr. Frank Fingland, Deputy Minister  
Mr. Uday Patankar, Comptroller

Public Service Commission (Feb. 9/13, 1984)

Mr. Jean Besier, Public Service Commissioner  
Ms. Geri Walshe, Director, Compensation  
Ms. Dorothy Drummond, Manager, Employee Records & Pensions  
Mr. Carey Conway, Manager, Training & Development  
Ms. Pat Cumming, Director, Recruitment & Labour Relations

Workers' Compensation Board (Feb. 10/13, 1984)

Mr. Brian Booth, Chairman  
Ms. Patch Buckler, Director of Finance  
Mr. Crawford Laing, Consulting Actuary to the Board

Department of Economic Development (Feb. 14, 1984)

Mr. John Ferbey, Deputy Minister  
Ms. Connie Zatorski, Director, Administrative Services  
Mr. Glenn Grant, Chief Statistician

Department of Justice Feb. 15, 1984)

Mr. John Lawson, Acting Deputy Minister  
Mr. Tom Duncan, Judicial Administrator

Continued...

Department of Government Services (Feb. 15, 1984)

Mr. Andy Vantell, Deputy Minister  
Mr. Sam Cawley, Director, Supply Services  
Mr. Peter Laight, Director, Systems & Computing Services  
Mr. Art Christensen, Director, Public Works

Yukon Housing Corporation (Feb. 16, 1984)

Mr. Barrie Robb, General Manager  
Mr. Henry Kamphof, Manager, Programs  
Mr. Ross Hadlington, Manager, Finance & Administration

Department of Health and Human Resources (Feb. 16, 1984)

Mr. Bill Klassen, Deputy Minister

1984

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Yukon Legislative Assembly

DOCUMENTS TABLED

PAC #	Department	Document Title
1	Finance	Territorial Accounts 1982/83
2 *	Auditor General	Auditor General's report on "any other matter" for year ended March 31, 1983
3 *	Municipal & Community Affairs	Dawson Water and Sewer System - Construction Contracts
4 *	Municipal & Community Affairs	Dawson Water and Sewer - Construction Cost Summary
5	Municipal & Community Affairs	Dawson Water and Sewer - Unit O&M Costs
6 *	Auditor General	Yukon Government Road Equipment Replacement Account 1971 - 1983
7	Public Service Commission	Public Service Commission 1982-83 Fiscal Year
8	Public Service Commission	Training and development activities, 1982-83
9 *	Public Service Commission	Training Section Expenditures Summary
10	Public Service Commission	Sample course outline
11	Public Service Commission	Participants' Response Sheet to course
12	Public Service Commission	Summary of Responses to course (A)
13	Public Service Commission	Summary of Responses to course (B)
14	Public Service Commission	Summary of Responses to course (C)

\* Appended to the Report

PAC #	Department	Document Title
15	Public Service Commission	Performance Evaluation forms
16	Public Service Commission	Costs related to Management Plan implementation
17	Workers' Compensation Board	10th Annual Report 1982
18	Workers' Compensation Board	Organization Chart of Workers' Compensation Board-Sept., 1982
19	Workers' Compensation Board	Organization Chart of Workers' Compensation Board-Jan. 1984
20 *	Workers' Compensation Board	Definition of "classes" as used by the WCB in assessing fees
21 *	Public Service Commission	Numbers and categories of persons employed with the Government of Yukon - March 31/83 and February 10/84
22	Workers' Compensation Board	Board Policy - Investment Committee (May 18/83)
23	Workers' Compensation Board	Board Policy - Audit Procedures (June 3/82)
24	Workers' Compensation Board	Board Policy - Assessment (January 24/84)
25	Workers' Compensation Board	Job description - Financial Officer
26	Workers' Compensation Board	Job description - Director of Assessment
27	Workers' Compensation Board	Job description - Chairman and Chief Executive Officer
28	Workers' Compensation Board	Job description - Director of Claims
29	Workers' Compensation Board	Classification of Industries and Provisional Assessment Rates - 1983

PAC #	Department	Document Title
30	Public Service Commission	Standards for casual hiring delegated to departments
31	Workers' Compensation Board	Budget - 1982 - Workers' Compensation Board
32	Workers' Compensation Board	Workers' Compensation Board - Assessment Rates - 1984
33	Department of Economic Development	Opening Statement and organization charts
34	Government Services	Statistical Information for period ending January 4, 1984 - Supply Services Branch
35	Economic Development	Review of operations of the Department - 1982/83
36 *	Government Services	Pegasus Computer System
37 *	Government Services	Faro School Audit not required
38 *	Government Services	Report on Faro School

DOCUMENTS FILED FOLLOWING CONCLUSION OF HEARINGS

39 *	Office of the Auditor General	Letter regarding the school in Faro
40 *	Department of Justice	Comparative Costs of Legal Aid actions
41 *	Yukon Housing Corporation	Response to matters arising during the Hearings
42 *	Department of Health and Human Resources	Average administrative cost of Social Assistance case
43 *	Department of Government Services	Expenditure details on Faro School
44 *	Department of Economic Development	Approved CREDA projects
45	Department of Economic Development	Economic Growth in Yukon 1983 to 2003
46	Department of Government Services	Procedures Manual on Building Project Management

FORMAL HEARINGS: EVIDENCE

**Yukon Legislative Assembly**

**PUBLIC ACCOUNTS COMMITTEE**

Tuesday, February 7, 1984  
9:30 a.m.

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Issue No. 1 (Fifth Sitting)

25th Legislature

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**ORDER OF REFERENCE**

**ORDERED:** THAT the Honourable members Mr. Penikett, Mrs. Firth, Mr. Falle, Mr. Brewster and Mr. Byblow be appointed to the Standing Committee on Public Accounts;

THAT the said Committee have the power to call for persons, papers and records; to sit during intersessional periods; 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.

(July 14, 1982)



## **Standing Committee on Public Accounts**

**Chairman:** Tony Penikett, M.L.A.  
**Vice-Chairman:** Mr. Bill Brewster, M.L.A.

**Members:** Mr. Maurice Byblow, M.L.A.  
Mr. Al Falle, M.L.A.  
Hon. Mrs. Bea Firth, M.L.A.

(Mr. Piers McDonald, M.L.A., substituted for Mr. Maurice Byblow throughout the hearings)

Missy Follwell  
Clerk to Committee

### **Expert Advisors from the Office of the Auditor General:**

Raymond Dubois, Deputy Auditor General  
Harold Hayes, Principal

**Witnesses:** Expert Advisor from the Office of the Auditor General  
Mr. Raymond Dubois, Deputy Auditor General

**Department of Municipal and Community Affairs**  
Mr. Peter Kent, Deputy Minister  
Mr. Leo Chasse, Departmental Administrator  
Mr. John Cormie, Director, Municipal Engineering

**EVIDENCE**

Tuesday, February 7th, 1984

**Mr. Penikett:** The committee will come to order. This is the first meeting in the fifth round of formal hearings for this committee.

I will begin, not as I have done in previous years, by reciting the purposes of the committee, which I believe are now well known, but rather by quoting an extract from the memorandum which the committee circulated last year to deputy ministers and others called to appear before the Public Accounts Committee. I would like to read specifically from the section on accountability and responsibility, which says: "The committee expects:

1) that deputy ministers or their equivalents in Crown agencies are responsible and accountable for departmental administration and will be answerable to the committee on all matters of administration;

2) that deputy ministers and other departmental officials will assure that they can respond fully to questions from the committee on the administration of the department, whether or not they were in their present position when the matter in question took place.

Deputy ministers may choose to be accompanied by members of their staff who may participate in the committee hearings; however, subject to the direction of the minister, it is the deputy minister who has the responsibility and accountability for the operation of the department and who should, therefore, be the focal point for dealings with the committee."

The committee then went on in the same memorandum to concur with many of the observations made by the Royal Commission on Financial Management and Accountability, otherwise known as the Lambert Commission. I would like to quote further from this memorandum, in connection with the recommendations arising out of the Lambert Commission.

"The committee believes that deputy ministers should properly be held accountable for the daily administration of his department, including: (1) the correctness of the accounts charged to the vote for which the deputy is accountable; (2) the legality of expenditures made under this vote that expenditures are in accordance with the intention of the legislative assembly in voting them and that systems and procedures are in place to ensure appropriateness in the expenditure and receipt of monies; (3) the economy, efficiency and effectiveness of the expenditures; (4) the evaluation of the effectiveness of programs in achieving their stated objectives; and (5) the maintenance of adequate systems of financial management, the safeguarding of public property, the supervision of compliance with contracts and the control of allotments; and (6) personnel management."

This morning, we are going to begin this round of hearings with the Auditor-General's Report on Any Other Matter. Before I do that, however, I want to introduce, for the record and for the witnesses, the members of the committee. Beginning on my left, the hon. Bea Firth; to my immediate left, the deputy chairman of the committee, Mr. Bill Brewster; to my immediate right, Mr. Piers McDonald, the member for Mayo; and, on the far right, Mr. Al Falle, the member for Hootalinqua; and my name is Tony Penikett, chairman of the committee.

Our first witness, this morning, to deal with the Report on Any Other Matter, is Raymond Dubois, the Deputy Auditor-General for Canada. We have called Mr. Dubois specifically in connection with the first item in the Auditor-General's Report on Any Other Matter, namely the item entitled "PAC Recommendation Not to be Acted Upon: One, Faro School and Dawson City Sewer and Water Projects".

Just for the record, to remind members of the committee and witnesses, Recommendation 7 of the Fourth Report of the Public Accounts Committee recommended a management audit of construction projects and recommended that "The Auditor-General be requested to do a management audit of the Faro School and Dawson City Sewer and Water Projects."

The report from the Auditor-General goes on by saying, "In speaking to the motion of concurrence with the Fourth Report, the Executive Council Member responsible indicated that he would be

interested in obtaining a management audit from the Auditor-General. I have not yet received a request from the government to take these audits, but I am prepared to do so on being requested to by the government. The government has now advised us..." et cetera, et cetera.

Let me begin right there by asking you, Mr. Dubois — and welcoming you in this new role before the committee. We have appreciated your presence, along with your principal, Mr. Harold Hayes, before the committee before as expert advisors. Because of the unusual nature of this item in your report, we have called you, this morning, to ask you if you could explain to the committee, for the record, what a management audit is. I wonder if I could ask you to be brief in beginning, to give us something which might be some kind of brief capsule and then, if we need further explanations, we can ask further questions to explore it?

**Mr. Dubois:** Thank you, Mr. Chairman.

With your permission, I would like to give some very short background information on the Office of the Auditor-General. Having started to develop the new mandate from 1977 in our 1978 Report, this is where the Parliament of Canada had the first look at a Report on Major Capital Projects. The basic criteria used to audit those projects had been developed during that audit and had been accepted by the Comptroller-General's Office and the Treasury Board Secretariat. Ever since then, we have used those criteria as a base for auditing projects during the course of the audits every year.

Now, a further event in 1983, happened where, following a commitment by the Auditor-General to audit all major capital projects of the federal government, our office has proceeded with pilot projects in order to develop even more detailed methodology in this field so that, all of the audit teams in the office will be in a position to do those types of audits in the future.

I would like to answer your question in two parts: one, very generally and, perhaps, get into summary detail, if I can use that term. A general definition of the management audit of a major capital project could be as follows — and I say "could be" because these definitions can vary, depending on the exact trust that one wants to put on the audit. The definition I would like to present here is: we are talking about the audit of the management processes that ensures the proper planning, financing, directing, controlling and evaluation of a given project from its inception to its completion.

Just to explain that a little bit, the audit would cover both form and substance. For instance, we would ask the question did the management process exist at the different points of the project and, secondly, we would ask was it applied in fact? This means getting in the substance of the project itself.

The audit, definitely, does not deal only with financial matters, per se, but also with the management of the project in all its aspects. The audit, as I mentioned before, is based on criteria relating to the management of projects. These criteria were developed from, and are generally consistent with, the federal Treasury Board directive and guidelines. The general criteria we have developed for our audits of major capital projects are as follows:

There are five of them and they set the foundation for what we would examine under this type of audit. The first criteria is: responsibility and accountability should be clearly defined and communicated. Now, more specifically, this means the responsibility and accountability for analyzing needs, setting objectives, conducting feasibility studies, developing proposals, exercising control over design and construction and revealing completed projects should be clearly defined and communicated at the beginning of the project.

The second criteria: requests for funds should be supported by accurate and complete documentation. This means, firstly, that each capital acquisition should begin with an unbiased analysis of the need to be met and its relationships to objectives. Care should be taken to avoid exaggerating benefits and thereby overstating the need for the project.

Secondly, for each capital acquisition there should be a clear, written statement of objectives, which should be related to the appraisal of needs. Where feasible, the objectives should facilitate

quantitative measurement of the extent to which they are obtained.

Thirdly, alternative courses of action should be evaluated impartially on the basis of differences in revenues, benefits and lifecycle costs. By this term, we mean initial capital costs, plus the present value of operating and maintenance costs over the life of the asset and also disposal considerations that could have a significant impact in the future. These options should be thoroughly analyzed before proceeding with a project.

Finally, capital cost estimates at all stages of the planning process should be realistic and complete, covering all aspects of the project. A revised estimate, based on the actual design, schedule and site conditions should be prepared before seeking final approval. The effects of possible future inflation should be considered separately from other cost increase factors and estimates should be expressed in both current and anticipated future dollar values.

The third criteria is that final approval should be based on full information. This criteria suggests that approval for expenditures on construction should be withheld in the early stages of project planning when full information is not yet available. When a project is first conceived, approval should be given only for funds to conduct feasibility studies, develop a design and prepare cost estimates.

One reason for withholding final approval is that an accurate estimate of construction costs cannot be made until site conditions have been assessed and a design has been selected. Accurate estimates are basic to analysis such as benefit cost studies and cash flow forecasts.

The fourth criteria is project implementation should be properly controlled. More precisely, this means that managers should exercise control over projects during design and construction to ensure that facilities of the approved size and quality are completed on schedule and within the authorized budget. Adequate systems should be used to control changes in design and to report progress highlighting accountability for decisions and results achieved.

The last and fifth criteria is that completed projects should be reviewed. This means that each project should be reviewed on completion in order to ascertain whether appropriate procedures were applied, economy and efficiency were observed and objectives were achieved. Also, to evaluate the performance of managers responsible for the projects and to develop recommendations for planning and controlling similar projects in the future.

If we proceeded with a management audit, we would use these criteria as the base for conducting the audit. I hope, Mr. Chairman, this will help clarify what an audit of this nature would cover.

**Mr. Penikett:** Thank you, Mr. Dubois. That is a very complete explanation. Let me try and press you a bit, though.

Let us assume, for a minute, that you are being interviewed by a local radio station and you are going to do a thirty second clip. I am going to ask you, briefly, to explain the difference between a financial audit and a management audit. Can you do that, in summary way?

**Mr. Dubois:** Yes. A financial audit would deal with the financial attest and authority aspects. We would look at the financial transactions and see if they had been properly authorized and if they had been spent according to existing legislation.

In the case of a management audit, we would extend the coverage of the audit to all management processes that exist within the project. This goes beyond strictly looking at the financial transactions.

**Mr. Penikett:** Thank you, Mr. Dubois. Let me just ask you, because we want to be clear that what we are talking about here is well understood. Let me quote for you from a letter to the committee from one of the deputy ministers of one of the interested departments here, on the question of the management audit.

"However, based on informal discussions with the staff of the Auditor-General's Office, it is my understanding that a management audit of this project would not concern itself with the above-described technical considerations, which is the source of virtually all of the problems related to the system. Rather, it would concern itself with ensuring the appropriate management and financial procedures and controls were exercised and that budgetary and

spending authorities were not exceeded."

From your point of view, Mr. Dubois, is that an accurate understanding of a management audit?

**Mr. Dubois:** I would have to say it is a partial understanding. We have had informal discussions with the management of both departments, in this case, the Department of Municipal and Community Affairs. The discussion was a verbal one, where it is quite understandable that there may be differences of comprehension of what a management audit is. However, the inaccuracy, I think, in what you have quoted is that, while we have said that we would not second guess experts and we would not get into a difference of opinion between one expert saying one thing and one saying another, we would.

**Mr. Penikett:** In this case, engineers?

**Mr. Dubois:** Yes. We would still, however, look extensively at the type of technical support that was available for the project. We would look at the type of technical analysis that was done to see if the analysis was complete. We would do this through utilization of our own experts. We would look at the extent of consideration of alternatives. We would look at the completeness of the estimates. We would look at the accuracy and completeness of the specifications of the project and we would definitely have an extensive look at the extent and quality of management control over the progress of the project as it evolved.

Now, that is where I have a slight difference of opinion with the wording used, that we do not get into technical consideration. We do, in fact, get into numerous technical considerations when we do a management audit.

**Mr. Penikett:** Thank you, Mr. Dubois. You indicated that the officials of the concerned departments, namely municipal affairs and government services, did get — I think you used the word — "informal briefing". Could you indicate to us when that might have taken place?

**Mr. Dubois:** I believe this was in June. I do not have the exact date. Mr. Hayes, who is the principal responsible, met with representatives of both departments and had a verbal discussion with them to explain what the content of the management audit would be in these two cases.

**Mr. Penikett:** June 1983?

**Mr. Dubois:** June 1983, yes.

**Mr. Penikett:** Thank you, Mr. Dubois. Are there any other questions for this witness?

**Mrs. Firth:** When you say that you would take into account the technical considerations, which number in the criteria that you have listed, where would that be taken into account?

You listed the five criteria: project implementation, review, final approval, request for funding, responsibility and accountability. Where would that surface?

**Mr. Dubois:** This would surface in all five, in different ways. For instance, in the first one which states that responsibility and accountability should be clearly defined and communicated, we would look at the structure of responsibility and accountability for the major project and in that we would naturally look at the type of people who would have various types of responsibilities for different parts of the project and relate that to their technical qualifications.

On the second one, request for funds should be supported by accurate and complete documentation; this is where you get into the definition of the project itself, the design factors, the specifications and there, again, we would get into technical considerations.

The third criteria, final approval should be based on full information; naturally that involves the conduct and reporting of feasibility studies, the final development of the design and the preparation of cost estimates. Again, it goes well beyond strictly financial matters. We would have to look at the quality of the information that was provided.

The fourth criteria, project implementation should be properly controlled, is definitely the management of the project itself.

And the fifth, where we say completed projects should be reviewed; in this case we would be completing that fifth criteria ourselves and, naturally, that involves reviewing all the first four and what happened in the first four.

**Mrs. Firth:** How extensive would that analysis and so on and what technical support there was, how extensive would those technical considerations be examined?

**Mr. Dubois:** Let me try and answer you this way. We would ask for access to all files and documentation that relate to the project and a total audit would require an examination of all files and documentation. Now, as you proceed throughout the audit, depending on the structure of the files themselves, we could, in certain instances, content ourselves with summary documentation instead of going through the total detail. I cannot answer it any better than that at this point.

**Mrs. Firth:** The only concern I have is that there has been a comment made about experts second guessing experts and, in this instance, engineers. I only have a concern that I wish to express because I would find that in considering the technical aspects, that in a management audit, you may put yourself in a position that you are indeed second guessing experts. I wonder, Mr. Dubois, if you have any comment to make about that?

**Mr. Dubois:** It is a rule of the audit profession not to do that sort of thing. I agree with you, it is not easy. It is difficult and we have to be very careful. When we do this type of audit, we try to communicate very, very often and regularly with the management responsible for the projects in question and, through that dialogue, we try not to get into situations where we would second guess. In fact, our analysis would concentrate more on what was done and the way it was done and the completeness of the information and not necessarily get involved into the decisions that were taken following a management process.

**Mr. Penikett:** Would it be a fair analogy, Mr. Dubois, to say that if Mrs. Firth were, to say, go in and have brain surgery — rather than a question of whether one brain surgeon would assess the work done by the first brain surgeon, it would be a question of assessing whether the person going to do the surgery was, in fact, qualified as a brain surgeon?

**Mr. Dubois:** Yes. We would go a little bit further than that. We would probably, in the case of brain surgery which is a very serious thing, ask if in the analysis of the patient was proper care taken to have second opinions or third opinions, for instance.

**Mr. Penikett:** Without providing the second opinions yourself?

**Mr. Dubois:** Oh, no, we would definitely not get involved. We would ask if a second opinion had been provided by a qualified surgeon and we would also review, through the help of an expert who worked for us — who would probably be a surgeon in this case — if all the necessary steps were done in the analysis of the patient's condition.

**Mr. Dubois:** And, the remarks we would make would tend to say they forgot to do half the tests that are usually done in these cases and we would not get into the quality of the decision or anything like that.

**Mrs. Firth:** Well, that is my concern. You still find yourself, Mr. Dubois, put into a position where you are comparing experts' opinions and I would only leave it to you to explain to us how you arrive at a decision as to which ways the completeness of what was done and that would, again, be according to the experts whom you use. I am just stressing that it is a very complex complicated procedure.

**Mr. Dubois:** To go back to the brain surgery example; what we would do, we would not put one expert against another one. The standards that our expert would use, in this case, would be generally accepted standards for that type of operation within the medical field. The standards would not come from us, they would come from the College of Physicians or an organization of that nature. In the case of a major project, we would rely on the generally accepted practice for certain types of projects.

**Mrs. Firth:** What would happen then if there really were no generally accepted standards; if you were finding yourself confronted with an absolutely new project, or a new type of surgery to use the brain surgery?

**Mr. Dubois:** In that case, we would probably have to pedal very softly since there is no established standard in existence. We would definitely shy away from second guessing what was done.

**Mr. Falle:** And the top of the morning to you, Mr. Dubois. I do not want a brain surgeon. I am just curious on your technical part of

your design. You said you would be getting into the technical design aspect in your audit. In your experience — I think we are talking basically about the two projects we first started talking about and that is the Dawson water and sewer and the Faro school — is it a fact that the person who makes the decision on what type of design they should go with, how would you analyze the technical part of that?

**Mr. Dubois:** We would retain the services of experts in that matter. Now, what we would look at in the design is the completeness of the design. We would not look at the decision to go one way or the other. But, if the proposal is to go one way, we would analyze the quality of the design itself to see if there are pieces missing, for instance, or if it is inaccurate and you can do that when you look at a project that is terminated.

**Mr. Falle:** Would such things as climatic conditions affect the design and would it affect, again, the technical part of your decision in analyzing that design?

**Mr. Dubois:** I am not an expert in this type of project myself, not being an engineer, but I would think that there would be a relationship.

**Mr. Falle:** Would you say that a decision made on the type of design of any certain project would be the contributor to the overexpenditure or underexpenditure of a project?

**Mr. Dubois:** There could be a relationship. I would not know unless we would do the audit. Now the decision to go one way or another is not something that we would comment on. However, if the basic information that was used to move one way or another was incomplete, this would lead to an observation. That could eventually have an impact on the cost of the project itself.

**Mr. Falle:** You also said that when the project was finished, your audit would include analyzing the finished project; how good it was, how much it is costing to operate and so on and so forth. But, I have a hard time getting through my nugget that the decision on the type of design of any project, whether it be the Dawson water and sewer system or whether it be the Faro school, to me the decision on the particular type of design that was taken has to be one of the major contributors to the cost of the whole project.

**Mr. Dubois:** I would agree with that.

**Mr. Penikett:** One last question. Mrs. Firth raised an interesting possibility in my mind by citing the case of an innovative or unusual or groundbreaking project — if I may use that bad pun. Would it be your view that in the case of a project that was original, unusual and pioneering — if you like — that the subsequent review was especially important in such case?

**Mr. Dubois:** Yes, even moreso because if you are dealing with something that is a special situation, it becomes quite important that the experienced gained in that type of, I guess, pilot project could be captured and utilized in the future.

**Mr. Penikett:** Thank you, Mr. Dubois. Are there any further questions?

**Mrs. Firth:** Regarding the question just asked and the previous comment by Mr. Dubois about pedaling softly — I believe that was the term he used. To do a review on a new project of this kind and pedaling softly, am I to assume that the review would be as thorough and as complete without the generally accepted standards and so on to follow? What exactly could we identify in that review that would be of assistance?

**Mr. Dubois:** I think the new part is only a fraction of the total project. Ninety percent of the project is of a regular nature in the sense of the management processes that have to be followed. Where the new part has an influence, is where the management of the project had to take decisions where they most probably did not have as much basis, as much documentation as normally would be found in a regular type of project. But this would happen only at specific decision points and for 90 percent of the project, the regular management processes would still apply and I think the audit would have quite a lot of value as far as that is concerned.

**Mr. Penikett:** Further questions? Thank you, Mr. Dubois. We will now call witnesses from the Department of Municipal and Community Affairs and we will, I guess, recess for — let us give them a minute and a half to get here.

**Mr. Penikett:** I would like to welcome before the committee.



now, Mr. Peter Kent, deputy minister of the Department of Municipal and Community Affairs, Mr. Leo Chasse, departmental administrator, and Mr. John Cormie, the director of municipal engineering.

Mr. Kent, we will be, throughout your appearance here today, dealing with both the Item Number 1, in the Auditor-General's Report on Any Other Matter, the Dawson City Sewer and Water Project question, and with the other matters arising in the report, later on, namely the land question, the municipal services and there may be one other, which slips my mind, but we will get to it.

I would like to begin with the Dawson City Sewer and Water Project. Can I just go, first of all, to the text of the Auditor-General's letter, if you have it, the Item 1 and the response there and review from you the situation from our point of view? If I recall correctly, back in 1981, Mr. Blackman was the deputy minister then responsible for the project and appeared before the committee. We were advised that there was a review or an analysis of that project underway. There was an undertaking by the deputy minister, as I understand it, at that point, to provide the committee with this summary, as long as it was with ministerial agreement.

In 1982, Mr. Blackman came back and told us that review was still underway, it was essentially incomplete and that there was one person assigned to it. I remember hearing something about it being very complicated because there was seven shelf feet of paper on the thing, and so forth.

In 1983, you appeared before the committee, as deputy minister, and told us that you basically knew nothing about the review. It was at that point that the committee, I think, in frustration of being able to find out any information at all about this project, then made the recommendation about the management audit.

Let me ask you first a general question, if that is an accurate historical précis of our experience with it. Perhaps not your experience, but do you differ from that interpretation of the events?

**Mr. Kent:** From reading the files and your various reports, that seems to be fairly accurate. The only qualification I would make is that you refer to a study being underway or in the process. To the best of my knowledge, and I did some research subsequent to my last appearance here, all that was done in terms of implementing any study was a process of collecting certain files and information and documents to be used as the basis of the study, but I understand it never went any further than just digging a bunch of files out.

**Mr. Penikett:** So, basically, the data was assembled, the information was assembled but it was never analyzed, that is what you are saying.

**Mr. Kent:** Assembling the data means taking a whole bunch of files and building them up to a three-foot high level, but no review of that data or no analysis of it.

**Mr. Penikett:** So, very early stages in the process.

Let me go, then, to the text of the Auditor-General's Report on Any Other Matter and read you the quote that is in the report, which begins, "The government has now advised us that in their response to the 1983 Public Accounts Committee recommendation, the Department of Government Services and the Department of Community Affairs have delineated the measures already implemented to prevent occurrences of similar nature in the future. In light of this, the view of the government is that further management audits by the Auditor-General are not required."

Could you explain to me what that means. "That the departments" — in your case, just your department, — "have delineated measures already implemented to prevent occurrences of similar nature in the future." Could you explain what that means?

**Mr. Kent:** With respect to the Faro School, that statement may or may not be correct, I do not know. With respect to the Dawson Water and Sewer System, perhaps, because the two projects are lumped together in here, that statement is incorrect.

**Mr. Penikett:** So what you are saying is that the measures have not been delineated in the case of the Dawson City Sewer and Water System to prevent occurrences of similar nature in the future?

**Mr. Kent:** I am going to answer that by saying, to date, I do not know what occurrences I should be putting measures in to prevent them from happening again.

**Mr. Penikett:** Let be be clear about that, Mr. Kent, because the

response in the Auditor-General's letter seemed to indicate that they have already been communicating to us and we were puzzled about that because we had heard nothing. So, your view and our view on that question is the same. The measures have not been delineated, nor have they been communicated to us. Okay.

That brings us back to the question of the review, then. You indicated that, at the point when, perhaps, you took over in assessing it, the review of the project had only reached the point where the files had been pulled but no work had been done in analyzing the project. Has anything further happened in the process of reviewing it and analyzing it, since you took over?

**Mr. Kent:** No, sir.

**Mr. Penikett:** Is it your intention to conduct any such review?

**Mr. Kent:** Perhaps I may speak for a moment, rather than just give you a yes or no?

**Mr. Penikett:** Please do, take all the time you need.

**Mr. Kent:** When I became aware of this controversial study, I inquired of the municipal engineering branch, which had recently been transferred to municipal affairs from highways and public works, what the study was all about and the merits or benefits of doing and completing this study. I was advised as follows:

Number one, the study of the Dawson Water and Sewer System was not specifically a study for that purpose only, but it was a look at the project management processes of the Department of Highways and Public Works. As municipal engineering was no longer a part of highways and public works, I did not deem it relevant continuing the study for that purpose.

Number two, I asked the officials of municipal engineering if there was any reason for doing the study, in terms of there being major problems or major difficulties that had not been explained or could not be explained. I was advised there were no reasons to do the study in that regard.

The third factor which determined my decision is that I was advised that it would take at least three months' time of my senior manager to complete this study and, given the other priorities and responsibilities of that branch, I simply could not afford that use of man-years for a project that nobody had explained to me why such a study was necessary under the present government structure.

**Mr. Penikett:** Let me pick up on not all of the three points immediately. You make the arguments, essentially, that you did not find any merit in the review or a management audit — because I think we are mixing the two in your statement there — that it was not relevant to your needs, that in your view there were no major problems that needed explaining and, finally, the item of cost to your department. Is that a fair summary?

**Mr. Kent:** Not so much cost; utilization of scarce management time.

**Mr. Penikett:** Okay, scarce resources. That it would be too costly and too time-consuming for your officials.

Let me ask you about the question of relevance. Presumably, your department is still involved and is likely to be involved in the future in major capital projects in municipalities. Is that not the case?

**Mr. Kent:** Yes, sir.

**Mr. Penikett:** In a capital project such as this, where there were fairly significant capital cost over-runs and then, subsequently, for whatever reasons yet to be analyzed, considerable O&M costs above the original projections, in the order of, what, it is getting close to the \$400,000, as opposed to the original budget of \$70,000 to \$90,000 operating costs for the Dawson Sewer and Water System? In your view, there is no wisdom in attempting to analyze how that situation occurred and wanting to find ways to prevent that in future?

**Mr. Kent:** Item one, to this date, I am aware of no cost over-runs, costs and expenditures that were not duly authorized and approved. Item two, the original costs of operating the system were forecast in a pre-design report and I do not think that one should necessarily consider those estimates to be written in stone or preordained by God or anybody else.

**Mr. Penikett:** Let me ask you this question: one of the reasons, as I recall, for wanting to replace this sewer system in Dawson was that the operating costs had risen, crept up above \$100,000 for

the first time and were now approaching \$200,000, and that became one of the major imperatives for replacing the system; the argument being, in the early design stage, of replacing it with a system that would be cheaper to operate.

What we have, in the end, is a system that is not cheaper to operate but twice as expensive. Does that not raise any questions in your mind about the process of designing or implementing the project?

**Mr. Kent:** I do not know what one does about it. If one says, "We forecast this system is going to cost two dollars to run" and you find out it costs ten dollars down the road, you may well look at that system and say, "How can we reduce our O&M costs, how can we cut these costs down?" I appreciate that, but I do not know how relevant it is to go back and look at a pre-designed preliminary report.

**Mr. Penikett:** Was there always in your mind though some question as to whether you had the right design and whether, at some point, some critical management decision was made in selecting the design or assessing the design or assessing that the people who were making those decisions? No questions in your mind on that score, that there might be object lessons, problems you would wish to avoid in the future? Surely you would not want a repetition of such a situation?

**Mr. Kent:** I guess the next time you do a study in the preliminary feasibility stage, you would again ask the guy to recommend a design or a series of designs and then to propose what the costs of operating this system are and its life-cycle. But, I guess, you do this, it is conventional and, in the final analysis, you perhaps discredit a contractor or a consultant and you say you will never to business with that man again because his work had no quality to it, but I do not know what conclusion you can reach other than that, sir.

**Mr. Penikett:** Let me get back to my original question. How can you know whether it is a contractor or a consultant or people on your own staff or designers or whatever, unless you have done the review?

**Mr. Kent:** I guess the only honest answer I can give to that is there is merit in doing virtually everything in this world. The department has limited resources available to itself, it has to set priorities and, in my judgement, I deemed that the relative merit of consuming three months of John's time was better spent on something else. I am conceding there is merit in doing everything, but there comes a cost and a benefit and an opportunity cost and I determined that the opportunity cost of doing that study was not beneficial.

**Mr. Penikett:** Let me try and articulate a concern of mine, and I believe it to be one of the committee and, presumably, the whole legislature. What we have is a decision being implemented which ended up in the end, in the long-run, costing us millions more dollars than was originally voted or intended. Now, it is quite true to say, as you have said, that those over-runs or those expenditures were subsequently approved by the House, but we should all, of course, and presumably you would agree, that we all have an interest in economy and efficiency in preventing such an occurrence again. I am not sure, to go back to my question again, of how you can be confident or whether you do not feel it is worth the cost to make sure that we avoid such million dollar excesses in the future.

**Mr. Kent:** In the Department of Municipal Affairs, we have a capital budget of approximately \$10 million under which we do, perhaps, 40 to 50 projects. I would say without a doubt that not one single one of those projects ever goes 100 percent as originally planned. There is always this change, that addition, this problem, this difficulty. I certainly cannot do this kind of three-month analysis on every single project; I do not think you would recommend I would.

**Mr. Penikett:** No, but surely —

**Mr. Kent:** Where does this project become more special than the other 49?

**Mr. Penikett:** Presumably, it is more special because of the nature and the scope of the over-runs. The eventual capital costs was \$10 million, as opposed to the original budget of \$6 million, and there may be reasons for that which one might understand, but

we have never been given them. However, there is also the fairly significant long term over-run on the O&M costs which, over the years, will pile up to an extraordinary amount of money. The question to you is do you not think your department has an interest in wanting to save the taxpayer such expenditures in the future? You say that \$10 million is your annual budget. Well, we are talking about the entire project being worth the entire annual capital budget of your department, so it is unusual on that score. It is not one of 15 or one of 50, it is an unusually large project and an unusually complex project.

**Mr. Kent:** I am sorry, could you —

**Mr. Penikett:** I am asking the question of the value for money question. Do you not concede that the long term value for your department of having a review of a major project where you had over-runs, in order to prevent a recurrence in the future but also to, perhaps, learn some things about capital project management, which was the original issue we got to here, so that you could prevent a reoccurrence in the future?

**Mr. Kent:** I guess I should make two comments about this. One is that we are concerned about the operating costs of this system. We are continuously evaluating it with the City of Dawson and we are continuously making improvements in efficiency refinements to the system, which are significantly reducing the O&M costs. We are doing that as an ongoing basis. I think it is meritorious and, in my view, I think that is the approach we are taking, that is how I am spending some portion of those three months' man-time, rather than going back to a seven-year-old study and determining the credibility of a consultant who made an estimate on a very, very preliminary broad basis, for which there were subsequent changes in the scope and design of the project.

**Mr. Penikett:** You talked about the cost to you. It is my understanding that the cost of a management audit would be largely borne by the Auditor-General's Office. Is that not your understanding?

**Mr. Kent:** That is correct.

**Mr. Penikett:** Let me ask you about the second point you made, that there were no major problems that needed explaining.

**Mr. Kent:** One second. I do not think we are discussing right now my views as to a management audit. We are discussing my judgement on a decision of internal studies several years ago.

**Mr. Penikett:** Okay, let us separate them if you like. I thought we had mixed them up earlier in the discussion — the internal review or the management audit — because we ended up talking about the management audit because we did not have the review. It now appears we have neither.

**Mr. Kent:** I have been just speaking about my judgement on an internal review of two years ago.

**Mr. Penikett:** What is your view, then, on the value throughout your department of a management audit that would involve the review of the project, which would be conducted by the Auditor-General?

**Mr. Kent:** I, personally, would have no objections and, certainly, another agency was bearing the cost in bringing an outside observation to bear, could find it of some value, sir.

**Mr. Penikett:** You think it would be useful.

I believe the witness nodded yes.

You said, in the second reason why you did not see the need for an internal review, was that there were no major problems that needed explaining. Could you elaborate on that a little bit, without having done a review how you could reach such a conclusion?

**Mr. Kent:** I guess it would go something like this — and I might ramble a bit. Where, the question I asked, is this project supposed to have incurred all kinds of cost over-runs? Were all these cost over-runs or additional expenditures of changes in scope? Was the funding duly approved and authorized? The answer that was forthcoming was yes. I saw no evidence to say that was not the case. That is one item.

The second item is that I understand an initial estimate was \$5 million, the final cost of the system is \$10 million. How did that happen? The answer was given to me that some lack of credibility in the original estimate, a whole bunch of extras and add-ons, the factor of inflation and what have you. Although this was not a

systematic analysis or a great study, nobody provided me with any evidence to indicate that was not the case.

**Mr. Penikett:** You seem to indicate that a source of the eventual cost over-runs, particularly in the O&M, might have to do with extras and add-ons and I am not sure how that would bear on the O&M costs. I do understand how it would bear on the capital costs.

Does the fact that you had add-ons and extras not in your mind raise some questions about the original design that was commissioned?

**Mr. Kent:** Maybe it would be helpful to you if the nature of these extras was described to you, in general.

**Mr. Penikett:** Maybe Mr. Cormie wishes to get in on that subject. Let me ask you a general question, which arises out of your letter, before we get into that, and I would like to. Perhaps we could take a coffee break before we do that.

Let me ask you one general question before we do, though. Your letter to the committee on the 20th of January, says the following: "Though there were, and continue to be, numerous problems and difficulties related to both the construction and operation of the system which was installed in discontinuous permafrost, they result primarily from the innovative technical nature of the project." That sentence seems to assume a conclusion or certain conclusions about the project without the review. Are you in a position to be able to elaborate, to some extent, on that statement in your letter?

**Mr. Kent:** I would like to take a crack at it. Basically, the system has had real growing pains, as we are all aware. There have been breaks, ruptures, what have you, over a period of years, though we feel it is stabilizing now. The question I put to the municipal engineering branch was why is this happening. The answer is, "Listen, we did not have the standards this gentleman referred to, this is new ground." The design, to a large extent, was based on theoretical computer models as to how the soil and climatic conditions would interact with this. We did not know whether we should make a trench two feet wide or 10 feet wide. We did not know how thick the pipe should be, what pressure it would be under. We did not know what kind of stresses there were.

So, there were theoretical models, computer models built on certain assumptions and these assumptions were not known to be correct. They may have been wrong: they were simply assumptions. To a large extent, because those assumptions have turned out not to be correct, the model was wrong and there were growing pains with it.

**Mr. Penikett:** Let us leave it there, take a break until 10:45 for coffee and then, perhaps, we can pick up where we left off and bring Mr. Cormie into the discussion on the item you flagged, which is really the skills of the designers or the kind of talents we had for the designers.

Committee will stand recessed for 15 minutes.

#### *Recess*

**Mr. Penikett:** Committee will come to order.

Before we broke for coffee, we were discussing the design of the Dawson City Sewer and Water Project. A question arose from Mr. Kent's statement in his letter to us about the problems resulting primarily from the innovative technical nature of the project. He talked about the computer models they used in designing the system and the uncertainty that existed about the assumptions made about the computer models, which perhaps, in some people's mind, might raise a question about why one went ahead in that atmosphere of uncertainty.

**Mr. Kent:** Let me ask you if you want to continue where you left off there or if you wanted to turn the floor over to Mr. Cormie to pick up on that question that he noted earlier about a description of some of the design features or people involved in the design process?

**Mr. Kent:** I think the question was some of the extras that were added on, which is a partial explanation of why the cost went from a pre-design estimate of \$5 million to approximately \$10 million.

What I would like to do is qualify a statement I made to you, in response to the question of whether I thought a management audit

would be worthwhile, if I may.

"I think any kind of study and any kind of analysis is worthwhile. I do not think a management audit would be the most worthwhile expenditure of public funds on this review of this project. What I believe to be the most worthwhile expenditure of public funds is to look at the technical aspects of the project.

I believe, or have no information otherwise, that this project was well-planned, was well-designed, was implemented, was well-controlled. I guess, on the basis that I have no facts otherwise, I would question whether one would spend a lot of money analyzing that. Where I think money could be usefully spent is on the design features. Was this a good design? Why was the design wrong? Let us test the assumptions and see if we should not have changed those assumptions for when we design another system. So, while I guess I see some merit in a management audit, I would think public funds would be better spent on the technical aspect.

**Mr. Penikett:** That still leaves the problem, in our minds, of the problems that we had with the project, the financial costs that resulted of being attributed, in your judgement, to technical problems. You are discounting, yourself, any possible management problems, if you like, in the project, but you are doing that on the basis, I think you admit, of very thin evidence because no review has been done. Would you concede that point?

**Mr. Kent:** That is correct. But I state again that nobody has provided me with any information that cannot be readily explained on any problems that have arisen, other than the technical side. No one has told me. "I see there was a cheque issued for a guy who went and lived in Hawaii for three months. I understand that this expenditure of funds was not authorized by the legislature". Nobody has brought any of those questions to my attention.

**Mr. Penikett:** But we are not talking about those financial questions, we are talking about management questions. If you say the problems are technical, presumably the management question would involve whether the right technical advice was obtained on this question, whether all the technical options were assessed properly, whether the person who made this certain kind of technical judgement, which ended up causing the problems, was competent to make that judgement. Presumably that is a different kind of category. It is the kind of audit question we are interested in, rather than the purely technical one, which you are inclined to want to look at.

**Mr. Kent:** The answer I have to that is that the two prime consultants used in the projects were Stanley and EBA. Very qualified, very reputable — in fact, the best reputations I know of, particularly EBA. I think they are internationally renowned. They do and continue to do work all across the north, including Alaska. I cannot question their technical competence, nor do I know of any other consultant who does such good work as those people.

**Mr. Penikett:** A well educated man as yourself I think would recognize that that is known as an *ad hominem* argument.

**Mr. Kent:** Perhaps. Let me put it this way. No one has ever demonstrated to me that either of these firms is incompetent or that...

**Mr. Penikett:** (Inaudible)

**Mr. Kent:** Well, I keep coming back to this. Would someone please tell me a problem, a difficulty, something that went wrong that cannot readily be explained.

**Mr. Penikett:** Do you want me to give you an example? In the middle of the project there was a decision made to do it in one year, rather than in two. As it turned out, it ended up taking more than the original two. There were, presumably, a collection of decisions around that that are worthy of review.

Let me give you — Mr. Cormie will understand this — a complaint from the point of view of Dawson that one heard at the time when people in that town, perceived problems in the constructions, that there were things being done wrong or done improperly. This touches directly on project management. Their process of complaining, as I understand it, was to the city. The city then complained to YTG, who then went to the consultant and the consultant went back to the contractor. In terms of the capacity, in terms of project management of on-site rectification of a problem like that, there was no capacity at all. I would be curious as to



whether that belief in Dawson is shared by the department, one, as to whether that was the process and, two, whether that process still exists?

**Mr. Kent:** I can answer that. I am not aware of that problem. It has never been brought to my attention by the City of Dawson or yourself or other groups. I cannot answer that at this time, but if that kind of question was brought to me, I certainly would. Or, if a management audit proceeds, they can look at that.

**Mr. Penikett:** Could I put this question through you, Mr. Kent, to Mr. Cormie, who was around. Is it not the case that the relationship between the contractor and the city broke down to such a point that officials of the City of Dawson were, at one point, sending photographs and written memos to YTG about problems they perceived on the project because they could not get satisfaction any other way and that, when they complained, that often by the time any action happened, the trench had already been filled in and they were told that if they wanted to dig it up again, they could do it at their expense.

**Mr. Kent:** I cannot answer your question, so I will refer to Mr. Cormie.

**Mr. Cormie:** All I can say is that the City of Dawson had a representative named to a group that was to oversee the construction and that representative was in Dawson during the entire construction period. He had, I could only imagine, daily or constant communication with the project manager on-site, who was working for our consultant. I am sure there was no difficulty at all of that representative discussing the matter with the Stanley and Associates consultant on-site, as required.

**Mr. Penikett:** Tell me, Mr. Cormie, how you saw, then, the line of communication between the client, in this case, and yourselves and the consultant and the contractor.

**Mr. Cormie:** If there was a matter requesting additional work or something of that nature, I would expect that the request would come from the city to the Yukon government for a decision and back down the line to Stanley and Associates to the contractor. If it was a matter of a complaint, I am sure that the correct procedure to have used would be directly from the city to the consultant and I am sure that was used.

I also know that the city did send, perhaps, as confirmation — perhaps because they felt we were not in the picture, I do not know — they did send information directly to ourselves, as well as directly to Stanley Associates on-site. So, there was no communication problem.

**Mr. Penikett:** Is it not your experience because, as you know, when this committee first heard about this project we had a whole bunch of letters from people in Dawson, including a statement from the City of Dawson that, as the consultants reporting regularly to the city council of Dawson, all was going well. The city council of Dawson, or the city administration were perceiving problems with the projects, with things not being done according to specs, which they were complaining about but getting no satisfaction, is that not the case, and eventually they were complaining to you?

**Mr. Cormie:** There were specific occasions when the City of Dawson representative would complain directly to me about certain items, a specific item. Yes, that is true, that happened.

**Mr. Penikett:** I do not want to ask you about specific cases, but what was your process for finding out whether those complaints were grounded or not?

**Mr. Cormie:** I used the only process that I could think of, which was to discuss it with Stanley Associates and, on occasion, I was up there myself and had a look at it.

**Mr. Penikett:** On the question of the project review and the question of auditing the project management, is it not at least conceivable, from your point of view, that some of the problems that subsequently happened in the system may have been built in at the construction stage?

**Mr. Cormie:** We have no evidence that the problems that we perceive to be problems are directly related to the construction. That is not to say that there are not some specific items that were impacted one way or another by the method of construction, but it is to say that, in general, the problems we have are not directly related to construction, in my opinion.

**Mr. Penikett:** Do you have any evidence to the contrary? We have a problem when we talk about evidence because, without a review, one does not know what one is basing one's judgement on.

**Mr. Cormie:** I have been involved with the project since its conception, so I feel that I am reasonably familiar with the project. The type of situation we find — what I consider to be a problem is a collapsed sewer or a water main break.

**Mr. Penikett:** And you have had those.

**Mr. Cormie:** We have had both of those.

**Mr. Penikett:** Before the job was finished.

**Mr. Cormie:** It is not unusual to have job problems like that before a job is finished.

For the benefit of the committee, I think I should point out that there are 20 kilometres of main lines in the City of Dawson and to not have any problems at all in that length, especially in those conditions, would be remarkable. I would be the first to admit that we have had more than we would like to have.

With respect to a specific problem, I would consider a sewer collapse as a problem. The ones we have found in our repair program have, in my opinion, not been primarily due to the method of construction which relates to your question or comment that there were complaints coming from the City of Dawson personnel to Stanley back to the contractors.

Those kinds of complaints were appreciated, frankly, because they did, if there was a problem, it was a method of correcting the problem, but they are not germane to the issue, as I see it now, which is why do we have a sewer main collapse here or there.

**Mr. Penikett:** We have heard about the computer models and the uncertainty, the lack of confidence in the assumptions about them, we can understand that. Did you do a test line?

**Mr. Cormie:** Yes.

**Mr. Penikett:** It is folk wisdom in Dawson that the site picked for the test line was the best possible case, rather than the worst possible case. Would you agree with that local view.

**Mr. Cormie:** From our point of view that is amusing, because we went to great pains to pick the best — pardon me, the worst possible site. Part of the main was we went to the Northern Canada Power Commission superintendent, who was running the old water and sewer system, and we asked him where he had the most problems with his system. He pointed to the area that we eventually used.

Now, part of our test loop was in virgin ground. There were no current services there, so perhaps it was the best, perhaps it was the worst. In fact, part of it was on reasonably good ground but, certainly, part of it went through the worst or what we understood to be the worst according to the folk wisdom of Dawson, at the time.

**Mr. McDonald:** I have a brief question to put to Mr. Kent, if I may, and it is slightly off the current topic but very much having to do with the issue of management control.

You made a statement that may be quite acceptable, I suppose, to current practices in the country and elsewhere, but as a rookie legislator I guess I found it rather chilling that the prospect that nearly every cost estimate in the capital estimates varies from that which is originally planned. This brings us to the issue of management control and the ability to project costs and also the ability to review projects after they have occurred.

You, I believe, heard Mr. Dubois read out the five principles of management audits, the fifth one I will repeat for your benefit, as I have it in front of me. Completed projects should be reviewed. Each project should be reviewed on completion to ascertain whether appropriate procedures were applied, that economy and efficiency were observed and objectives were achieved, to evaluate the performance of managers and to develop recommendations for planning and controlling similar projects in the future.

Briefly, I would like to ask you whether or not you agree that all projects, small ones especially, should be reviewed according to that criteria and whether or not your department actually carries out such a review upon completion of these projects?

**Mr. Kent:** Perhaps I should qualify the answer I gave to your question, and John may wish to elaborate. But when you commission a preliminary or pre-design report or what have you,



the contractor or your consultant will come back and say, "This is what I estimate what it will cost, plus or minus 20 percent, plus or minus 15 percent". He does not say, "This is what it will cost period". You only know the costs of a project when you have let fixed price contracts and, if you have let quantity contracts, you do not know the price of the project until all of your quantities are in. I do not know how it could be otherwise. Certainly, I do not think you would want a commission of full detailed design before you make a yes or no decision. In other words, you go at it sequentially. You do your initial preliminary before you make a subsequent decision of a yes, which is then generally followed by your detailed design.

Certainly, many of the estimates that go before the legislature do not have sealed, signed tenders, contracts in your pocket prior to that, which is the only way you are going to have a reasonably accurate estimate.

**Mr. McDonald:** Just on that one point then. You are dealing more with my preamble than with the actual question I asked. When estimates do arrive at the legislature, you say that on an average or regularly or it is a common practice to estimate that they would be minus 20, plus 20 percent, or maybe plus or minus 15 percent. When you introduce a figure for perusal by the legislature, is it generally on the high side?

**Mr. Kent:** I would say, generally, unless there was a special reason, it would probably be right on. In other words, it would not be the plus 20 or the minus 20, but on what the person or the consultant had recommended, but that is generally a rule of thumb in preparing a budget.

**Mr. McDonald:** Perhaps we would get back to that later.

I would like to get back to the question itself — I am sorry if I put you off by the preamble — having to do with management control and control of projects, especially small projects, after they have occurred. Do you complete such a project review? First of all, do you agree that all projects should be reviewed in accordance with the principles that I read out to you and, if you do agree, do you actually carry out those reviews?

**Mr. Kent:** I would agree in theory. All projects should be reviewed and as soon as the taxpayer of Yukon is prepared to give their five man-years I will do so in a very formal sense. I am not trying to be flippant. What I do generally with the project is, if the legislature has approved money, the scope of the project is defined and if the project is implemented on schedule within those design and cost parameters, I have a discussion with the manager who is responsible for the project and he says it went well and everything was done within scope and according to budget. That is the extent of the evaluation other than the continuous ongoing evaluation of Yukon people.

**Mr. McDonald:** Yes. You made it sound, perhaps to my untrained ear, as a very informal process. That there was some sort of review that you did discuss every project in a kind of informal way with junior project managers. Do you, in that informal review, do things which I suggested were principles, including ascertaining whether appropriate procedures were applied, economy and efficiency were observed, and objectives were achieved? Did you evaluate the performance of managers and did you develop recommendations for planning and controlling similar projects in the future? Do you go through any sort of regular project review which would include each of those three principles?

**Mr. Kent:** My answer to that would be for a project that encounters no problems. In other words, the project has been done within budget, it has been done by all our administrative procedures and policies, both for the department and for government as a whole, and done within time limits. No problems, no difficulties. It is a very informal and rudimentary evaluation.

On projects where problems are encountered, for any number of reasons, then I become extensively involved in that project.

**Mr. McDonald:** Excepting the Dawson Water and Sewer Project?

**Mr. Kent:** I cannot speak for my predecessor who was here at the time the project was built.

**Mr. McDonald:** As projects are initially conceived and as they go through various stages of production, is there any kind of

evaluation which goes on during the project which could allow the final review to be completed efficiently and quickly and succinctly? Are there any sort of steps or procedures which are followed which would allow you to complete the project review with any kind of depth and security?

**Mr. Kent:** Let me put it this way: when our capital budget is approved, and I refer to the municipal engineering projects you know where so much is allocated for a project, Mr. Cormie provides me with these work sheets which take each individual project and define the project in terms of how it is going to be implemented, the scope of the project, the costs and the scheduling. Then he and I sit down and review this project and then sign it off and those are his terms of reference. I presume that could be used as a benchmark for a subsequent evaluation.

**Mr. Penikett:** Thank you, Mr. McDonald. Let me just pick up on a couple of questions which I should have finished off earlier, Mr. Kent. Perhaps I could put these to Mr. Cormie or yourself, whoever chooses to answer them.

In the case of a test line, without regard to whether it was on good ground or bad ground, what experience did you get from the test line that influenced the design of the project? Did you make any changes, did you learn any of the things that solved problems later on, did you have enough experience with it to be useful? Mr. Brewster has reminded me that, for example, the pipeline people who were doing test lines have had them in for years before they were really able to assess how they performed.

**Mr. Cormie:** The test line is still in. It is a functioning part of the water system and it has never had a problem that I know of. To date it has been in for six years, I guess, without a problem. As to whether we learned anything from it; yes, we were able to decrease the insulation thickness on the remainder of the project because we realized that there was no particular reason. You know, we had two thicknesses of insulation on test line and we found that the one thickness performed as well as the other thickness so we were able to decrease the insulation thickness to save money in the major construction project.

We found that basically the choice of material was adequate; that it did perform and that we had no problem with freezing. That we did have some problems at water service connections and around our water service manholes and the subsequent design was changed. Those are some of the items.

**Mr. Penikett:** Mr. Kent referred earlier to the computer model and the assumptions on which it was based. Could I ask either of you to indicate to the committee something about the nature of those assumptions.

**Mr. Cormie:** The assumptions that you would make in doing a computer model would be. This computer model was a thermal analysis of the effect of burying pipelines in not discontinuous permafrost at particular temperatures. And so the analysis would assume climatic data. It would also assume temperature data for the contents of the pipeline. It would assume material properties for the pipeline and for the backfill in the trench. It would assume a certain width of trench. It would assume a certain quantity of water in the trench, you know ground water. It would make assumptions like that.

**Mr. Penikett:** Have those assumptions been evaluated against the actual problems experienced on this project with a view to improving the model for similar projects in the future?

**Mr. Cormie:** Well, we do not own the model. The model is owned by EBA Engineering Consultants. Subsequent to the problems with the sewer main, some of which parts of it have gone out of round and have had to be repaired, EBA has reviewed their analysis and has found that some data included in the original assumptions, was not correct. The primary one that I can think of at this point is that the thermal conductivity of the Fifth Avenue gravel cap over the trench is different than was assumed in the original analysis.

**Mr. Penikett:** So that re-evaluation done by them on their model has been available to you?

**Mr. Cormie:** It has been done and I have the report. I do not have the actual workings of the effect.

**Mr. Kent:** If I could add something. Regardless of what work

has been done, you know like a re-evaluation, again it is my view that is where the effort should be put.

**Mr. Penikett:** I would have to say, at least from our point of view, there is some question, I guess, about capital project management and this being one of the biggest ones. Part of the problem is that we have never had any answers. We have been going back and we have been frustrated for several years now in getting them, so I hope you will understand that sort of perspective from our point of view.

Let me ask you this question because you talked about contract increases earlier that happened because of extras and add-ons and so forth. Did the department receive approval in principal for the project? I guess from Cabinet. Presumably the deputy minister of the day did not have the spending authority for the entire project?

**Mr. Kent:** That is certainly correct.

**Mr. Penikett:** What was the cost estimate at the time that the project was approved in principle.

**Mr. Cormie:** I think the best thing to do, if you will permit me, is to briefly outline some of the reasons why the project went from the pre-design cost estimate to what is the final construction cost estimate.

The pre-design cost estimate was \$4,965,000. This was contained in pre-design report that was published in January 1977. The bulk of the construction did not occur until April 1979, which was the commencement of the actual construction. So there is a large factor for inflation in there.

**Mr. Penikett:** Presumably a good project manager would take into account some factors for inflation. Let me stop you for a second. That original estimate was in 1977, when?

**Mr. Cormie:** January.

**Mr. Penikett:** There was a bylaw in Dawson in July 25, 1977 and a bill passed the legislature to authorize the project March 23, 1978. Is that correct?

**Mr. Cormie:** That is correct.

**Mr. Penikett:** At that 1978 point, presumably the project was approved in principal for. What had the estimate inflated to by that point?

**Mr. Cormie:** There was no design value at that point. Oh, pardon me, the design was not completed at that point, it was underway.

**Mr. Penikett:** So the project was approved in the legislature without the design being complete.

**Mr. Cormie:** If it was approved in March, 1978, I do not recall, actually, the date.

**Mr. Penikett:** The bill, that is the *Dawson City Utilities Replacement Ordinance*. Yes, okay, carry on.

**Mr. Cormie:** Pardon me, if what you are referring to is the *Dawson City Replacement Ordinance*, that does not include a capital cost for the system. It was an enabling legislation to permit certain frontage charges and certain costs to the homeowner for actual connections to the system.

**Mr. Penikett:** And the two mil charge?

**Mr. Cormie:** It did not contain the capital cost estimate, at that point.

**Mr. Penikett:** Presumably, you had a capital cost estimate at the time that legislation was introduced into the House?

**Mr. Cormie:** We had a capital cost estimate in January, 1977, in the predesign report. That estimate was updated from time to time.

In any event, if I could start from the \$4,965,000 that was the predesign estimate and is the popular feeling as to what it was supposed to cost. I think, due to the delay for very understandable reasons from January, 1977 to the commencement of the major construction in April, 1979, I would estimate very roughly that inflation was \$1,641,000. In addition to that, there were changes to the system that would add up to \$1,385,000.

**Mr. Penikett:** Were these for Parks Canada improvements?

**Mr. Cormie:** The reasons for those changes were, really, I guess, three major reasons. The first was that the City of Dawson expanded, economically, a considerable degree in the period 1977 to 1979, and through 1980, actually. The economic expansion and growth in Dawson was very significant. As a result, the extent of

the system that was contained in the predesign report — I have a copy of the predesign report, which shows where the mains were to service which part of Dawson was to be serviced — had to be increased significantly because people insisted on building houses and developing the land. That was a major increase. It had many minor parts to it, but that was one major reason.

**Mr. Penikett:** Just stop there for a moment, Mr. Cormie, because Mr. Blackman told us the system was designed to accommodate a community of 2,500 people. Now, even if Dawson had moved from 400 to 800, or whatever it was at that time, clearly this system was designed to accommodate many more people than were in Dawson, so even that expansion in the Dawson population would not...

**Mr. Cormie:** You would have to understand that the people in Dawson do not live on every single lot in Dawson, in each block and, as a result, as it is now the system probably could handle a population of about 2,500 people, if every lot was occupied. In fact, it is not occupied now and never had been occupied and, as a result, you have a very large system servicing a reasonably small population.

In any event, to summarize, the water mains were extended. The sewer mains were extended to services. There were more hydrants put in the system to provide better fire protection.

There were more manholes. We added water service manholes, which is something I had never heard of in a recently designed system but they were put in there because they were a part of the existing NCPC system and it seemed like a good idea. I think it has been borne out and is still the practice in Dawson.

The other major thing was the number of service connections. We estimated in the predesign report that there would be 241 service connections to be put in, I believe. There were, in fact, 380-390 service connections actually put in. This cost was significant.

I have now left approximately \$1,000,000 unaccounted for in my description, at this point. In that amount there were other changes to the system that I have not mentioned. There were changes in the NCPC heat exchange system from the time of the predesign report to actual completion and there was an estimating error — I would have to put it that way — in that the \$4,965,000 was low by some degree, but not unreasonably. If the entire \$1,000,000 was an estimating error, it would be in the range of 20 percent. In fact, it was not all an estimating error, there were many other changes too numerous to mention at this point.

**Mr. Penikett:** Let me go back. Having covered that ground, what were the decision points on some of those additions and those extra costs, as you became aware of them? When the project was originally approved, what was the capital cost at the point when it was approved? What was the estimate, I am curious, after the specs had been developed and tenders received? What was the cost at that time? Could you plot some of those for us on a timetable.

**Mr. Cormie:** There were five major construction contracts. The tender price for the five major construction contracts totalled \$7,662,039.25. The final contract value on those five construction projects was \$8,207,021.55, which is a difference of an increase of \$544,982.30, which represents a percentage increase from the time tenders were awarded to the final payment of those contractors of seven point one percent. I already mentioned that this was in the neighbourhood of \$500,000. In fact, \$430,000 of those dollars could be attributed almost directly to extra water services installed.

When we went out to tender on the mains and services contract, there were approximately 284, I think. In any event, there were 73 additional services put in from the time we went to tender on the mains and services contract to the time the contract was actually completed. Each one of those services had a price tag in the neighbourhood of \$4,000 or \$5,000.

**Mr. Penikett:** Just a quick question, because I understand the point you are making about the capital add-ons there. When you started to build — and you pick a point where you could describe to me — what was your estimate at that point of what the O&M costs would be, going back, granting that Mr. Kent has previously conceded that the \$70,000 to \$90,000 a year estimate was, you did not say absurdly low, but you indicated it was probably low? Did you have any reliable estimate, from your point of view, at the time

you started to build on what the O&M would probably be on the project.

**Mr. Kent:** What I said was that was one man's estimate, based on very sketchy information as we had not even gone to the detailed design stage.

**Mr. Penikett:** I believe I asked that kind of question because the question about inflation has been raised, but it was also a question of design, surely, because there is a lot of pumping in the design of that Dawson system. Presumably electricity is not cheap there and that would have had a bearing on the O&M costs, which could have been anticipated.

**Mr. Cormie:** The best information I have as to how much power consumption was included in the predesign report calculation of O&M costs — which, by the way, I believe was \$99,000 or \$97,000. The best estimate I have was about 412,000 kilowatt hours, which was included. In 1982, the system used approximately 492,000 kilowatt hours and each year we are attempting to, and I think with some success, reduce the consumption of power. The difference would be approximately 19 to 20 percent between the predesign estimate of power consumption and the 1982 figure for power consumption, which I think is quite reasonable.

**Mr. Kent:** Could I elaborate on this? We are correct in stating that the 1977 estimates were based on costs of the day and the cost of running that system, if it was put in place at that time. Since that time, they sent some numbers that might be helpful to you. The predesign report assumed a labour rate of \$9.40 an hour; today that is \$20, an increase of 210 percent. For example, the vehicle and equipment cost allowance in the predesign report was assumed to be \$6,000. Today, that is \$16,000, an increase of 260 percent. Administrative costs in the predesign report were assumed to be \$4,100 a year; today they are determined to be about \$20,000, an increase of 471 percent. In the preliminary report, power costs were assumed to be or remain at \$0.08 a kilowatt hour; they are now \$0.24 a kilowatt hour, an increase of 300 percent.

I could go on, but I think you understand what I am saying.

**Mr. Penikett:** I understand what you are saying, but let me put this question to you or Mr. Cormie. By 1979, when you got underway, we were aware that we were going through some escalating power costs. I understand there were some design options earlier on that you might have considered, which might have involved less energy costs, less pumping or less stations involved and less electricity. Did that not give the department any cause to think twice about the project, in view of the energy costs, given that they were already starting to escalate seriously in 1979?

**Mr. Cormie:** I am capable of answering that. There will always be economy in close scrutiny of any expense. I believe it will almost always be economies. I believe there are still economies to be made in the system in Dawson City. I have already told you that we are making those changes, with the cooperation of the City of Dawson. But as to overall design economies, at this point, I do not know of an option that would have been significantly cheaper in terms of overall O&M costs in the system we have now. We have in the system one lift station that operates at about \$300 a month power costs in 1982. We have a control valve chamber, which is approximately the same for heating costs. We have a screening plant that is in the neighbourhood of \$1,500 a month power costs, which is the entire treatment of all the sewage from Dawson City, plus disposal to the Yukon River. We have a well house, which I believe, from memory and I may be wrong on some of these figures, would probably be in the neighbourhood of \$700 and that is directly related to the consumption.

If you double consumption, you double your power costs in that building. We have a powerhouse that has the biggest annual monthly bill of approximately \$5,000 in 1982 costs. That is where we are concentrating our efforts to decrease costs. I think we are making significant progress on it. I am sure that the 1983 costs will be at least \$5,000, but that will be because of cost increases in power, not because our efforts have not been successful.

In any event, the place to concentrate your efforts would be in that powerhouse, the major pumphouse for the system. There are very few things in there that could be changed, very, very few, and still have a system that provides circulation to prevent main

freeze-ups. We have never yet had one water main freeze-up.

**Mr. Penikett:** Let me stop you on that high point, if I could, because we have reached our time of adjournment.

**Mr. Kent:** could I ask you if you and your officials could return tomorrow so we could continue this, because we have not yet, as you are well aware, dealt with other matters at all?

The time of adjournment has been reached. The committee will adjourn into executive session now and reconvene for hearings at 9:30 a.m. tomorrow morning. I would like to excuse the witnesses and thank you Mr. Cormie, Mr. Kent, Mr. Chasse. Thank you.

*The Committee adjourned at 11:30 a.m.*

**Yukon Legislative Assembly**

**PUBLIC ACCOUNTS COMMITTEE**

Wednesday, February 8, 1984  
9:30 a.m.

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Issue No. 2 (Fifth Sitting)

25th Legislature

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## **Standing Committee on Public Accounts**

**Chairman:** Mr. Tony Penikett, M.L.A.

**Vice-Chairman:** Mr. Bill Brewster, M.L.A.

**Members:**

Mr. Maurice Byblow, M.L.A.

Mr. Al Falle, M.L.A.

Hon. Mrs. Bea Firth, M.L.A.

(Mr. Piers McDonald, M.L.A., substituted for Mr. Maurice Byblow throughout the hearings)

Ms Missy Follwell  
Clerk to Committee

**Expert Advisors from the Office of the Auditor General:**

Mr. Raymond Dubois, Deputy Auditor General

Mr. Harold Hayes, Principal

**Witnesses:**

**Department of Municipal and Community Affairs**

Mr. Peter Kent, Deputy Minister

Mr. Leo Chasse, Departmental Administrator

Mr. John Cormie, Director, Municipal Engineering

**Department of Finance**

Frank Fingland, Deputy Minister

Uday Patankar, Comptroller



# EVIDENCE

Wednesday, February 8, 1984

**Mr. Penikett:** Public Accounts Committee will come to order. This is meeting number two in the fifth round of formal hearings. We are continuing, this morning, with our discussion of the project management of the Dawson City Sewer and Water capital work. Following that, we will be moving on to other matters arising from the Auditor-General's Report on "any other matters" concerning the Department of Municipal and Community Affairs.

I would like to welcome back this morning our witnesses, Messrs. Peter Kent, Leo Chasse and John Cormie. Could I ask, Mr. Kent, if, perhaps, we could begin where we left off yesterday. Mr. Cormie and you were giving us some summary information, which were explanations of the increases in the O&M costs of that system. I think the committee felt that it would have been very useful if we could have had that summary in writing. I understand that the information is not in that kind of order yet, but you are prepared this morning to give us some of that for the record so that we can complete our picture.

**Mr. Kent:** Yes, sir.

**Mr. Penikett:** Could you do that then, Mr. Kent?

**Mr. Kent:** Before I do that, sir, I would like to make a statement, in light of our discussions yesterday, if you do not mind.

**Mr. Penikett:** Please do.

**Mr. Kent:** Up until yesterday, nobody from the Public Accounts Committee ever asked me — and this came as a result of our discussion — a specific question on the Dawson sewer system, except, "where is your study?" That is the only question that has been asked of me on the Dawson water and sewer system for the last two years. Only yesterday did people start asking specific questions: how was this done, how do you explain this, what was this problem?

I should also tell you that, while no specific study was done, I have preoccupied myself extensively with the Dawson water and sewer system for the last year and a half. When I arrived here, there were considerable problems with the system. There was the whole question of the management of the system. The cost of operating it seemed to be getting out of hand. We had difficulties with the City of Dawson in terms of their management of the system. There were all the repair costs that were being incurred, and who in the Christ was going to pay for those, and any other number of the inefficient operation of the system where it was half being operated by the City of Dawson and half being operated by the Yukon government.

So, while I do not have a formal report, for the last year and a half, internally and in question and answer periods and in short bursts when things were not busy, I spent a lot of time on this, going right back to square one, saying, "Why did you build the damn thing in the first place and why could it not have been a utility corridor and why could it not have been trucked water and sewer?" I got answers to all those questions. I asked the question of why it went from \$5 million to \$10 million and I got explanations — not a great report, but this is an on-going process of dealing with the problems. What are we going to do with this surface drainage? Who in the Christ is going to have to pay for all these repairs that are going on? The taxpayer? Why can we not sue somebody? You know, I went through that exercise.

I guess what I am saying is that even though there is no study, there has been a lot of work. I have a lot of knowledge on it; I do not know if I can convey that impression. John has been with the project since its inception, but every time I have asked a question, I have always got a reasonable answer. I guess the point I was trying to make yesterday was that I have always got a reasonable answer.

The interesting question was: can we sue somebody for all these costs we are incurring in fixing this thing up? You talk to insurance adjusters, you talk to the contractor and you find that the people who designed and built the system. It was a state of the art thing in technology. There was no negligence on their part and no incompetence on their part.

"The people who managed the construction did a capable, competent job. The people who installed it did a capable job. I

always found reasonable answers to every question.

There are other pieces of background: this thing was built during a time when Canada was experiencing its greatest inflation rates; it occurred at a time of the Dawson flood, which introduced chaos into the whole system; it was constructed and designed at a time when the political system in Dawson disintegrated and public administrators were brought in there.

I guess that all I can say, in my judgement — and I was not here when the system was built so I have no personal vested interest in this — I have done a thorough analysis of it, though I do not have a written report, and to date, I can find nothing that was unreasonable or not reasonably done by reasonable people. I guess what I would like to follow-up on before I get into the specifics is that we are welcome to answer any questions you ask us and we will try to give you the best answer we can.

**Mr. Penikett:** I appreciate that statement, Mr. Kent, and I take the point. I hope you will understand, from your part, that, to use your words, only yesterday did we, as a committee, began to get answers to questions that we had asked beginning in 1981, two years before you first appeared before us in your present position as deputy minister. So, if you are feeling a measure of frustration on your side, I hope you will understand our point of view on that score.

Let me, before you get into the specifics, ask you a general question that arises directly out of your statement: a couple of quick general questions. Yesterday, you heard Mr. Dubois go through the kind of capital project management criteria, or a certain kind of criteria that were enunciated from the point of view of if they had been doing a management audit. There was particular discussion, as you heard later in the committee, about the review stage of that criteria. Could I ask you if you, as a general proposition, would agree with those kind of criteria?

**Mr. Kent:** As encompassing the scope of a management audit?

**Mr. Penikett:** No, as part of the, if you like, management process for a large project. I believe Mr. Dubois was talking about those sorts of things that they took a look at; whether they were done. I am just asking you if you think that those are the appropriate kinds of things to do in managing a large project.

**Mr. Kent:** Yes, sir.

**Mr. Penikett:** Let me pick up immediately from where the statement left off before we get into the detail. Given our difficulty in getting answers to the questions that we were raising — and it may well have been that we were putting them to the wrong people — and given that you have not had the time or the leisure to do, or have done, an independent or formal review of the project, even though, as you said, you have done a lot of analysis, would you, as deputy minister, be agreeable to a project management systems overview being done by the Auditor-General? Not the comprehensive management audit we were talking about, but a sort of survey of the project, or perhaps a look at the kind of information you looked at.

"**Mr. Kent:** Just a general study of the procedures, say, that my department uses to carry out a project?

**Mr. Penikett:** The process, particularly of this one, as a case in point, because we spent so much time talking about it, to give us, for example, the kind of brief written report that you are not able to give us for the reasons you have enunciated, and not something that would involve an expense for you.

**Mr. Kent:** I guess you would not answer the questions I would ask or that I am already satisfied on. One other thing I should say, and I am not trying to be too defensive to the department, is that the questions I asked were, like I said: why did you build this thing, why were there cost overruns, how come the operating costs are going through the ceiling?

One of the other general questions is: I wanted to assure myself that this project was reasonably well managed, that the information to make decisions was there, and that they were made and they were executed properly. The way I evaluated that was two-fold — one, by asking specific questions — but, more so than that, was by looking at the municipal engineering branch and asking how they are managing their projects today? Are they managing them in an efficient way? To be quite frank, I believe the municipal engineer-

ing branch manages their projects in a very competent way; the ones I have seen and I have been involved with.

I simply looked at it and I said that if this is the way they are doing it today, which is pretty credible, they must have learned a hell of a lot from the mistakes they made on the Dawson system or they had those same procedures and controls in place when they did the Dawson system. So, I basically looked at how they are managing projects today, and, since I could not find anything wrong with the management of the Dawson water and sewer system, I assume they were managed in the capable way.

**Mr. Penikett:** I appreciate your point, again, Mr. Kent. Some of the questions you stated are some of the questions that we would have stated, although you will appreciate that we have not got the answers in the same way.

Let me nail you down on this specifically: would you object to such a project management systems overview being done by the Auditor-General on this project?

**Mr. Kent:** I guess I would answer that that would be useful. It would provide useful information, but my feeling is would the cost benefit of that public expenditure be worthwhile?

Let me say that I do not see any glaring flaws, but maybe it would be nice for somebody to have an independent view. Maybe I have tunnel vision; but I do not see anything wrong with the management procedures that the municipal engineering branch uses to carry out their projects.

**Mr. Penikett:** Assuming the costs were the Auditor-General's, would you still have the same deep apprehension about the cost benefit?

**Mr. Kent:** I pay taxes to three levels of government, and I really cannot distinguish between them at times, when it comes to being a taxpayer, but I understand your point.

A second thing I would like to raise, and maybe it is not dealt with right now: Mr. McDonald asked me a question yesterday about how we generally manage the projects in the department and our checkpoints. I think I probably gave him a frivolous answer.

It was not intended to be and, later on, if the opportunity arises, I will elaborate a little further on that.

**Mr. Penikett:** Let us hold that for now.

Can we get now, if we could, into the detail we were talking about in terms of the O&M you were about to give us?

**Mr. Kent:** What I have to explain to you is that during the course of the preceeding year the department did a very extensive analysis of the operating costs of the system for 1982. So, I have that well audited, well evaluated and well analyzed, and I can give you that information with some confidence and some assurance. For 1981 and the several years previous to that, the information is not as good, not as hard, and requires breaking things out, so I do not have it as well. I can give it to you with considerable confidence for 1982.

Basically, the total cost of operating the system in 1982 was \$382,000. It consisted of \$272,000 of costs incurred by the City of Dawson, in terms of that portion of the system they were operating and managing, and \$110,000 of costs directly incurred by the Yukon government.

**Mr. Penikett:** Anything to add to that, Mr. Kent?

**Mr. Kent:** I can say those are the costs of operating the system in that year, which are quite reliable. I have a fair degree of confidence in them.

**Mr. Penikett:** Could I ask you just to go back a bit. Mr. Cormie gave us some numbers yesterday that he seemed to have readily in hand. If not today, is it at some point, at least during the life of these hearings, possible to perhaps get some of those tabled?

**Mr. Kent:** I am prepared to do that now, sir. What I have here is a report or memo that identifies the main construction contracts, which total about \$8,200,000 against the total cost of \$9,500,000, in terms of their initial tender price and their final prices and changes.

I also have a short memo that identifies the total cost of the project, broken down by the three categories. They are the main construction contracts, the engineering consulting fees and other miscellaneous costs. I also have here another memo. I am not sure how useful it is, but, basically, it compares the per-unit costs

of operating the Dawson system to Whitehorse, which is considered the bench mark, most efficient system in Yukon.

**Mr. Penikett:** Could I turn back to you, Mr. Cormie, and pick up something from yesterday's evidence that may be a small thing, but one to correct any confusion that may be left.

Yesterday, we were asking you about the test loop and you said two things about it. One, that it had been built, or put in, in one of the NCPC trouble spots — or one of the worst areas from their point of view — and you also said that it had been put in virgin ground. Those two statements, at least to the lay people on this side, appear to be contradictory. Could you indicate to the committee, in percentage terms, perhaps, if it were a loop or whatever, what part of it was in virgin ground and what part of it may have been in an historically difficult area?

**Mr. Cormie:** I do not have those figures in front of me. We did ask the NCPC superintendent where his worst problem area was with the system he was running. He responded that a particular area — I believe it was around 6th and, probably, King, or something like that, was a very bad area for him. His water mains were continually coming apart there, with leaks and everything, so this was where we said that we have to put some mains.

We had one other criteria that we used for selecting our location for the test loop, and that was that we did not really want to parallel the existing system because, at this time, we were not absolutely sure we would ever be putting in any more than a test loop. So, we went through this area that was bad, but we also serviced the areas on 6th Avenue, in front of the Triple J Hotel, because they were clamouring for service at this time due to a motel expansion, and we also continued north up 6th Avenue to Duke Street and then back along 5th Avenue from Duke to York, or something like that.

So, the portion that was in the area that was historically difficult was limited and is probably in the neighbourhood of ten to 15 percent of the actual length of the test loop; the rest was north of there. To the best of our knowledge, we had no reason to suspect it was good ground. We certainly were not looking for good ground, but it was in the same vicinity and we did want to, if anything, extend the system we had by providing new mains, rather than paralleling old mains.

**Mr. Falle:** Mr. Kent, I would like to express my appreciation of how frank you were this morning. As a matter of fact, two of the questions I had you have already answered.

I still have a major problem, as a member of the government, on consulting firms. I think the overall project, you said, was \$10 million — I do not have the figures — it is just round — and the contracts were \$8,200,000 that were put out on the Dawson water and sewer system. The remaining \$1,800,000; is that consultant fees, engineering fees? Is that basically what it is?

**Mr. Kent:** No, I am sorry. If I had brought copies of this to distribute to everybody, then you would have it. It was \$9,500,000, and I was rounding it out to \$10,000,000, for the total cost. It was \$8,200,000 for the major contracts, \$300,000 for miscellaneous small things, and the consultants were \$1 million. So, it was approximately 10 percent for consultants.

**Mr. Falle:** I take it that that is a standard fee for consultants, 10 percent?

**Mr. Kent:** I believe it is, but I would like John to elaborate it if was any different in this case.

**Mr. Cormie:** This was not a percentage fee contract. These were hourly rate contracts directly related to the number of hours expended by the consultant on the job. The design portion was in the neighbourhood of four to five percent of the total construction value of the work, which is very competitive with projects of this size. In addition to the design portion of their fee — their fee was \$1 million and change, let us say — they had to do predesign work, including drilling and soils work, they had to prepare the predesign report, they had to do other work of that general nature prior to design. Following design, they had to do construction engineering work through the entire construction period, which makes up the balance of the \$1 million.

**Mr. Falle:** As consulting engineering firms go, I believe that Mr. Kent said, yesterday, that EBA and Stanley were the two main consultants on the job and, as a deputy head, he was completely

satisfied with their ability. I would like to ask Mr. Cormie a direct question. I suppose we spend \$2 million on consultant fees in this government every year, roughly.

" Basically, it is for engineering and planning. I would like to know, from your experience, if it would be possible for the government to have this type of expertise available on staff and maybe a little cheaper than \$2 million? This is a hypothetical question.

**Mr. Cormie:** There is a factual part and then there is a hypothetical part. The factual part is cost. A consultant usually charges the cost of his employees' wages, plus 125 percent to 150 percent. So, in other words, you pay the consultant the cost of his employees' wages times a factor of 2.25 to 2.5. That is exactly how many of their fee structures are set up, similar to a garage or a mechanic.

So, in the sense that if we pay our engineers the same price a consultant pays his engineers, then we can do it. For one hour of work, we can do it for approximately 40 percent of the cost, 40 to 50 percent of the cost. That is the factual part.

Now we get into hypothetical parts. Our workload is not constant in our department, anyway. There is a fluctuation. If we were to staff for anything other than the valleys, we would find that we would have people not busy. We do not think this is efficient. I think our people are extremely busy. If you ask them, they are too busy, but, perhaps, that is the way it should be. If we can use our consultants for our peaks, then I think we are doing the government a service.

Secondly, if we were to staff for certain types of engineers, we would never be able to use them efficiently, in my opinion. If we were to staff for an electrical engineer or a mechanical engineer, for instance, which we do not have in our department, I do not think we could ever use him efficiently because we only use those types of engineers a very small portion of the time.

**Mr. Falle:** So, in your opinion, using consultants does save money for the government in the long run?

**Mr. Cormie:** Overall, yes.

**Mr. Falle:** Mr. Kent, you said yesterday that you were very satisfied with the engineering on the water and sewer job in Dawson City. If the opportunity arose again, and, again, we are talking from hindsight, would you use the same type of system in a hypothetical area, say, if we were going to put a new water and sewer system in Watson Lake or Teslin? Would you use the same type of system again?

**Mr. Kent:** I am glad you asked that question. One thing is I did not say I was perfectly, totally satisfied with Stanley and EBA. What I did say is that I was satisfied that they were among the best, most capable, skilled people around at that time to do the job. A second point is that it is interesting because a number of water and sewer systems have been developed in Alaska and other areas where the Dawson case was used as the model. They made various modifications in these other communities to cope with some of the problems we had in Dawson.

What is particularly interesting is that we are facing the situation, this coming year, of extending the water and sewer system for another two blocks to service the Indian housing in town. That is going to be extremely interesting because we certainly do not want to repeat our mistakes, do we?

**Mr. Falle:** I remember, myself, as a contractor, many moons ago when I was not a MLA, in Haines Junction, and that system is still working and it did not seem to be a very expensive system. I remember the bids to be exact and it was put in quickly and it was basically a subsurface area. It was not 20 feet underground, it was a couple of feet, just buried, that is it, and it seemed to work perfectly.

**Mr. Penikett:** I think that is not a policy question, Mr. Falle, that is probably an advertisement.

**Mr. Falle:** Okay. I beg to the chair, go ahead.

**Mr. Kent:** Rather than what you refer to as a management audit — and I talked about priorities. The question is are we going to make the same mistakes when we extend this system two blocks? The question is not was a change order made in the field and authorized by this person or that person or not was the proper

spending authority there or not was this project appropriately reviewed, but what are we going to do this time to make sure we do not make the same mistake. That is where the attention of priorities should be, in my view.

" **Mr. Penikett:** I am sure we could debate this a long time. I guess you do not have to be in municipal government for very long before you realize an engineer does not always necessarily make a good manager. I would not want to point to any examples, but I think they may be two separate issues.

Let me quickly go to Mr. McDonald and then we have a question from Mrs. Firth.

**Mr. McDonald:** Yesterday, we briefly touched on project review of all sorts of projects, not necessarily the Dawson project, which is rather a big one, but all the various projects which the municipal engineering branch takes on in any given year.

I would like to ask you a question and comment on my question before you answer it. I am wondering if the department would be prepared to accept a project management systems overview, rather than a project oriented overview? By that I mean discovering the general procedures and determining or reviewing the efficiency and effectiveness of project management.

Yesterday, we discussed the reviews of projects on a regular basis and I think I referred briefly to the fifth point, which Mr. Dubois had enunciated in his submission speaking about the general, final review of a project. You spoke of a rather informal procedure whereby, if a project was over budget, you would discuss the project with the supervisor and if it was on budget or under budget you would consider it a job well done and nothing more need be said.

The point I was so obviously attempting but failing to make yesterday — perhaps you might want to comment on this — was that the review of projects might be time well spent, whether or not they come in on budget or under budget or even over budget, because no matter what you may discover or determine, efficiencies and inefficiencies, you may be able to improve processes even when you come in under budget on any particular project. In a sense, you learn things from all projects.

The other point, too, would be that if you were doing a regular review of projects or a review on the step-by-step basis within the project itself at various stages of production, you would be able to better pinpoint, in a brief final review, progress and efficiencies, inefficiencies as they progress. You would be able to zero in on problems or on possible efficiencies which you might be able to capitalize on in the future.

So, back to the question, again. Would you consider it a valuable exercise to have conducted by, say, the Auditor-General's department, a project management systems overview to review the way projects and the value to review and to determine the value of reviewing all projects on a regular basis?

" **Mr. Kent:** In answer to your question, I do not review project solely in terms of whether they have been done on budget or not. Assuming a straightforward project with no special difficulties, I evaluate it in terms of whether it adheres to the parameters of the project, in terms of its scope and its cost and its timing and that it is completed, it works and it is operational; there are no major problems with it.

I can see that if you go to each and every single project the government undertakes, if you have someone go in and say could this project have been done better, more efficiently, cheaper, you, in some instances, may find that it could have been done, better, more efficiently and cheaper. But who does that evaluation? The people who implemented the project or do I hire more people to go around and evaluate every project after he has completed it?

**Mr. Penikett:** Mr. Kent, I think you may be nicely missing the point here. When we first dealt with this issue some time ago, what we became aware of, particularly with Mr. Christensen's evidence, there was, at that time, very little in the way of established formal procedures in terms of major capital projects. Even in your evidence, the review stage, which has been talked about here, has been a relatively informal one.

The question I think Mr. McDonald was putting was not a question about taking a look, an audit of the systems or a look at the



systems on a project or how the systems were implemented on a project, but a look at the management system as a whole. In other words, what are the processes they go through here? Are they conventional? Are they effective? Do they achieve your objectives? I think the question is really whether you would submit willingly to an independent look at that.

**Mr. Kent:** This was the question Mr. McDonald raised yesterday and I thought that I may have been a little frivolous. Maybe I should outline some of the procedures of our department very quickly.

One is that a great deal of work, both analytical and at the senior management level and the political level, goes into defining a project, in terms of indentifying a need, a requirement, looking at its costs, its feasibility, where it fits in the government's list of priorities and what have you. A great deal of work at all levels takes place there until you have a project, the legislature has approved money, the project has been defined and the scope and parameters.

After that, I review every project that have no problems, four times a year — that is a project that has no problems and is moving along great. For projects where there are problems, I might be reviewing it constantly, depending upon the problems.

Again, I was frivolous on this, we do have these processes. I do not think they are slipshod, they are not really informal. They arise as part of an ongoing financial management process within the department.

**Mrs. Firth:** Are these processes or reviews, this system of reviews recorded?

**Mr. Kent:** Let me give you an example. Very shortly it will be coming up that I should have most of my tenders for projects that have been approved pretty well ready to go, because construction season starts shortly thereafter. So, very shortly, I will be sitting down — and I am referring to the capital budget — with the people in the department responsible for implementing the capital budget and I will be saying, "How are you coming on this capital budget? The government has instructed us to do this project, at this cost, within the year; how are you coming with the project? Is it still realistic? Have you prepared your engineering designs? Are you having problems? Is this thing ready to go to tender? Are you going to do it sequentially?" I go through that with every single project.

Partway, let us say somewhere around June, I will start doing exactly the same projects because some projects start to slip, some will start to have other problems here and I have to be able to look and manage this budget and all the projects. So, I do go through these review processes.

Once a project has been defined and approved, I go through them approximately four times a year for every project and significantly more times where there are difficulties.

**Mrs. Firth:** What I mean when I say recorded is, do you make a documentation of this? Do you make a documentation of when you review these projects, and you are reviewing certain management processes in the projects? Say, for example, if you have reviewed 12 projects and you find this same management malfunction occurring, would you make a documentation that in these types of projects this seems to reoccur or this seems to run particularly smoothly?

**Mr. Kent:** Let me put it this way: I make regular documentation in the sense of these reviews that I do four times a year or so. I use them and I do document those, in terms of I start out at the beginning of the year with a bunch of projects, a bunch of dollars beside them and a cashflow and, every quarter, I update that. In light of the success and progress of the report, I may go to management board and say, "Listen, this project is going a little slower" or "We want some extras on this project. Will you move money from here to there?" So, I document that financial end.

The other end — and perhaps this is my management style — I basically do it on a verbal basis with the managers, you know straighten this up, do that. When I basically document things is when I have to deal with the minister, management board or finance: I have to go to another agency because I have something beyond what my authority is. So, I do document it then.

**Mrs. Firth:** I think our concern is that, obviously, you are

identifying all aspects of the management process, but if they are, like you say, being kept in your head and in Mr. Cormie's head, who, obviously knows a lot of information about this particular project, this was not passed on to you when you came into the position of deputy minister of municipal and community affairs. So, the procedures that you have, you say in your "management style", may be different than another deputy minister's procedures for reviewing management processes. Do you have your procedures documented? Are they laid out in writing in the department or are they documented? Or are they your own procedures?

**Mr. Kent:** They are documented to the extent that, first off, in implementing any project, we have to adhere to certain policies and procedures of the government as a whole and their management manuals. In addition to that, I have a procedure in the department, for example, that every project that John proceeds with, before he implements that project, he has to come forth to me with written documentation as to exactly what the project is, when he is going to implement it, how he is going to implement it, what it is going to cost. Basically, those are his terms of reference or his mandate. I have that documented.

But that is an understanding he and I have. I suppose, if I quit and he did not like these forms, he could throw them all in the garbage pail and pretend they never existed for the next guy, if that is what you are saying. So, I could write a directive around to the managers so that everybody in the future will know that Cormie does it this way and do not let him kid you.

**Mr. Penikett:** If I could jump in, Mr. Kent, I guess what we are worried about is, if they are in your head, we are worried about the day when a terrible, terrible, awful thing might happen to you and you lost your head. If the process of managing the projects is not documented, it seems to me that your successor, whoever it might be, could be in the same position as you were when you came into the job, in terms of a review that was supposed to be going on that apparently did not exist.

What you seem to be saying is that the management process is not documented, there is not a formal procedure documented that you have at least committed to record for the department.

Let me try and wrap this up, if I can, because we do have to cover some other ground. I will be frank with you about a perception here and ask you if you could briefly respond to the question. You seem very confident about your own management processes but, at the same time, you seem to be very resistant to the idea of an independent review. I just wondered if you are aware that it is a fairly standard practice in most government organizations for, at some time, especially in modern governments, for some kind of independent review of such management processes to go on? Do you understand that?

**Mr. Kent:** I understand what you say. Probably by my nature, I am a defensive person and defend myself at times when I am not even accused of anything. Maybe I display this confidence. I know damn well I am not infallible, I make mistakes and I will continue to make mistakes — hopefully not the same ones twice.

I think an independent view of the management processes that the Department of Municipal Affairs uses would be useful and could be useful and one could learn something from it. I guess, as we are being frank with each other, what I keep smelling is a fishing expedition. That is all that keeps going through my head and, if you tell me something we did wrong and I could say, "Right, you have got me. You had better come in and fix me".

**Mr. Penikett:** The problem is that we are not accountable to you, it is the other way around. I want to tell you that some of the fishing expeditions that we have been on in this committee, we have caught some real whales. So, I hope you will understand that.

Let me move on, then, to items with which we should get into some less discursive kind of discussion and that is the other matters in the Auditor-General's report.

Can I move on to the land development costs inventory section of the letter?

**Mr. Kent:** Are we through Dawson?

**Mr. Penikett:** We can be, unless you want to go on through it some more.

**Mr. Kent:** Then I would like to excuse Mr. Cormie and bring

in Chris Knight.

**Mr. Penikett:** Well, then, let us take our coffee break and reconvene at 10:30 and we will begin again immediately with the other matters in the report on "other matters" in the Auditor-General's report.

#### *Recess*

**Mr. Penikett:** Committee will come to order.

We are going to continue now with the Auditor-General's Report on "any other matters", Department of Municipal and Community Affairs. We are going to move on to some other items in that same report, beginning first with the land development cost inventory section. Before we do that, I would like to welcome back to the committee Mr. Peter Kent, Leo Chasse, and, for the first time, Mr. Chris Knight, who is the director of the lands office.

**Mr. Kent:** if I could ask your cooperation, because we have spent such a fascinating and wonderful time with the Dawson sewer and water system, if we could be fairly brief and to the point. I will try to be in the questions and in the answers on the rest of this subject.

Let me move immediately, then, to the section on the land development costs inventory. Recommendation One, on page six of the Auditor-General's letter, was that the department should submit its land development costing policies immediately to the government for its approval. The government's comment on that report was that the department will be submitting its land development cost policy to the government for approval in the immediate future. My question to you is have they been submitted?

**Mr. Kent:** Those policies will be on management board's agenda within two weeks.

**Mr. Penikett:** So, they are up for approval in two weeks.

Is it your intention to make a copy of those policies, once they are approved, available to the Public Accounts Committee?

**Mr. Kent:** I had not thought of that but, when I submit them to management board, I will seek direction on that matter.

**Mr. Penikett:** Let me get on, then, to Recommendation Number Two. The recommendation of the Auditor-General was that the department should ensure that the land development cost inventory is completed by March 31st, 1984. The government's response talked about that task being nominally completed prior to that date; however, a spot check or reference between land registry and these lands inventory records indicated numerous discrepancies and inconsistencies. Have all the inconsistencies between land inventory records and land registry been identified?

**Mr. Kent:** I will elaborate just one second. As I say, we completed the task nominally for March 31, 1982. Shortly thereafter, our internal auditor, on behalf of the Auditor-General, came in and did a spot check. He found five discrepancies, I believe. As a result of that, we have gone through, since that time, and we have found another 200 to 300 discrepancies, meaning the initial task had not been done properly and correctly or cross-referenced to check for mistakes. So, we have identified all those discrepancies.

This check was done by the lands branch, Mr. Knight, to which he can speak on if you wish. Since we have already been burnt once, in the sense that we thought we had completed it and we found 300 errors — and they have been checked out — I wanted to have Mr. Chasse do a spot check on the work that they did. After he has done his work, I yet want him to go back over it and make sure the thing is damn right.

**Mr. Penikett:** So the department has an action plan and a timeframe to deal with the discrepancies. Can you give us some indication about the timeframe that you expect to complete both Mr. Chasse's work and Mr. Knight's work?

**Mr. Kent:** The problem is, and why I have difficulty giving you a specific time schedule, when Mr. Chasse reviews the work Mr. Knight has done, if he finds no inadequacies, he or a summer student could probably complete the task in a week. But, if they find errors or discrepancies, that means going back to the drawing board and figuring out these anomalies and these inadequacies which, depending upon the amount you find, if you find any, might take as much as several months.

**Mr. Penikett:** Why was it necessary to implement a new accounting system, effective March 31st, 1983?

**Mr. Chasse:** Prior to going to the cost system, all the land was booked at its sale price and now we are doing it at the cost price. So we had to cost all the inventory and we have the sale price to consider, too, so you are going to a different procedure than what we had before.

**Mr. Penikett:** And the sale price was accumulated as interest charges accumulated against?

Why was it decided to undertake a feasibility study for the computerization of the land inventory and accounting system at the time?

**Mr. Knight:** There are a number of advantages to both the efficiency and overall organization of the lands recordkeeping in computerizing the system. The feasibility study, essentially, is to identify the areas where we can improve our effectiveness and to assess the cost implications of that and what the derivative benefits would be.

**Mr. Penikett:** Would it not also have been better to delay the feasibility study until all the bugs had been gotten out of the present so as to more precisely determine the requirements of the computerized method?

**Mr. Knight:** No, and there are several reasons for that. If I could just go back a little bit and give you a little bit of background on it.

Getting back to the land development cost inventory system. In the past, it had been the practice in some cases not to include land in inventory that had not been offered for general sale. So, the exercise that we undertook in establishing a land development inventory was to go back to a period agreed upon with the Auditor-General and review all land development back to that date and include all land whether it had been offered for sale or whether it was reserved for government use or if, in the case it had been offered for sale, and include all that land in the inventory.

That provides us with a pretty decent data base now to work with, in terms of modelling a computer system. However, I think that, in order to obtain the most benefit and effect from going to an electronic system, it is necessary to go back to the original inception of land transfers and put all of that material in data base.

**Mr. Penikett:** Mr. Kent, would it be possible for the Public Accounts to be provided with a copy of the feasibility study referred to by Mr. Knight?

**Mr. Kent:** I have no objections.

**Mr. Penikett:** In the previous hearings before this committee, this committee was advised by the department that profits were being made on the sale of lots. I would like to ask what assurance we have that profits have, in fact, been made, in light of the problems being experienced by the department in identifying lots and costs to date?

**Mr. Kent:** It is correct that the government does make profits on the sale of its commercial and industrial land, because the policy of the government is to sell it at market value and not cost. But that is a policy and that profit taking will continue as long as that policy remains in effect.

**Mr. Penikett:** I was not asking about the policy. I was asking about how can you be sure that you have a profit if you cannot be sure about what the cost of a particular piece of land may have been because of the problems we previously have discussed?

**Mr. Kent:** That is a good point and I think that is one of the main purposes of this exercise we are involved in now.

**Mr. Knight:** Just picking up from what Mr. Kent said, through this exercise that we are undertaking now in putting all the land into inventory, we are able to identify all the costs that have been incurred in that particular development. Consequently, that gives us a much, much better handle on areas where we have, by establishing the sale price prior to full allocation of the development costs incurred, exhibited a minor profit in some of the residential developments.

**Mr. Penikett:** We may want to get back to that in future years.

**Mr. Kent:** could I ask you how confident you are that the project that you have undertaken will be completed by the March 31st, 1985 date?

**Mr. Kent:** I will be frank. I have given myself some breathing room in there and have allowed for Leo to find some additional discrepancies, which may not be found, and I have allowed time for research and analysis on those discrepancies he may or may not find to reconcile the differences. So, I have given myself some breathing room there, and I do have confidence.

**Mr. Penikett:** Mr. Kent, you may want to refer this to Mr. Chasse: is there any reason why it can or cannot be completed or might or might not be completed in sufficient time to include this pretty significant asset in the government's financial statements, to March 31st, 1984, to coincide with the completion of the Auditor-General's audit for this year?

**Mr. Chasse:** I think Mr. Kent covered that in an earlier statement by saying that, virtually, it is nominally complete. However, rather than make the commitment to have it completed by 1984, providing when I go through the records and spot check what the lands branch has done, in the event that there are further discrepancies, we would not be able to live by that committed date.

**Mr. Penikett:** I am going to jump over the recommendations three, four and five and the responses to them and move immediately to Recommendation Number Six. This really deals with the Department of Finance, but is this monitoring of the progress being done now, as far as you know?

**Mr. Chasse:** I cannot speak for the Department of Finance but, as we mention in our comment there, we will definitely keep them appraised of the situation and our progress.

**Mr. Penikett:** Briefly, I should explain that we will be calling finance and we just wanted to cross check the information here. I am curious as to whether they are monitoring the progress and how often it is being done; if it is being done verbally, in writing, and so forth.

**Mr. Chasse:** In most cases, it probably will be verbally, unless the deadlines that we established down the road cannot be met for some reason or other.

**Mr. Penikett:** So they have not actually been monitoring the work up to this point.

**Mr. Chasse:** Well, verbally they have. We have been in contact but no stated date to trade memos or anything like that.

**Mr. Penikett:** We will leave that and talk to Mr. Fingland about it.

**Mr. Kent:** let me ask you about the assistance to municipalities for capital projects. The recommendation of the Auditor-General was that assistance to the municipalities for all capital projects should be covered by formal agreements with appropriate terms and conditions. The government's response was, "We agree that a simple form of agreement spell out the basic conditions and procedures applicable to the funding of each capital project should be put into use. Such an agreement will be drafted in the near future, in consultation with the Department of Justice".

Has this formal agreement now been prepared?

**Mr. Kent:** I am now working with my staff on a second draft. It has not been finalized, but I am in the second draft. I should also tell you that I have instructed my staff that I will disperse no funds to municipalities in 1984-85 except under the terms of these new agreements.

**Mr. Penikett:** When it is finalized, could we get a copy of that, because I assume it will be a public document?

**Mr. Kent:** Yes, sir, you may. I should explain this will be a standard form, with the opportunity for appendices to be provided with it and some blank spaces to fill in numbers and descriptions, et cetera. It will be a form.

**Mr. Penikett:** The next item is municipal service grants. There were two recommendations here and I will read them for the record. "A procedure should be established to assure that regulations are being drafted or revised concurrent with legislative changes." Two. "That regulations should be promulgated as soon as they have been approved by the Executive Council".

The government's comments were that the department prepared interim regulations for municipal services and grants for 1983 and that they were subsequently adopted by Order-in-Council 1983/216 of November 7th, 1983. Detailed regulations to replace these interim provisions have been prepared by the department and will

come into effect by order-in-council prior to April 1st, 1984, when the next grant payments are due.

Since we note the comments relate to after the fact of approval, why can the regulations not always be promulgated before the fact?

**Mr. Kent:** They can, sir, and they will be commencing this year.

**Mr. Penikett:** Would it not be a relatively simple matter for the department, even though it may have to be done manually, to have a copy of the existing regulations along side the legislation being amended so that regulations can be amended concurrently with the amendments to the legislation?

**Mr. Kent:** I am sorry, would you repeat that again, please?

**Mr. Penikett:** We are talking about the chicken and egg situation of the sequence of regulations and amendments. I was asking whether it would be possible, even if it is done manually, to have a copy of the existing regulations along side the legislation being amended, so that regulations can be amended concurrently with the amendments to the legislation. This comes out of Recommendation One, which has really not been addressed by the government.

**Mr. Kent:** It would not be a useful exercise to do precisely what you say. The reason I say that is — again being frank — the 1983 regulations, which were drafted after the fact, if you like, are basically a bandaid to legalize something on an ad hoc basis. They do not reflect a kind of philosophy approach on the formula. Rather, because I am doing it after the fact, the regulations basically say that in 1983 such money will be paid to these following communities. The regulations that were put in place next year for this year's payments reflect the philosophy. They reflect a formula; they reflect certain criteria and rules.

So, the way I would answer your question is that there may be some merit in reviewing the proposed new regulations when you review the new legislation, but that is a political decision the government would have to make, as to whether they were prepared to discuss the regulations at the same time as the amendments to the act.

**Mr. Penikett:** I think that covers the ground I wanted to cover here, Mr. Kent. I thank you for your patience. I would ask you if, you have any final comments you wanted to make apropos to these subjects that we have discussed today. If not, we will excuse you and your fellow witnesses.

**Mr. Kent:** I just wanted to say that, particularly in light of some of the things I said yesterday, I, personally, take your committee very seriously and I think your committee serves an important function. If anything I said or attitude I conveyed gave you an opposite impression, I simply want to tell you it is wrong and I apologize for it.

**Mr. Penikett:** Thank you very much, Mr. Kent, Mr. Chasse, Mr. Knight. The witnesses are excused.

We will recess for a very few minutes, until Mr. Fingland is next before us.

#### *Recess*

**Mr. Penikett:** I would like to welcome before the committee, this morning, for his umpteenth appearance, Mr. Frank Fingland, deputy minister of the Department of Finance and Mr. Uday Patanker, the comptroller of the department. Welcome, gentlemen.

This morning we are going to be dealing with the Auditor-General's Report on "any other matter"; items that he is bound to call to the attention of the legislature by virtue of the *Yukon Act*. We have quite a few things that we want to cover in the short time we have, Mr. Fingland. I think we can briefly touch on the *Financial Administration Act*, but I think that is perhaps not terribly controversial. I will want to spend some time with you on some questions about what is now called the road equipment replacement revolving fund — I guess it was the equipment account.

Before I get into that, I would like to ask you a couple of quick questions, which arise from evidence given by other witnesses before this committee in this round of hearings.

The first question results to the item number one in the Auditor-General's letter, with respect to management audits on the



Faro School and Dawson City sewer and water projects. I want to draw your attention to this item in the statement: "The government has now advised us that: in their response to the 1983 Public Accounts Committee Recommendations, the Department of Government Services and the Department of Municipal and Community Affairs have delineated measures already implemented to prevent occurrence of a similar nature in the future." Without respect to the issue of management audits, can you tell us the basis of that comment?

**Mr. Finland:** My understanding is that the two departments concerned have established procedures within their own departments to deal with the difficulties that were encountered with these projects.

**Mr. Penikett:** Mr. Kent told us yesterday, in fact admitted, to the committee that while this is not strictly the case and no such measures have been communicated to this committee as of yesterday's date, so I was just concerned about the veracity of that information.

**Mr. Finland:** I assume that it is truthful, but it is not something that the Department of Finance has been involved in.

**Mr. Penikett:** I have one other question arising from evidence of other witnesses — well, this is also from Mr. Kent — in reference to page eight of the Auditor-General's letter, Recommendation Number Six, arising out of the land development costs inventory. The recommendation on page eight is that the Department of Finance should closely monitor progress on establishing the land development costs inventory. The government's comment was that the Department of Finance will be advised on a regular basis of progress being made in this area.

I would be curious if you could indicate for me if this is now being done by the Department of Finance.

**Mr. Finland:** As a matter of fact, the actual work itself will be done by staff to be engaged by the Department of Municipal and Community Affairs. The arrangement between the Departments of Finance and Municipal and Community Affairs is that we will be receiving periodic progress reports and that we will have an opportunity to sit down and review the work as it is completed by municipal and community affairs.

**Mr. Penikett:** Over what period?

**Mr. Finland:** Over a specified period.

My understanding is that, starting almost immediately, they are about to undertake the actual work. They are going to engage additional staff to do this and then there would be periodic reviews with us as the work progresses. We, ourselves, will not have an auditor from finance actually involved in the work itself.

**Mr. Penikett:** I want to make the distinction because it was the question of finance monitoring of the progress by that department.

Will those periodic reviews or reports be in writing? In other words, will there be a record?

**Mr. Finland:** I assume so. I think it will depend a little bit upon the nature of the material that is generated by the Department of Municipal Affairs. The reports, as such, may not be formal written reports. The kind of situation that I had envisaged was that they would actually do the work and, as they completed the various stages of their work, we would then sit down with them and review it with them.

**Mr. Penikett:** We may wish to get back to you at some future point about that, because there apparently are a lot more discrepancies there than they initially anticipated. They are anticipating taking a longer time period to complete the task than we had originally expected, as well.

I want to skip past the *Financial Administration Act* directly, since the recommendation and the department's response there is, in some measure, simply a political issue, at this point, and move immediately to the road equipment replacement account. I have a lot of questions here and if some of them strike you as amateur or innocent or naive — especially the way I express them — I hope you will be sympathetic and bear with me and be as kind as you can in your answers.

As we understand it, a revolving fund is analagous to an open-minded credit on the government Consolidated Revenue Fund, as represented by amounts on deposit on the chartered banks to be

used for the purposes authorized. The fund is charged with payments for authorized expenditures and credited with receipts of authorized revenue. The amount charged to the fund or the extent to which the line of credit has been used for cash draw-downs at any time may not exceed the authorized limit. The fund is non-lapsing appropriation. Does that square with your understanding of the way a revolving fund is intended to operate?

**Mr. Finland:** Yes, it does.

**Mr. Penikett:** For year-end reporting purposes, the balance represents the cash invested in the fund, or the government equity, and, for reporting purposes, this balance is generally substituted by the assets and liabilities of the fund at the year-end, which are included in the government's financial statements. Is this general understanding correct?

**Mr. Finland:** Yes, sir.

**Mr. Penikett:** The road equipment replacement account was established by a dollar vote in the *Fourth Appropriation Ordinance, 1971*, as amended. It was deemed, at that time, to be a structural account, not a revolving fund. Would you say that understanding is correct?

**Mr. Finland:** Yes.

**Mr. Penikett:** Can we confirm that only revenues to the credit of the account were appropriated for expenditure on replacement equipment?

**Mr. Finland:** My understanding is the equipment has been replaced both from the account, as well as from appropriations. They have not been acquiring their equipment exclusively from the so-called revolving fund.

**Mr. Penikett:** So that that fund did not account for all the equipment replacement.

**Mr. Finland:** That is my understanding.

**Mr. Penikett:** Is it your understanding, though, that it was, as it operated, really a special account and not a revolving fund in the generally accepted sense of your profession?

**Mr. Finland:** As I understand it, that is true and even in the new *Financial Administration Act*, it is not set up as a true revolving fund.

**Mr. Penikett:** We will get into that further. It was a special account of a non-revolving fund in the generally accepted sense and, by recognizing any unspent balances or liability item in the government's financial statements, revenue on deposit in the Consolidated Revenue Fund had been set aside for future spending on road equipment replacements. Is that right?

**Mr. Finland:** Yes.

**Mr. Penikett:** Given the way that funds operate or given that revolving funds are used in providing working capital to finance the acquisition of inventories or to finance activities of a commercial or quasi-commercial nature, in that sense, could the road equipment assets be regarded as income producing?

**Mr. Finland:** Yes.

**Mr. Penikett:** Could they be regarded, therefore, as quasi-commercial in nature, in the sense that there are charges for their use and so forth?

**Mr. Finland:** Yes.

**Mr. Penikett:** Would it not be appropriate, then, at some point in time, to finance all the road equipment operations through a revolving fund proper?

**Mr. Finland:** I am not quite sure that I would go quite so far as to say that we should finance all road operations. I think, in the longer term, it might be desirable as an objective of the government to establish the fund as a true revolving fund, as has been suggested by the Auditor-General.

**Mr. Penikett:** Would it be your view that there are some generally accepted principles for operating revolving funds in the public sector?

**Mr. Finland:** Yes.

**Mr. Penikett:** It would be your view that eventually you would like to see those principles applied to this fund?

**Mr. Finland:** I would think that that would be a reasonable objective, at this point, yes.

**Mr. Penikett:** Would it be correct to say that the original intent, as provided for in that *Fourth Appropriation Ordinance*,

1971, as referred to in note two to the financial statement, was not to operate the account as a revolving fund, originally?

**Mr. Fingland:** No, I think that the original purpose was to run it as a special account for the purpose of capturing the certain portion of revenues from which they would purchase new equipment. I think that that has been part of the difficulty with this right from the beginning. It has never — I should not, perhaps, say never — but my recollection was that it was not intended to be established as a true revolving fund.

**Mr. Penikett:** Would one be wrong in thinking, from a reading of the provisions of the new *Financial Administration Act*, as has been adopted by the House, relating to the road equipment replacement revolving fund, that somehow it was to continue without change to the operations of the road equipment replacement fund?

**Mr. Fingland:** Yes, for the time being that is true. Perhaps, if I might just take a moment and relate some of the history of what has happened with the new *Financial Administration Act*, I can explain.

The problem that we were faced with was that there did not seem to us to be any legal authority for the continuing appropriation authority needed to buy equipment from the account other than the regulations themselves.

» The regulations themselves simply stated that the government was setting up a revolving fund, which seemed to me to be the government itself assuming that it could establish continuing appropriation authority. Because of the time available and our endeavours to clean up as much as we could at one time, we decided that in the case of the road equipment replacement account, we would simply roll it over into the *Financial Administration Act*, to give ourselves the necessary statutory authority to operate it in that way recognizing that there might still be further objective to be attained at a later date by setting it up as a full scale revolving fund.

But, at the moment, we decided simply to take it as it was, give it some statutory basis, which it did not seem to us to have, and continue for the time being.

**Mr. Penikett:** When one looks at the act, clause 44(4) talks about "when a revolving fund is established for the maintenance of inventory, the inventory shall not exceed the limit established for the fund under subsection 45(1) or any other act under which the fund may establish". 44(3) talks about "beyond the limits set out in the act authorizing funds". It is clear now, even if it was not clear to all the legislators at the time, that this is the act that establishes this fund.

**Mr. Fingland:** That is right.

**Mr. Penikett:** Does not section 44(3) effectively limit the revenues credited to the fund to the implicit depreciation factor and expenditures charged to the fund to road equipment replacement expenditures?

**Mr. Fingland:** I think what it attempts to do is to limit the expenditures to the amount of monies that have actually accrued in the fund.

**Mr. Penikett:** But the fund is not an accurate reflection of the road equipment inventory at all?

**Mr. Fingland:** No, not of the inventory. But, you will notice that that is one of the distinctions that has been made in the act: is that the road equipment replacement account is not set up as an inventory fund. It is the only one that has not been set up in that way.

**Mr. Penikett:** Yes, that is what clause 44(4) talks about. All the revolving funds established from the maintenance of the inventory shall not exceed the limit established under the fund or any other act, except 45(3) then exempts the road equipment replacement account from that.

When I go back to the previous question I asked about limiting the revenues credited to the fund, the explicit depreciation factor and the expenditure charge, is it not permissible to charge the fund with operating and maintenance expenditures for road equipment and credit the fund with that portion related there to recovered through user charges? What authority would be relied on for this purpose, since the preceding road equipment replacement account operated as a special account, rather than a revolving fund according to the *Fourth Appropriation Act, 1971* as amendment, et

cetera?

**Mr. Fingland:** My understanding of the way this will work is that there will be some regulation or directive which will strike the fee to be charged for the use of the equipment and that fee will be broken down between operating expenses, on the one hand, and the portion of the fee that is captured in the fund for the replacement of equipment. That is my understanding of the way it works now.

» **Mr. Penikett:** Forgive me for persisting on this point, but would it not be clearer if, in the new *Financial Administration Act*, section 45(1)(a) recognized the road equipment operations by providing for the operation and maintenance of road equipment and to provide for its replacement?

**Mr. Fingland:** Well, it might be. I really just do not know whether it would be better or not.

**Mr. Penikett:** You have not considered amendments to that section for that?

**Mr. Fingland:** No, not just at the moment. Because we have a certain amount of work to do to get the fund set up, get its accounting procedures established and then take a look at where we are.

**Mr. Penikett:** You expect the sections of the new *Financial Administration Act*, related to revolving funds to come into effect on April 1, 1984?

**Mr. Fingland:** That decision has not been taken, but that is our objective at the moment.

**Mr. Penikett:** If that is the expectation, when would you expect to consider this problem, granted that you do not see this as a problem yet with respect to the operation and maintenance of equipment?

**Mr. Fingland:** I would not want to admit that it is not a problem, it may be a problem. I think the biggest problem from my point of view is the time it will take for us to deal with that question as well as all the other questions that have to be dealt with under the act.

**Mr. Penikett:** Could I just ask you to improve the understanding of us as a committee about these things and the language that has been used here.

Could you define for us, briefly, or tell us what is meant by a special reserve account and then what is a partial revolving fund?

**Mr. Fingland:** There may be some technical distinction, but I would think, for the purposes of the road equipment replacement account, they are essentially one and the same thing.

**Mr. Penikett:** From your point of view, any distinction between those two definitions would be purely technical and a nice distinction. If, upon reflection, you think there is some further definition or information that would be useful to us would you undertake to provide us with it?

**Mr. Fingland:** Certainly.

**Mr. Penikett:** Let me move on a little bit. I want to find a little bit about whether you are in substantial agreement with the Auditor-General's recommendations — or at least agree in principle with some of them — with respect to this account. Having regard to the lack of control over past operations of the road equipment replacement account, do you consider that the recommendations of the Auditor-General would provide an effective means of establishing proper controls of the operations of the proposed revolving fund?

» **Mr. Fingland:** I am not sure that that would necessarily be the case. Whether the equipment was purchased as an appropriation in each year or whether the equipment was purchased in a full scale revolving fund, I think that there may still be some difficulties. The problem being, primarily, that the purchase of materials and supplies and the parts for the equipment have to be purchased at various times and various places. If we could purchase all the materials and supplies and particularly parts through one central location, I think we could probably eliminate a lot of our difficulties, but we are not able to do that at the moment. As I understand it, that is largely where the difficulty comes. Parts have to be purchased in different parts of the territory. They are not properly recorded or put through the revolving fund or revolving account, so certain purchases get made out of general appropriations and other purchases get made that are charged to the fund.

I do not think that making it one thing or another will necessarily overcome that. I think that the difficulty we are having is an internal managerial problem and, in fact, the Department of Highways and Transportation is attempting to overcome that difficulty.

**Mr. Penikett:** With respect to the decision to operate the fund, albeit as a partial revolving fund, under the new *Financial Administration Act* for — I think you used the department's words — a reasonable time before making legislative changes, can you foresee eventually establishing it as a revolving fund to be operated in the same way as other revolving funds operated by the government?

You talked about moving it towards a revolving fund but would you see it eventually becoming a revolving fund like other revolving funds?

**Mr. Fingland:** I am only expressing my own view, but I could very definitely, from a personal standpoint, see it develop into a full scale revolving fund, yes.

**Mr. Penikett:** Until such time as full accountability and control is established, would it not be appropriate to expand the information in the schedule to the government's financial statements which provides a summary of the transactions in the road equipment replacement account to include a reconciliation of the account with the capital assets and accumulated depreciation appearing in the schedule of capital assets in the territorial accounts?

**Mr. Fingland:** I think subject to what Mr. Petankar might say, I would concur that I would certainly have no difficulty with it.

**Mr. Petankar:** We have already taken steps to include these things in the schedules beginning with the current fiscal year closing. Even in the previous years, and this is my understanding, such a breakdown has been given, not to the fine detail that was expected, but it has always been provided. We have instituted steps to isolate and separate these and give the full disclosure of all the transactions as well as the assets held and the depreciation factor.

**Mr. Penikett:** So this will be done for the year ending March 31, 1984?

**Mr. Petankar:** That is correct.

**Mr. Penikett:** Mr. Fingland, can I go back a little bit in time — and I cannot remember whether you were involved or not, but you may have been in one of your capacities — to the *Fourth Appropriation Act, 1971*, as amended. Did that law not establish the authority for this fund by way of a vote?

**Mr. Fingland:** I am recalling from memory. It has been a little while since I looked at that particular appropriation act. My view of the act was that it did establish the fund and provided authority for the fund but, because it was contained in an appropriation act, the authority expired at the end of that particular fiscal year.

**Mr. Penikett:** So it is an accepted practice to legislate through the estimates for this kind of thing?

**Mr. Fingland:** It was until I think it was again provided in appropriations in — open to question — maybe 1978 or so. And, in the meantime, in 1977 — that may have been the year of the appropriation — again it was contained in an appropriation act which expired at the end of that fiscal year. But, in 1977, there was a commissioner's order put through establishing the account as a revolving fund and that is what I was referring to earlier when I said by executive order. The fund was established outside of actual legislation. They were relying apparently on the general authority contained in the *Financial Administration Act* for the commissioner to make regulations which certainly seemed to me to be a rather awkward and difficult way of doing it.

**Mr. Penikett:** I am curious about this. Have you had reason to obtain a legal opinion on the lapsing of the legislative authority provided for by the *Fourth Appropriation Act, 1971*?

**Mr. Fingland:** Only oral advice. But, the oral advice that I have confirms my view that the authority expired at the end of those particular fiscal years.

**Mr. Penikett:** Let me ask other members of the committee if they have any supplementary questions on this subject. No?

One of the things I would like to ask is a follow-up question from the last report of the public accounts committee on the delegation of authority. I quote from page 24 of the Public Accounts Committee,

March 1983, "Delegation of authority is key financial control and the confusion which exists in the use of the current delegation is considerable concern to the committee". Are you satisfied that the new *Financial Administration Act* closes the circle on that concern that I guess we have all had for a number of years now?

**Mr. Fingland:** The act itself I hope, by itself, will not completely close the circle but it does certainly clarify the basis of the authority. What will close the circle, I hope, will be new contract regulations and new signing authority directives that will be issued under the act when the new act comes into effect.

**Mr. Penikett:** The problem that we identified, I think in the first year that we had a hearing of this committee, of lack of understanding, of financial officials in nine departments, of middle management people about their authorities and the extent to which it could be delegated to them and delegated by them does not exist in the same dimension at all in your view?

**Mr. Fingland:** There is still quite a considerable amount of, perhaps I should say, confusion and misunderstanding. Partly because of the new act, because the new directives have not yet been promulgated, but parallel to the introduction of the new act and regulations will be, I hope, a fairly systematic effort made, certainly by the Department of Finance, to train and educate the staff in the various departments. We are already proceeding to familiarize staff in the departments with the contents of the act and the various directives as they are prepared. This process is underway right now through the various committees that we have established.

**Mr. Penikett:** Can I ask you to hazard a guess as to what proportion or by what measure the confusion has been reduced? I do not necessarily mean by the new act, but over time since we first raised this question.

**Mr. Fingland:** I do not know whether I could actually quantify that, but I think that there is now certainly a much greater awareness of what is meant by the question of authorities. I think that there is an increasing awareness all the time on the part of the staff in the various departments that there must be some basic reference point for the authority that they exercise.

I think it is going to be a continuing problem; staff changes and turnover and so on. Particularly people at the working level are constantly in need of familiarization and the opportunity to become better aware of what it is they must comply with. So I would say at this stage that there is probably a greater awareness, perhaps, rather than a greater familiarity.

**Mr. Penikett:** You mentioned the legal advice that you had had about the lapsing authority under the 1971 act we referred to earlier. Where did that opinion come from? Can I ask you that?

**Mr. Fingland:** It came from our own Department of Justice.

**Mr. Penikett:** If no other members of the committee have any questions, could I ask you if you have any closing comment about the road equipment replacement account or road equipment revolving fund? It is going to take me a while to keep up with what it is called.

**Mr. Fingland:** I think that my only comment might be regret that we have not been able to devote as much time to it as we would have liked. This is always one of the difficulties with attempting to strive for perfection. I think, had we had the time available and had we perhaps taken another year or two to develop a new financial administration act, we might have been able to develop a full scale revolving fund. However, our objectives really were to primarily get a new act in place that would clarify so many of the things that were a very serious problem. The problem of definition, the problem of understanding. There was some things that we just simply had to roll over and capture as they were operating at the present time. So, I would like to express the view that I do not think the committee should feel that just because it has been rolled over and captured as it is running at the moment, that this was necessarily sort of the ideal or that the government would not, at some future time, attempt to improve upon it.

**Mr. Penikett:** Other comments, questions from members of the committee?

**Mr. Fingland, Mr. Patankar,** I would like to thank you for being with us this morning. The witnesses are excused. The committee

2:10

**PUBLIC ACCOUNTS COMMITTEE**

February 8, 1984

will now adjourn into executive session. Hearings will commence  
again tomorrow morning at 9:30 a.m.

*Committee adjourned at 11:30 a.m.*

**Yukon Legislative Assembly**

**PUBLIC ACCOUNTS COMMITTEE**

Thursday, February 9, 1984  
9:30 a.m.

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Issue No. 3 (Fifth Sitting)

25th Legislature

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## **Standing Committee on Public Accounts**

**Chairman:** Mr. Tony Penikett, M.L.A.

**Vice-Chairman:** Mr. Bill Brewster, M.L.A.

**Members:**

Mr. Maurice Byblow, M.L.A.

Mr. Al Falle, M.L.A.

Hon. Mrs. Bea Firth, M.L.A.

(Mr. Piers McDonald, M.L.A., substituted for Mr. Maurice Byblow throughout the hearings)

Ms Missy Follwell  
Clerk to Committee

**Expert Advisors from the Office of the Auditor General:**

Mr. Raymond Dubois, Deputy Auditor General

Mr. Harold Hayes, Principal

**Witnesses:**

**Public Service Commission**

Mr. Jean Besier, Public Service Commissioner

Ms Geri Walshe, Director, Compensation

Ms Dorothy Drummond, Manager, Employee Records & Pensions

Mr. Carey Conway, Manager, Training & Development

Ms Pat Cumming, Director, Recruitment & Labour Relations

## EVIDENCE

Thursday, February 9, 1984

**Mr. Penikett:** Meeting three of the Fifth Sitting, Formal Hearings of the Standing Committee on Public Accounts will come to order.

I would like to welcome, this morning, witnesses from the Public Service Commission. This will be the first department this year with which we will be doing what we call a major review, although the Public Service Commissioner may not feel it is that. I would like to welcome Mr. Jean Besier, Public Service Commissioner; Ms Geri Walshe, Director of Compensation; Ms Dorothy Drummond, Manager of Employee Records and Pensions; Mr. Carey Conway, Manager of Training and Development; and Ms Pat Cumming, Director of Recruitment & Labour Relations.

This morning, Mr. Brewster will be leading the inquiry for the committee. Could I ask you, Mr. Besier, if you have an opening statement for the committee?

**Mr. Besier:** No, I do not. I prepared a two or three page report, which I believe you have in your possession.

**Mr. Penikett:** It is the document entitled "Public Service Commission, 1982-83 Fiscal Year", and it is a summary of the events that occurred during that period in the Public Service Commission, and there are a couple of organization charts attached. Can we note that that document is tabled before the committee.

**Mr. Brewster:** If you people over there have a problem hearing me, I have trouble talking into these mechanical things, so please do not be scared to holler.

I noticed one of the major issues dealt with in the 1983 supplementary was your nine-day fortnight work week and the first question I would like to ask on that is: what was the anticipated savings to the government in implementing the nine-day fortnight?

**Mr. Besier:** I think it was approximately \$2 million.

**Mr. Brewster:** Was this the exact amount or was it close to this?

**Mr. Besier:** I do not have the exact figures. We did not cost it.

**Mr. Brewster:** We will go on now to collective bargaining. I have a few questions on that. Does the commission, as negotiators for collective bargaining, have clearly defined responsibilities, authority and accountability from the government in advance of negotiations? That is, is your mandate clearly defined?

**Mr. Besier:** Yes. The Public Service Commission obtains its mandate from what used to be the Sub-committee on Finance but now is Management Board, which is considerably restructured. That is where we provide our input and that is where we obtain our mandate. That mandate is then given to the person who conducts the bargaining on behalf of the government.

**Mr. Brewster:** Does the commission identify major issues for both the unions and management in developing the collective bargaining strategy and contract language prior to starting negotiations?

**Mr. Besier:** The Public Service Commission obtains input from all government departments as to the type of things they wish to see removed from or placed into a negotiated collective agreement. We do not know what the union stand is, of course, until such time as we meet to exchange proposals. That does effect what, eventually, our mandate is, but we try to anticipate what some of the union demands may well be.

**Mr. Brewster:** Are the costs of operating and administrative implications of union demands identified and strategy developed for dealing with them evaluated?

**Mr. Besier:** Yes, the compensation unit costs and the union demands. Then, we develop a strategy as to how we can accommodate those within our mandate.

**Mr. Brewster:** Does the commission have a clear mandate to negotiate monetary provisions and contract language prior to commencement of negotiations?

**Mr. Besier:** Essentially, monetary provisions only. On contract language we normally make a set of recommendations. They become part of the mandate, but we in fact make the recommendations on those.

**Mr. Brewster:** Are the union and management proposals and

counter-proposals evaluated in terms of their potential operational and financial impact prior to final agreement?

**Mr. Besier:** Possibly.

**Mr. Penikett:** On that point, is that by yourself or by finance? You indicated earlier that the anticipated savings for the nine-day fortnight, for example, was \$2 million but that you had no idea of the actual saving.

**Mr. Besier:** The reason for that is that while the nine-day fortnight was in effect, modifications were made in terms of the number of people who had to be exempted from the nine-day fortnight, because of our operational reasons. So, I have no idea what the final saving was.

To follow up on your question in terms of the costing of potential collective agreements, that is done within the Public Service Commission.

**Mr. Brewster:** We shall now go on to the O&M, 1982-83, on page 179. Do the highlight comments relate to the 1981-82 fiscal year, your comment right on the bottom of page 179?

**Mr. Besier:** You are referring to the major achievement in the fiscal year or the increase in significant number of classes and so on in the management classification plan?

**Mr. Brewster:** Yes, at the bottom of the page 179. Are the highlight comments related to the 1981-82 fiscal year?

**Mr. Besier:** The management plan was established and I think it now includes approximately 120 positions. The plan is fully operational. Modifications are being made to it, mainly in terms of fine tuning. The computer payroll package is called the MSA payroll package, which, I believe, the members of the House have heard about for a number of sessions. We have, over the last six to seven months gained additional access to information on that payroll package, but it has to be understood that it is, essentially, a payroll package, not a personnel package. Therefore, it certainly does not meet anywhere near all our needs for data. I have just had approved by management board some funding for this coming fiscal year to refine applications for the Public Service Commission and contemplate the purchase of a personnel package, which ties into the MSA payroll package. We need a lot more back-up on data; we are, however, obtaining more.

There was a reference there to a slight increase in appointments from outside the territory. That is right. There were a number of people in the Department of Finance who had been hired. That particular year, there was a fairly significant turnover. In 1982-83, a considerable amount of our turnover in requiring outside hires was in the Department of Government Services, both replacement of and expansion of computer personnel. This year, we have been hit hard with a significant turnover in social workers.

**Mr. Brewster:** I notice, in the 1982-83, you had a decrease of \$103,000 and yet, according to this, there was extra personnel brought into the department.

**Mr. Besier:** No. You mean extra personnel brought into the department during the 1982-83 fiscal year?

**Mr. Brewster:** Actually, what I am trying to find out is if the 90 positions you had were brought in in the 1981-82 fiscal year?

**Mr. Besier:** That was a classification of existing positions. These people were identified in an overall classification. A separate classification plan was established for management personnel and those people were so classified. It had nothing to do with improvement or turnover or people brought into the service.

**Mr. Brewster:** Could you explain a little to the committee what the new management classification pay plan is?

**Mr. Besier:** I can hardly wait.

**Mr. Penikett:** For the purposes of *Hansard*, could you identify any of the staff you are referring questions to.

**Mr. Besier:** I will ask Geri Walshe, director of the compensation unit to supply the answer. She is the creator of the plan.

**Ms Walshe:** Prior to the implementation of the management plan, what we basically had was approximately 120 different, so-called classes, which were very specific to the functions carried out in a particular position. So, for example, we had a class director of highways, we had a class director of recruitment, we had a class director of compensation, director of budgets, and so on.

Each particular job, in effect, was allocated to a separate class.

What we tried to do in the management plan was to develop an evaluation system which would bring all of these different classes into basically one class, family or group. The advantages of this are that it permits us to promptly evaluate and put in a proper hierarchy or order these various types of managerial jobs in the government.

What we have, at the moment, is two groups within the management plan. One is called the program manager group. The positions allocated to that group are positions whose prime responsibility is the management of human financial material resources. There is a second group called the program officer group. The positions allocated to that group are mainly responsible for senior consultation to government, policy development; that more nebulous area. They are less responsible for management in the traditional sense of the word.

**Mr. Brewster:** Who would be mainly responsible for the administration of this plan?

**Ms Walshe:** My branch is responsible for the administration of the plan.

**Mr. Brewster:** Could you tell us how many levels and pay scales are covered by the plan?

**Ms Walshe:** Seven. The program manager group and the program officer group each has seven levels within them, but the pay ranges for levels within those two groups are identical, so PO1 equals PM1, and so on.

**Mr. Brewster:** I would presume that your department would determine the duties and responsibilities for each level of this plan.

**Ms Walshe:** We define the factors that are used in the plan. We define how those factors were weighted and so we do not define the duties in a particular position, obviously.

**Mr. Brewster:** Are the duties and responsibilities for each level and pay scale compared with comparable positions in other jurisdictions outside?

**Ms Walshe:** They have not been to date. When that plan was established — and I think this is frequently the case with management positions, managerial classes. Therefore, they pay, frequently, a function of what is above them and what is below them, which is fairly much settled in the case of the Yukon government. The deputy ministers had been reviewed, I believe, a year or two years before the management plan was introduced. Those salaries were based, to a degree, on market surveys.

So, that provided the ceiling for managerial salaries. The bargaining unit, which are salaries, which are arrived at through negotiations each year, in effect, provided the floor. What we had to play around with was what was in the middle. So, no, they are not based upon market surveys.

**Mr. Brewster:** Are they subject to periodic review?

**Ms Walshe:** Yes, they are. They are reviewed once a year, in the spring. At that time, we normally do select a number of benchmark marks from the management plan and compare those positions with similar positions in other jurisdictions.

**Mr. Brewster:** Could the committee be provided with a copy of the levels in the plan and salary ranges in each level?

**Ms Walshe:** Absolutely.

**Mr. McDonald:** Regarding the seven classifications in the two groups, was the cost of management of both groups, after the plan was introduced, increased or decreased? Can you elaborate on whether or not job classifications were red-circled or were there any great increases in wages, et cetera.

**Ms Walshe:** As you are probably aware, whenever you introduce a new job evaluation system there is normally some cost involved. In the case of the introduction of the management plan, we devised a set of what we call conversion criteria, which permitted us to keep the cost to minimum. It was under a 0.5 percent increase in annual payroll expenditures for that group.

There were two positions that were negatively affected by the implementation, but part of the conversion "agreement" was that people who were in positions that were negatively affected by the conversion would not be red-circled in the traditional sense of the word, but their pay would be safeguarded for the duration of the time that they were in that position. There were only one or two positions out of the 120 that fell into that group.

**Mr. McDonald:** Did the top and bottom classification in each

plan correspond, roughly, to the top and bottom salary under the old pay schedules?

**Ms Walshe:** The bottom, I believe, did. I think the top went up slightly, in terms of potential. I am talking about the top of the higher salary range was somewhat higher than the top of the old salary range.

**Mr. Besier:** You will have to appreciate, that that was the PM category, PM1, for instance, of which we now have a grand total of two people in the whole service, ADMs. I think, at that time, we had one, so it, in effect, became a non issue.

**Mr. McDonald:** Did you calculate, then, the cost of implementation? You suggested there was a slight increase, did you calculate this cost and can you identify that in dollars.

**Ms Walshe:** In terms of dollars?

**Mr. McDonald:** In terms of dollars, cost, overall cost of implementing the plan.

**Ms Walshe:** I do not have that with me, but we can certainly identify that for you. It was identified at the time. In fact, as in most pay plan development, the cost is one of the factors that was taken into consideration before establishing the pay rates, so we tested various models to establish which was going to have the least debilitating effect on the staff who were presently there and would involve the least expenditures.

**Mr. Brewster:** We will now go on to page 180 of the expenditure summary.

I notice under the 1981-82 heading showing actual, should this not be projected, since the actual would not be known at the time of preparing the 1982-83 estimates?

**Mr. Besier:** Are you referring to the second column, the 1981-82 actual?

**Mr. Brewster:** Yes.

**Mr. Besier:** My understanding is that they were known. If you recall, 1982-83 was the budget year in which there was also an election. The tentative budget for 1982-83 was prepared in the Fall of 1981. The House sat in the Spring of 1982 and — I think my memory is correct — an election was called. The budget was redone and then submitted in the Fall Session of 1982. I assume the 1981-82 figures were in fact available.

**Mr. Penikett:** We did not adopt a budget until Fall.

**Mr. Besier:** That is correct. So I assume that actual is correct.

**Mr. Brewster:** On page 183, in reference to a safety security program, the level of funding for 1982-83 shows a decrease of \$68,000, on page 182. Is this because of the transfer of the safety and security program to Government Services?

**Mr. Besier:** You are referring to page 182.

**Mr. Brewster:** Yes. The safety security program.

**Mr. Penikett:** No, page 183, there is an explanation of the transfer.

**Mr. Besier:** It was transferred from the Public Service Commission in the 1981-82 fiscal year. I cannot recall exactly when. I believe that was the reason for the reduction, and the money was transferred.

**Mr. Brewster:** Would it not have been more meaningful to have explained this transfer as a result of the reduction of this cost, if this money was transferred to another department? In your budget, would it not have been reasonable to explain that?

**Mr. Besier:** To the best of my knowledge, the explanations that are provided here are provided under the direction of the Department of Finance. I do not know whether it was provided in the detail or not. I can verify that for you when I have checked it out.

**Mr. Brewster:** Under Recruitment Labour Relations, page 184 and 185, there is a reference to the YTPSA of \$23,000 and the YTA of \$1,000.

**Mr. Besier:** Are you referring to the increase from the 1981-82 actual and 1982-83 estimates?

**Mr. Brewster:** Yes.

**Mr. Besier:** Let me refer to the Territorial Accounts, if I may, because I believe the actual for 1982-83 turned out to be somewhat less even though we did, at one stage, request another \$7,000 for supplementary.

If you will recall the 1982-83 fiscal year, there was a prolonged set of negotiations. It was a year that included a withdrawal from

the table, a charge of bad faith bargaining, a full-scale inquiry into the bad faith bargaining, all of which had to be paid for by the Public Service Commission. There was a subsequent conciliation board hearing and, finally, a settlement. So, I think that was the reason for the increase in cost.

Just in case the members of the committee do not know, any costs associated with labour relations issues, the Public Service Commission provides. In other words, if there is an adjudication case, an arbitration case, in this case, bad faith bargaining, conciliation hearing, conciliators imported; we pay the whole shot except for the union representative.

**Mr. Brewster:** Also related to labour relations' statistics, does the department accumulate statistics as to the number of grievances, complaints, investigations, et cetera?

**Mr. Besier:** Yes, we do. They are noted on page 61 of the Territorial Accounts for that year.

**Mr. Brewster:** On page 185, recruitment statistics; appointments outside public service casuals, including contracts. Are all the hirings of casuals, including contract employees done by the PSC? That is, authority to hire has not been delegated to other government departments?

**Mr. Besier:** As a matter of fact, a couple of the larger operational departments do have delegated hiring authority. The main users are the Department of Highways and Transportation, for their crews outside of Whitehorse; the Department of Renewable Resources, for the campground people, and so on; and tourism, I think, for the tourism and information centres and some of their developmental personnel.

That is done under guidelines from the Public Service Commission. We get a documentation after the fact, but they do hire on the spot and it is mainly for operational efficiency. It would not pay for them to have to go through us.

**Mr. McDonald:** Just return briefly to recruitment and labour relations, per se, and to the labour relations statistics that you mentioned were on page 61 of Territorial Accounts. You mention that you do keep them and they are, obviously, here. Could this information be provided as reference points to projections for 1982-83, the same as was done for recruitment?

**Mr. Besier:** You mean in the compilation of the estimates?

**Mr. Penikett:** As estimates information.

**Mr. Besier:** I am not sure whether it was or was not, as a matter of fact. On page 185 of the main estimates for 1982-83 there is information there that states a number of employee grievances or complaints investigated. In other words, it is duplicated as a guesstimate. The only one that was not available — well, the 1981-82 were available — but the 1982-83 actual, as you see, differentiate in the Territorial Accounts between the estimate, on page 61, and what took place. In other words, there was an increase in the first category and a decrease in the second category of what we had anticipated.

**Mr. Penikett:** Over time, you will have the estimate, you will have a projection and you will the actual for the last year, for which you have final figures.

**Mr. Besier:** Correct.

**Mr. Brewster:** As I understand it, you say that some departments have their own personnel officers. Is this correct?

**Mr. Besier:** Not really. First of all, all departments have what they call departmental administrators whose main functions are to handle the department's finances and personnel matters. In some of the larger departments, they have the subordinate position or positions as personnel clerks, basically clerical positions, to maintain leave records or handle some of the documentation pertaining to casual employees that they hire, yes. They are not personnel officers, per se, and they are not under the jurisdiction of the Public Service Commission.

**Mr. Brewster:** Does the commission know what it costs to hire a permanent and a casual employee?

**Mr. Besier:** It depends entirely on the level of the position; it depends on the area of recruitment. Casual positions, I can tell you, are essentially hired in the communities in which they reside, although some roving crews are hired out of, for instance, Whitehorse to gallop up and down the highway. Casuals, in most

cases, we get a reference from the Canada Employment Centre, so there is no cost to us in that regard. In other cases, applications are taken directly by the department of Highways and Transportation and Renewable Resources.

So, it is whatever the time element is of that personnel clerk who has trained them and whatever managerial time is involved in interviewing. I have absolutely no way of knowing what percentage that is of their work.

**Mr. Brewster:** Would you not think that this might be useful information to include in the estimates or do you feel you just cannot get this information?

**Mr. Besier:** I think it would be extremely difficult to get because I think you would have to find a tremendous amount of fragmentation of a person's workday as to what amount of time they spent on a particular activity. I am not sure it would be very productive.

**Mr. Brewster:** Advertised competitions. How much does the commission spend on advertising?

**Mr. Besier:** I would have to go back to the estimates. Maybe I can go through the detail for a moment, if you do not mind waiting Mr. Brewster. In 1982-83, we showed \$125,000.

**Mr. Brewster:** What does this cost in relation to the number of positions filled through the advertisement?

**Mr. Besier:** Again, you will find — I forget where — that we ran something like 165 or so advertised competitions. They may be for multiple positions. In other words, more than one position may be hired on the same competition. In some cases, we have to readvertise because we were unsuccessful in the first run. The majority are advertised locally only and, I would say, the average cost of local advertised competitions is roughly \$100, \$150. Sometimes as high as \$300, depending how many times we run the ad and how extensive the ad is.

As for outside of the territory, it would run as high as \$500 to \$600 in the *Vancouver Sun and Province*, and certainly that high in the *Globe and Mail*; considerably less in the *Saskatoon Star Phoenix*.

**Mr. Brewster:** People like myself, sitting in the House, find information like that is very useful to us, if it could be put in the estimates, because, quite frankly, we do not have a clue what it costs to bring these people in or out.

**Mr. Besier:** I can give you some information about people who we have hired outside the territory and I have it available here. Would you like to know?

**Mr. Brewster:** Could that be filed?

**Mr. Penikett:** Is that a document that would be easier to file, or is that just something that you wanted to read into the record.

**Mr. Besier:** No, it is a list compiled by one of our staff members.

Of course, again, you have to appreciate the costs involved with this are entirely dependent upon the place where the individual is hired from, the size of family, the kind of effects they bring with them; we have limits on the kind of removal that can take place.

We have costs here, and it excludes advertising but does include, in some cases, house-hunting trips, the actual cost of the removal of personal household effects, the expense of travelling into the territory from the place of residence, interim accommodation. They, quite frankly, vary anywhere from \$12,500 to \$1,400.

I can tell you, as well, that the average costs of the moves were approximated, in that year, at \$6,800 per move.

The locations vary from Alberta, BC, Saskatchewan locations to as far abroad as — I think Ottawa is the furthest east we went, in that particular year.

We also have some moves from inside the territory, four, to be specific, and even they ran to \$4,900, average, each.

**Mr. Penikett:** That was from Riverdale to downtown?

**Mr. Besier:** No, I think it was a bit further than that, maybe Macrae. No, Watson Lake to Whitehorse and Dawson City to Haines Junction and I forget the other one.

**Mr. Brewster:** In-service appointments, promotions and transfers, does the commission know what it costs to make these appointments?

**Mr. Besier:** Only in the total figures, not per competition.



Transfers, in many cases, and promotions only involve staff time to the extent that the request is originated by the department. In a case of transfers, we ensure that it does not appear to disadvantage other people who may be interested in such a transfer and then we effect it.

**Mr. Penikett:** Does cost ever impact on a personnel decision like that? Do you have to weigh a choice between a promotion or a transfer or some other in the range of options you have? To what extent does cost weigh on the option?

**Mr. Besier:** It is not a consideration that we effect very heavily. Most of the transfers, for instance, are mainly in the Department of Highways and Public Works and they have an ability to use some of their own equipment and trucks to remove the individual's personal effects and keep the cost down to a minimum. It is mainly done because of, in their case, the location that the individual is needed in, what particular skills, or it would cost them money to bring the individual in.

When there is promotion, basically, those are all within government and do not require a transfer in work location. There are some exceptions to that, but the majority are not. That is strictly a case of posting it and allowing an appeal period. So, basically, personnel costs are in terms of time, as opposed to actual advertising or removal and these kinds of thing.

**Mr. Penikett:** I do not want to get off Mr. Brewster's topic, but just let me push you on this a second. Is it ever an issue, or could it be an issue in trying to make such a personnel decision, that you would weigh the costs between promoting someone who would be marginally qualified and bringing in from outside, at some considerable cost, someone who was extremely well qualified?

**Mr. Besier:** No, the cost is not a factor. The certification of the candidate is, as far as personnel is concerned. In other words, we are trying to hire the best qualified person. By the same token, we are trying to provide career opportunities for the people who we have here.

Essentially, what it is is if the employing department recommends a promotion, which is done by exemption. There are two categories of promotion: one is exemption, which is posted. We evaluate the request and evaluate the candidates' qualifications. We then look at the hiring department's unit in which the promotion is to take place and make sure that other people are not being disadvantaged who could qualify. If we find out that that could be the case, we insist that they run a competition. If we feel that is not the case, then we post the name of the successful candidate with a two week appeal period. To the best of my knowledge, we have never had an appeal yet, certainly not a successful one.

Other promotions take place as a result of advertised competitions. People from within the service apply and are promoted. Cost is not really taken into account: what is taken into account is that the hiring department had better be able to justify why we should hire somebody from outside of the territory, as opposed to being able to promote locally.

**Mr. Brewster:** Of the requests for referral from the Canada Employment Centre, how many translated into appointments to the Public Service?

**Mr. Besier:** I will have to refer this question to Ms Cumming and I am not sure that she knows.

I think it is fair to say that if you see the 1982-83 actual, where the requests for referrals from the Canada Employment Centre entry level, were 218, I would presume that they result in that many appointments — or most of that many.

In other words, they do not refer unless Canada Manpower Centre has done a screening and find that they have candidates who they deem to be qualified. In those instances, and those are all entry level positions, they do the screening, the candidates are referred directly to the hiring department, which then conducts interviews and, if they find someone who they find qualified, they make a recommendation to the commission, which then does a paper audit and determines whether we can substantiate the offer of employment. We then issue the offer, but in none of those cases does staff of the Public Service Commission conduct the interviews.

**Mr. Falle:** You mention interviews. I would like to know the process that you go through, please.

**Mr. Besier:** I assume we are dealing, basically, with advertised competitions. What happens is that we get a recruitment action request from the department, a vacancy notice, if you wish, which describes the job and identifies the position.

■ We ensure that it is vacant, that somebody has resigned from it and then we determine the area of competition. In other words, should it be advertised only in the community in which the vacancy occurs. Well, first of all, should it be advertised within service or within the department only, within Yukon or within mainly western Canada, although sometimes we go across Canada.

We compile the advertisement, we check it with the hiring department, the persons responsible for that competition in that hiring department; we run the ad; we, in the PSC, obtain the applications and reply to them and seek additional information, in some cases — in a number of cases, as a matter of fact. We eliminate applications as they come in if they do not appear to meet the qualifications that we seek. In many cases, there are no deadlines, incidentally, especially ones that are advertised outside the territory.

When it appears that the applications have stopped arriving, the personnel officer who handles the competition short lists the candidates on the basis of the paper submitted by the candidates. The personnel officer then discusses that short list with the individual in the hiring department; an agreement is reached, reference checks are conducted; people are brought in for interviews.

The role of the officer in the Public Service Commission is, in many cases, to chair the interview panel and to certify or not certify candidates. The hiring department can pick from the list of certified candidates and we do not interfere with that choice unless it appears they are picking someone who, in our fairly subjective opinion, is certified, but only marginally so, and they are rejecting far better qualified candidates because our answer is that you cannot defend that kind of a choice.

If the Public Service Commission officer refuses to certify a candidate on the basis that that individual is not qualified, does not meet the base criteria for the job, then the department cannot choose that individual for appointment.

**Mr. Falle:** Who does the interview and who, in the department — I do not want names. What I am asking is does the department have any input into who the candidates may be after they are short listed?

**Mr. Besier:** You mean candidates for interview?

**Mr. Falle:** Yes.

**Mr. Besier:** A short list is first compiled in the Public Service Commission by the officer in the commission to whom the competition has been entrusted, but then that person meets with the individual in the hiring department who is going to be the departmental representative on the hiring panel. Then, a final short list is arrived at.

**Mr. Falle:** I would like to know who sets the standards of the qualifications for the hiring. Is it the department or is it the public service.

**Mr. Besier:** What happens is that each position is classified and has a classification standard and a job description, which, in fact, set out the qualifications required for the position. Those are reflected in a recruitment action request. We do not have selection standards, per se, because we use the classification standards. The person has to have the academic credentials and experience directly related to the position assignment, in order to be certifiable, and personal suitability is a factor.

**Mr. Falle:** You are referring to "we". I take it you are referring to the commission.

I am just noticing some of the standards that are coming out in the papers for jobs. Basically, they seem to be extremely high. You pretty near need a degree in psychology to talk to somebody. I just was wondering if these are the standards and if the department has any input in what kind of standards they are requiring.

**Mr. Besier:** Yes. Some of the major hassles that occur are between people in the Civil Service Commission and the hiring departments.

Some of the hiring departments, I think it is fair to say, would

like 35-year-old people with a PhD and 35 years of experience. You will find, in many cases, that the Public Service Commission's officers are saying, "Your standards are too high. This is crazy". The fact is that the standards are initially set by the department because they do the job descriptions stating what the jobs consist of and what qualifications are required for that position. The job is then classified by the compensation unit in the Public Service Commission and the actual status required to perform that work is determined by the Public Service Commission.

"I should hasten to add, by the way, that we are about to contemplate — in fact, we are about to let — an offer to a consultant to completely overhaul the bargaining unit classification plan to make the plan far more flexible, in our opinion, and that will enhance people with more marginal qualifications to be hired and to be moved throughout the system.

**Mr. Falle:** I am looking toward preferential hiring toward native people. I was wondering how we get around our qualifications and standards. There are lots of native people who do not meet the standards that we are asking for, and yet we do want them hired and they can play a significant role in the department. I would like to know if there are any standards or any move that you have afoot to be able to accept more native people in the Public Service Commission.

**Mr. Besier:** The terms of reference that have been provided to the consulting firms bidding on the to-be revised or newly developed classification plan do include points for affirmative action.

**Mr. Penikett:** But you have no affirmative action plans, as of this date, do you?

**Mr. Besier:** Very marginal, I would say. We participate in both the Northern Careers plan and DIAND on-the-job training scheme, which deals with native people specifically.

**Mr. Penikett:** To what extent?

**Mr. Besier:** Not a great extent. I have to tell you, though, that, in many cases, candidates who would be suitable for employment in the organization are snapped up by the Indian organizations, who want them themselves. We are all fighting for the same bodies.

**Mr. Penikett:** Before we go back to Mr. McDonald, who has a long series of questions for you, can I just pick up a little bit — without exercising even a degree in psychology — I wanted to ask you about the casuals.

I am sure you will have spent many hours studying the transcripts of the Public Accounts Committee over the past years, prior to coming here, and you will be aware that the question of delegation of authority is something that we have wrestled with from time to time, particularly with respect to financial matters.

I want to talk about the casuals, particularly. You made reference to highways and tourism and so forth, the casuals. With the delegation of authority from the commission to the line departments, who establishes the guidelines for the hiring of casuals in those departments.

**Mr. Besier:** The Public Service Commission.

**Mr. Penikett:** So you do. Basically, the commission does.

**Mr. Besier:** Correct.

**Mr. Penikett:** What would the guidelines cover?

**Ms Cumming:** The guidelines would cover the same procedures that you have in the hiring of a permanent position. We expect the hiring department to be looking at the same things, considering the merits. So, we expect the hiring department to be doing the things with the same standard as the Public Service Commission would be doing them.

**Mr. Penikett:** Do they include pay rates?

**Ms Cumming:** The casuals have a classification plan and that includes pay rates, yes.

**Mr. Penikett:** Does the commission monitor the departments with delegated authority to see how they have discharged their responsibilities and, in fact, are meeting the standards that you talked about?

**Ms Cumming:** Not as often as we should. We have talked about it quite recently that we have some concerns in that area. We do intend to initiate an audit process.

**Mr. Besier:** The manner by which casuals are hired are all

defined in the policy manual, incidently, which I assume you have access to. It deals with the terms and conditions of casuals; states out how they are hired, how they are paid. When Ms Cumming talks about the special rates of pay, there are, indeed, categories of casuals that have special rates of pay, but the vast majority are paid in the normal, regularly established rates of pay — labourers, heavy equipment operators, and so on, where the vast majority are employed.

**Mr. Penikett:** In a minute I would like to ask a more specific question about the audit that you are talking about there.

I would like to throw out what I am absolutely sure is a hypothetical situation, but the kind of situation that is alleged to exist some times in the territory by some terrible rumour-mongers: that it is possible for someone — perhaps, a foreman or a superintendent in a line department, highways, for example — to hire for a crew casuals who may have some special association with that foreman, maybe family members or so forth. Is it possible for such a situation to occur under your guidelines?

**Mr. Besier:** Yes. It should not, it is not allowed. Again, the area of nepotism is clearly defined in the policy manual, but there is the possibility of a supervisor hiring someone who is an indirect relative, if you wish, maybe a son-in-law or daughter-in-law with a different surname. We might not know.

**Mr. Penikett:** It does not necessarily concern me, say, about nepotism. It could be whether they were all hiring Shiite Moslems, or something, but it is possible to do that and the monitoring, at this point, is not effective enough to be able to pick up on any abuses in that system.

**Mr. Besier:** First of all, in the example you use, we do not ask what people's religious preferences are. Secondly, we have had allegations of preferential treatment and the moment we get them we investigate them and, in many cases, they are unsubstantiated.

Quite frankly, most of the allegations, if they focus on anything, are normally the kind of a general statement that is made that, well, it all depends on who you know. I suppose it is human nature that if you are going to hire a number of casuals and you are the foreman of a highway camp in a particular area, you will know in that location who you consider to be good workers and not good workers and you will hire the good workers, but I could not swear that one of them could not be his cousin.

**Mr. Penikett:** Could you elaborate a little bit further on the audit that you intend to implement?

**Ms Cumming:** What we would like to do is have sort of a contract established with each department for delegation of hire, which we have started doing in the last year. They would sign a document saying that they would apply the *Public Service Commission Act* in any policy, so that the hiring department would sign the contract with the Public Service Commission that they would be doing it. We will set up procedures that they have to have competition files for each competition so that we could go in and go through each hire, so we know exactly what happened; the number of people who applied and, eventually, who was hired. We could trace back over their process.

**Mr. Penikett:** Has that not been developed now?

**Ms Cumming:** We have started it; we have not quite finished it. We started it in the Department of Education. They now have the apprenticeship program that they are hiring apprentices on and we have started it with that department. We intend to do it with the other ones.

**Mr. Penikett:** Would it be possible, when it is ready, to get a copy of that document?

**Mr. Besier:** Sure. I should point out, however, that if you take a look at the number of casuals that we crank through in a year, a lot of whom only work for two or three days, then you could set up a huge bureaucracy just to monitor this. I would really have to wonder about how cost effective it is.

**Mr. Penikett:** A fair point.

What, if any, penalties would you contemplate or could you effect for a breach of such a contractual arrangement?

**Mr. Besier:** Withdrawal of the delegation authority.

**Mr. Brewster:** As I think most people know, I am very interested in the young people of Yukon. We bring these people up

in Yukon, we educate them, we give them a large amount of money to go out to universities and yet, when they come back — the taxpayers of Yukon have invested a great deal of money in them — they are not given any preference on jobs. Before you answer, I would like to go a little further. With the Public Service Commission of Canada, if I go in for a job, I immediately get one point because I am a war veteran, yet I realize you are under terms of references. Has there ever been any consideration of people born and raised in Yukon, who we pay to go out to university, when they come back, of getting a point or two ahead of somebody else we bring in.

**Mr. Besier:** First of all, we do not have a point rating system such as you referred to. What happens — and, quite frankly, I was fairly instrumental in making it happen when I was in charge of recruitment — is that the Yukon students in receipt of post-secondary educational grants from the Department of Education were given hiring preference for summer jobs over others. However, we did try to maintain a fair balance between people who were applying for a seasonal job, living permanently in the communities, and the students who were living in those communities because, of course, we started getting a reverse criticism of individuals who say, "You are sending this kid out to school, you are paying his way to go out to school. I am living in Haines Junction, I am bringing up a family and he gets the job and I do not". I am sure you have heard that rumour.

So, we try to run a kind of 50-50 mix. There is, however, no guarantee stated or implied that, once they graduate and if they come back into Yukon — and, in many cases, they do not — that they would get hire preference over other residents of Yukon.

**Mr. Brewster:** Just to carry that a little further, then, our terms of hire must be more severe than the Public Service of Canada?

**Mr. Besier:** I would say so. I think, in all fairness, that, perhaps, the Public Service of Canada and I had some discussions with my peers at that level and, if you will pardon the expression, that service has "bastardized" the merit system that they claim to uphold. It is very difficult, in some cases, to include certain types of affirmative action goals if you try to apply the merit principle at the same time. You either hire the best candidate or you do not and you had better be upfront about it.

If you want to set up a point-rating system, of course, of giving credit for certain things, you may very well come out off.

**Mr. Penikett:** I suspect that all of us on this committee have a number of questions of this kind that they may want to get to. I wonder if we could complete the more formal, if you like, and polite questions that Mr. McDonald might have and then get back to this more interesting subject later.

**Mr. McDonald:** Yes, I do have a few formal, polite questions, as well as others.

Perhaps I could direct your attention back to page 186, employee records and pensions, and then refer you to the next page, statistics. I have a few technical questions here, which I will ask briefly. Would you please explain for us what it meant by pay rate adjustments?

**Mr. Besier:** Any time that a collective agreement is concluded and pay rates are changed, any time that somebody achieves a merit increase — say, a general increase, a merit increase, management increases — anytime there is an adjustment. It could be a difference in, I think, income tax deductions. It could be the pay range adjustment; it could refer, also, to a change in income tax deductions due to an increase in dependents. Or is that reflected in the document transfers?

**Ms Drummond:** Under the old system it used to be. Under the new system we no longer have to interfere with it for income tax purposes.

**Mr. Besier:** Essentially, it is pay range changes we go through as a result of collective bargaining and general increases and merit increases.

**Mr. McDonald:** What would account for fluctuations on pay rate adjustments from year to year? In this particular case it is 15 percent?

**Mr. Besier:** Perhaps what we should do is take a look at the 1982-83 actual, if there is even anything provided, because it is a

guesstimate. Quite frankly, I do not have a great deal of faith in these statistics and I think it is basically because we are guessing, at any one time, what kind of a volume we are going to have. The volume is not determined by us, it is determined by all the sources outside of the commission: new projects that are taken on, turn-over in staff, a lot of things we have no control over.

**Mr. McDonald:** But you do have enough information that would allow to project a 15 percent change?

**Mr. Besier:** The figure would be lower if we happen to be in a two year collective agreement in that particular fiscal year and there were no collective bargain negotiations. There may be fewer pay changes going through because, sometimes, what happens is that we have to initiate both a pay change with a general increase and initiate another pay change for a retroactive increase, so it would show up twice.

**Mr. McDonald:** I think I can understand. For the two year collective agreement, if the term was lessened, then, of course, perhaps pay rate adjustments, perhaps document transactions for a period might be lessened, as well.

In this particular case, you see an increase of 15 percent, which would leave someone to speculate that you had enough technical information to suggest that the 15 percent was justified.

**Mr. Besier:** I think it is mainly based upon the fact that we, through experience, have found that there has been a general increase of a certain percentage, depending upon how the economy looks at the present time, whether we expect more turnover. That is a guesstimate.

**Mr. McDonald:** Would it be proper to suggest that the guesstimate is around 15 percent per budgetary year?

**Mr. Besier:** For that year: I do not know what it is for this year.

**Mr. McDonald:** Do not pay rate adjustments result in document transactions, or are they treated as a separate transaction? You have document transactions, as a first line item on page 187; you have pay rate adjustments as a second. Do pay rate adjustments result in a document transaction? Are they treated separate?

**Ms Drummond:** I think, probably, in the statistics to which you refer, in that particular year we had a management general salary increase on the first of January; there was a COLA increase on the first of February, which encompassed all employees; there was a general salary increase, with regards to bargaining unit employees, effective the first of April; we then had the nine day fortnight conversion. So, all those transactions were over and above what we normally have to deal with.

When we are talking about those kinds of statistics, we are talking about government employees on a whole and then they all have to be changed.

**Mr. McDonald:** Referring back to my previous question, that might account for a 15 percent change in this case.

To the question that I just asked, then, do pay rate adjustments result in document transactions? Is there something in the statistics here? What I am trying to do is get a handle on the meaningfulness of these statistics and how they relate to each other.

**Ms Drummond:** The rate adjustments, as we have defined them there, are based on the general salary increases and those kind of adjustments that are just strictly pay. The other transactions are where an employee has a change in dependants, a change in address, a change in marital status. Whatever actually happens to that individual that effects the master file, then that is a change onto the system and there has to be a document transaction.

We also have to document with regards to all federal benefits that the federal employees are entitled to and that generates another document. So, they are separate entities there.

**Mr. McDonald:** I anticipate a change in this particular case. It is a 25 cent change here; I think 25 percent change might be appropriate. Would that be the result of the reasons you suggested before, for pay rate adjustments?

**Ms Drummond:** I think it was an estimate based on the jobs that we were doing in that particular year. I had gone back and looked at what had happened the previous year and knew the things that would probably happen in a year following.

We also have things like clothing subsidies, Yukon bonuses and all those. They all generate a document transaction.



**Mr. McDonald:** Is the 25 percent change a normal change in document transactions over the year, or can we anticipate 25 percent changes regularly?

**Ms Drummond:** I do not think it would happen regularly, simply because we have a new computer system whereby the system generates a lot of documentation itself. It could end up with a reduction.

**Mr. McDonald:** Was the new computer system introduced after the year in review?

**Ms Drummond:** Yes.

**Mr. McDonald:** Can you briefly tell me whether or not you cost each document transaction, pay rate adjustment, telephone calls?

**Ms Drummond:** There is far too much volume going through to be able cost an individual transaction.

**Mr. McDonald:** So, obviously, you would not think that useful information for this list if you do not keep it.

**Mr. Besier:** I have the 1983-84 range in front of me and it shows things like document transactions and the interview, telephone calls, things and a reduction between the 1982-83 forecast and the 1983-84 forecast. We have never, in those particular items, an actual. In other words, Territorial Accounts does not reflect actuals in those things, no.

**Mr. Penikett:** We will take a 10 minute recess now for coffee and return here at 10:40 and continue to our adjournment. Witnesses stand excused.

#### *Recess*

**Mr. Penikett:** Committee will come to order. We are with the Public Service Commission.

**Mr. Falle:** Mr. Besier, I am like you in that I have very little faith in statistics. I would like to know, right now, if you people have a record of the number of permanent employees presently on staff?

**Mr. Besier:** Yes, though I do not have it with me. It varies, of course, from day to day. The number of permanent positions is reasonably static, but the number of permanent people in the service...

**Mr. Falle:** In other words, the amount of people who are hired, presently. Part-time, full-time, contract and administrative are basically the figures I would like.

**Mr. Besier:** I am sorry, I do not know what you mean by administration and I am not sure I can separate that out. I can give you permanent; I can give you part-time, which are part-time of the permanent; I can give you casuals and contract at any one given day. What day would you like to pick?

**Mr. Falle:** Tomorrow would be nice.

**Mr. Penikett:** If you could get that to us.

**Mr. Besier:** Certainly.

**Mr. McDonald:** We will have to go through some of these questions *stacatto*, as we may be running out of time.

I would like to refer you to page 188, training and development. You will see that there is one person-year, on the bottom of page 188, who is responsible for the program. I notice that one of the program objectives is to fund training positions in the government service. Can you tell us briefly what the duties and responsibilities are of the one person year?

**Mr. Besier:** If you take a look, you will find it in the 1982-83 estimates, that that one person disappeared. However, I can assure you he is sitting there as large as life. What happened is we had the permanent person-year and the staff establishment cut in 1982-83 all through the government. We were forced into a 10 percent cut; the government had no money and that is why we went on a nine day fortnight. The only place where the Public Service Commission had any kind of discretion to cut was in the training budget. We are hooked, in terms of what we have to pay, for labour relations issues because they are not under our control. In terms of competitions or appointments to the service, again, they are not under our control. The only thing we control on the commission, really, in terms of funds, is the training budget. So, that is where the cut was made. The person was cut by my predecessor.

I kept the individual on under contract and, in fact, I had the person-year restored to me in this fiscal year. So, he is now permanent and now my staff establishment has increased.

In terms of the duties of that individual, they are essentially as described in the program objectives but to basically see to it that the training program is established and maintained for government employees through a course development on his own and teaching such courses or through the contracting of consultants to develop courses and, in some cases, to put them on. He also handles the liaison between this government and its employees; vis-a-vis the employee assistance program, which deals with employees who are having difficulties which manifest themselves on the job — they may be family-related, alcohol-related, drug-related. He does some career counselling, but not a great deal mainly because there is no time.

He provides, screens and approves requests for people to take courses, of which we have a considerable number to upgrade their qualifications, and recommends to me any requests that we get from departments for educational leave, which were in that year a total of four people were out on partially-paid educational leave. I do not believe there is anybody out at the present time. That, I think, is essentially it.

**Mr. McDonald:** Can you briefly state what the major cost to the Commission of these courses are, referred to on page 189? Perhaps starting with the short courses.

**Mr. Besier:** I would prefer to, if I can take a moment to see if there is anything specific in the Territorial Accounts, although I doubt that there is. I believe that I have some statistics that pertains specifically to training for 1982-83.

**Mr. Penikett:** Do you have them with you as well?

**Mr. Besier:** I will give them, if you do not mind, to Mr. Conway, as the training manager, and he can explain to you what the courses are all about.

**Mr. Penikett:** Mr. Besier, before we begin with Mr. Conway, is that a document that it might be more expeditious to table with the committee rather than have it read? Okay? Perhaps, Mr. Conway, you could give your answers in a summary form rather than in detail.

**Mr. Conway:** In terms of the actual dollars that we had allocated to the entire training and development function, for that year they totalled \$104,000. In no way was that \$104,000 used to handle salary. All of the dollars were expended on either their tuition assistance or for the cost of bringing other trainers to put on programs and, in the instance of the short courses, the only expenditures we ended up having were those basically for purchasing materials, flip charts pads, pens and so on. For the most part, the short courses were the courses that we were able to conduct in-house, either using our own resources or courses that I, myself, was able to conduct.

Any courses that we had to pay tuition for ended up being courses where it was much cheaper for us to have the organization in. For instance the first aid course put on by the St. John Ambulance at \$30 a student for one week of training. All we were paying was that \$30 tuition.

All of the training development dollars were actually spent on either tuition or training supplies. The exception being where we brought other individuals to put on an actual program. For instance, we brought Finning Tractor up here, we had Cummins Diesel come and do some courses and, in those cases, what we ended up doing was having an instructor come from Edmonton or Burnaby and for \$1,500 to \$2,200 we were able to get eight, 10 to 16 people trained as compared to the cost of sending them down to Edmonton or Burnaby for a one-week course, which was \$1,000 per person per week. That includes the actual cost of travel as well as the minimal tuition costs.

**Mr. Besier:** Let me just quickly add to what Mr. Conway stated about the monetary amount that was there in relation to his salary. I picked up his salary on the fact that we had some vacancies created due to a maternity leave case and another case where we kept a job vacant and doubled up in order to be able to cover his salary. So, that did not come out of the \$104,000. He is correct.

**Mr. McDonald:** There are figures, though, which would allow



you to break down the costs between each of the three items on page 189?

**Mr. Besier:** I would have to consult with Mr. Conway. I am not sure. Short courses conducted, yes, we can tell you about those. We could tell you the number of individuals who attended courses, but the cost of the course, of course, varies a great deal between, as he has mentioned, on the one hand the St. John's Ambulance Course for \$30 to \$35 and a bookkeeping course at Yukon College for \$60 to \$65. They are all over the wall.

On-the-job training assignments, that is basically salary costs of the individual in question. But, if you could tell me specifically what costs you would like, we will endeavour to get them for you.

**Mr. McDonald:** There is one other question. I am particularly interested in, obviously, when employees are taking time off to engage in course material. Who absorbs the cost of the time taken by employees absent from their jobs to engage in the course?

**Mr. Besier:** Most of the courses that employees take, they take on their own time. Evenings, weekends, or correspondence, et cetera, I think a relatively few people absent themselves from the government service during the day to take the course unless it is an in-house course that we teach or that a consultant is brought in for. If it is courses in order to upgrade their qualifications in a more academic sense, they take that on their own time.

Where they are absent from work, their salary is, of course, absorbed by the department to which they are employed.

**Mr. McDonald:** Does the Commission make any evaluation of these courses and the results achieved from them including feedback from the participants, et cetera?

**Mr. Besier:** We do, but Mr. Conway can enlarge upon it if you have a more specific question, if you wish.

**Mr. Penikett:** Mr. Conway, could you comment?

**Mr. Conway:** The in-depth evaluation that we do on training focusses on three areas. One, we look at the actual training activity, i.e. what went on in the classroom in terms of actually evaluating the instruction and the instructor and those kinds of factors. The second thing that we evaluate is the individual response by the participants in terms of what did the program give them, how did they find it, what sorts of recommendations did they have, either in terms of actually changing components of the program, emphasizing different things or, indeed, are these things that they would recommend for any other person or persons in their category or department to take. The third thing that we evaluate is the actual learning, i.e. what is it that the people were able to do at the end of the program that they could not do before and we are having the instructors build more and more into each of the programs and actual evaluation in the class.

The people who send these employees to the courses are the supervisors or managers of them and it is back on the job where we are still lacking an evaluation in terms of our department going out and dealing with the supervisors who had sent employees. That is strictly a question of a shortage of manpower. Certainly the departments are getting back to us and highlighting that a particular program that a number of their staff attended has shown positive results. The difficulties that were experienced prior to the course are now eliminated or the employee is now able to do such and such for which they were seeking some assistance.

**Mr. McDonald:** Can you briefly tell us how you solicit the information from the employees after the course is completed and how you evaluate the results of the courses. Technically, how do you actually go about making that evaluation?

**Mr. Conway:** We have a very brief employee response form which provides us those three ingredients in terms of a commentary on the specific course, commentary instructor and the actual activities that went on. All of those are compiled and passed on to the actual instructor, whether that person works for us or has been hired from elsewhere.

And the third one is the compilation of the recommendations by the students with respect to the course. It is those three factors as well as consultations with the departments that originally requested a course that helps us determine whether or not to offer it again, or we continue to offer it on an ongoing basis.

**Mr. McDonald:** Are you prepared to say that you generally

depend on response from the employees as to whether or not they feel that they have gained some valuable experience from these courses?

**Mr. Conway:** It is a two-fold thrust that we make when we are evaluating. It is both the employee who attended and the department who sent them.

**Mr. McDonald:** Are you technically receiving from the department an evaluation of how they feel the employee has learned from any particular course.

**Mr. Conway:** Currently we do not receive a form, it is all informal word of mouth. Our manpower shortages have really limited us with respect to ongoing and in-depth program evaluation.

**Mr. Besier:** We do pick up stuff out of the performance evaluations that are conducted on employees each year and each and every one of them are read and evaluated by the Public Service Commission staff responsible for that to identify whether our needs for training or how training has been supplied has appeared to have filled certain voids.

**Mr. McDonald:** Could you provide us with a copy of the employee response form?

**Mr. Conway:** Certainly.

**Mr. McDonald:** One other question in this area. For individuals attending courses at approved educational training institutions, does the Commission have any commitment from these individuals to stay in government service?

**Mr. Besier:** Yes. We sign a contract with the individual. In fact, there is an educational leave policy — I forget what the name of it is — which we are, incidentally, overhauling. But, there is a commitment there that the individual stays for a specific period of time and failing to do so pays back the government.

**Mr. McDonald:** How do you determine how long the individual must stay? Is that a standard time?

**Mr. Besier:** We are currently going year for year. In other words, a year away, a year return. I happen to personally think that that is more favourable than it should be. But the employees are under partial pay only while they are out. The maximum that they can get would be 70 percent of salary and that would be for an individual and two dependents, pardon me, three dependents.

**Mr. McDonald:** Perhaps I could refer you, then, briefly, to compensation statistics on page 191 of the 1982-83 O&M mains. Under proposals reviewed, under the byline statistics, does the commission know what it costs to regrade classes and reclassify positions?

**Ms Walshe:** When we do regrade a class or reclassify a series of positions, we normally cost what that exercise will be prior to implementation. We do not know, however, what are the administrative of conducting the exercise and actually carrying out the paperwork, the conversion.

**Mr. McDonald:** Can you tell us what departmental organization analysis means?

**Ms Walshe:** Basically, that means looking at the structure of a department. In other words, the way that the department has set up its major activities, in clusters, and the way that jobs have been defined to carry out those activities, given what the overall objectives and mandate of the department are.

The department will frequently or occasionally come to us and say "We want to reorganize in order to better deliver a line program". The reason it comes to us is that it also has an impact upon classification of positions, frequently, because they restructure jobs as part and parcel of the reorganization process. What the commission then does is work through with the department and review that organization to establish where its major strengths are and maybe where some of its weaknesses are, so that these can be dealt with. Then we follow through with the actual re-evaluation of the new positions.

**Mr. McDonald:** Do you engage in departmental organization at the request of the department, or do you do it as a part of an ongoing program to organize departments? How is that ordered?

**Ms Walshe:** In nine cases out of 10, if we look at a department's organization, it is at the request of the department. If a department is in a situation where there appears to have been a number of organization shifts over a fairly short period of time, we

will then frequently discuss with the department that maybe we should sit down and have a look at their organization. We do not go in as a police agency to review unilaterally a department's organization.

**Mr. McDonald:** Do you then list the costs to the Public Service Commission of organizing departments?

**Ms Walshe:** Our organizational analysis, to date, in departments has been, quite honestly, fairly minimal. It is usually done in combination with a review of, say, the senior management structure. That has been the case until this year. Now, however, we are involved in some fairly major organizational reviews in a number of departments. What we have done in these instances is to hire consultants to do it, because we are talking about 10, 11 and 12 person-weeks being involved in each of those reviews. There is no way we can do this ourselves, so we have hired consulting companies. For those we do have costs, yes.

**Mr. Besier:** But only consulting costs, if I might add, because our staff still does a considerable amount of work for and with the consultants and that is observed as staffed averages.

**Mr. McDonald:** Obviously, there is a cost. Can you tell us what the cost is for the year under review?

**Ms Walshe:** I am not sure I understand the question.

**Mr. McDonald:** You say you are engaged in departmental organization analyses and, for the year under review, we are looking at, I believe, six. You say, in some cases, it is a minimal cost and, in some cost, now you are engaging in more detailed organizational analysis. Can you tell us what the cost is and can you tell us who bears this cost?

**Ms Walshe:** The cost is largely a manpower cost and that is borne, primarily, by the Public Service Commission. Actual dollars involved, I do not know.

**Mr. Besier:** I was going to say that I do not know which particular organizational studies there were, but I am sure there were some in renewable resources, we did some work in there, and some of the other departments. That is a case of a couple or three weeks per study of staff time, but it is off and on. Nobody is off for three weeks and goes on and does a study a week. We meet with a department, we get some information, we look at job descriptions, we look at organization charts in the commission and then continually liaise with them and get the thing out of the way.

This year, as Ms Walshe has pointed out, it was quite different. There are major organizational reviews going on in four or five government departments, one of which has been completed. Two are in the process of being completed and a fourth one is near completion and a fifth one is about to start. In addition, a government-wide organization review is also going to be taking place; in fact, it has commenced, a tender has been awarded.

These are all done by outside consultants on the bid process. We contact a number of consulting outfits, which are in Canada, with one exception, an outfit from Toronto and we give them territorial reference of the study, which are first of all cleared with management board — in fact, the approval is sought from management board and the funds are provided by management board. The Public Service Commission, while it is the client with those consulting firms, acts totally on behalf of management board, as, indeed, we do in all our activities.

**Mr. Penikett:** We might be able to get back to this but could I just flag this as an item for you. The answer you are giving, in terms of the lack of being able to account for this expenditure, raises questions about the item in the estimate, in the sense that you really have nothing to compare with the figure given in the estimate. It raises questions about how meaningful the figure is.

**Mr. Besier:** As Mr. Falle has pointed out, he and I have somewhat of a similarity in points of view about statistics. The fact of the matter is that we are reflected as an activity, we do not have an individual who does nothing but organization analyses. If we did, we could cost it, of course, much easier. The individuals in question are compensation officers who handle everything from costing collective bargaining demands to classification reviews to job audits, job evaluation, to organization analysis. It is one part of their work.

**Mr. McDonald:** It does seem that your department seems to be

getting into more involved and detailed departmental organization analyses. Do you feel that it might be worthwhile, in the future, to do a costing of these analyses in person-weeks, whatever it might involve, and then provide this kind of information in the estimates?

**Mr. Besier:** I think we will be in a better position — and Ms Walshe will correct me if I am wrong — to be able to provide more concrete costs this year because, I think, we have a better feeling of how much of our staff are being tied up with these particular studies. Am I correct?

**Ms Walshe:** That is correct and that actually applies to almost everything on this list here, in addition to organizational analyses.

**Mr. Besier:** We have set a new system into place in the compensation unit, in which workload costing is done. I have requested assistance from someone else, another department, to get something done on workload indicators. That has not been forthcoming because of their own workloads, but Ms Walshe has gone ahead and done it in our own section for the current fiscal year; it is only recently commenced.

**Mr. McDonald:** Does the commission compile information on the number of classes regraded and the positions reclassified?

**Ms Walshe:** Yes.

**Mr. McDonald:** I was just wondering if you feel that it might be useful to provide this sort of information in the estimates, as well?

**Ms Walshe:** I guess so.

**Mr. Brewster:** Going along with much the same subject, on this Public Service Commission with a picture on it. I think one of the reasons we keep coming back to having these things provided in the estimates is that we —

**Mr. Penikett:** This is the Annual Report we are talking about.

**Mr. Brewster:** We are handed these things continually. You people work everyday with them and we are supposed to try and sort these things out. I think we all feel that if a great deal of this is put in the estimates, then it touched on the paperwork we have to try run around and find.

**Mr. Besier:** The answer about that — and I want to make it adamantly clear — the departments, in many, many instances, submit a great deal of information in the compilation of their estimates, but it is finally reduced to whatever the format is that is normally presented by, I assume, the Department of Finance. And, in the case of the Annual Report, by the Public Affairs Bureau. So, in fact, there is quite a bit of back-up material that is not reflected in the actual published document.

**Mr. Brewster:** Permanent appointments from outside the Public Service are broken down between (a) from within Yukon; and (b) by transfer. Why could each breakdown, again, not be put in the estimates? Why is it separate?

**Mr. Penikett:** The Annual Report, Mr. Besier, with the estimates' information.

**Mr. Besier:** I think I now have the same page that Mr. Brewster has. Permanent appointments from outside the public service from within Yukon, 342; by transfers, 32, that is the figure you are talking about?

**Mr. Brewster:** Yes.

**Mr. Besier:** The estimates, of course, do not provide actuals for 1982-83 and the Territorial Accounts do.

**Mr. Penikett:** The question was why can the information that is contained in the Annual Report, in those terms, not also be presented in the estimates?

**Mr. Besier:** My understanding was that it is. It certainly is in the Territorial Accounts. If you take a look at page 185 of the Main Estimates, I see exactly the same kind of breakdown.

**Mr. Penikett:** It does not seem that the number are the same.

**Mr. Besier:** Well, one is an estimate and the other one is factual, I assume.

**Mr. Penikett:** The year that you have these in the Annual Report, is that the fiscal year or the calendar year?

**Mr. Besier:** My understanding is the Annual Reports are based on fiscal years.

**Mr. Penikett:** We have had departments where they were not, believe me.

**Mr. Besier:** The same Annual Report?

**Mr. Penikett:** The same one.

**Mr. Brewster:** Where you have transfers, 32, does this relate to persons coming from outside Yukon?

**Mr. Besier:** Oh, no, those are all transfers from within the service.

**Mr. Brewster:** In (b), I have much the same questions and you have answered them: permanent and service appointments are broken down between (a) promotions and (b) transfers. Again, we are asking why they cannot be in the estimates and you have answered that. And, the transfers are not from outside Yukon.

**Mr. Besier:** Yes, those transfers usually consist of something like a heavy equipment operator from one work location to another or a custodial worker from one school to another, that sort of thing, or from the Department of Government Services to the Department of Education, but not involving a promotion or change in pay.

**Mr. Brewster:** On (c) compensation provides information on public service establishments, presumably in terms of person-years? Is this correct?

**Mr. Besier:** Yes, permanent person-years. The reason you see the fraction in there is because we have some part-time people, of course, working quarter-time or third-time, or whatever.

**Mr. Brewster:** Again, we would like to see that in the estimates.

On page 27 of the Government of Yukon Scheduled Expenditures, Schedule 4, my information shows expenditures for 1983 actually dropped by \$204,253 from the previous year.

**Mr. Besier:** You are referring to Schedule 4 of the Territorial Accounts?

**Mr. Brewster:** The list of expenditures by the department for the year ended March 31st, 1983.

**Mr. Besier:** Yes, I have a copy.

To a large extent, the reason for the drop was because of the poor economic situation we were in. We tried to restrain as much as we could. Outside hires were down by a substantial amount for the fiscal year.

I believe that was explained in the Territorial Accounts and somewhere else, as well. I saw a written explanation for that, which, essentially upholds the fact that there were fewer outside hires.

**Mr. Brewster:** I have several more questions. I will read it all out and, if we have to come back to part of it, then I will. How does the public service usually handle interviews outside Yukon? Do we have staff travel to southern Canadian centres to do interviews? If so, how many people usually are required for interviewing? How often does this particular practice occur and what costs can be attributed to these hiring practices?

**Mr. Besier:** First of all, we interview outside applicants in two ways: either by flying them in for interviews into the territory — and that is by far the most common situation — and, periodically, travelling with an interview team outside the territory. When we travel outside the territory, I daresay that is not any more than four or five times a year. That would normally be a representative of the Public Service Commission and a representative of the hiring department, only two people. The reason that is done is because there may be a large number of candidates, or for a number of similar positions, living in the various areas of Canada. We try to bring them into main centres, Vancouver, Edmonton, and so on.

In the majority of cases, we fly people in for interviews and that is not normally any more than two or three, at the most, per competition.

In terms of the cost associated with that, I am sorry, I cannot give you a figure because it depends entirely on how many centres are visited and how many nights the people have to be out of town to conduct the interviews. It varies by competition and the number of applicants. There is no general rule.

**Mr. Brewster:** Are the travelling and moving expenses paid for employees hired outside Yukon? To what extent? In all cases? In some cases? Or for what kind of employee? How much does this practice cost the government? Who pays for this type of expense, the PSC or the department in question?

**Mr. Besier:** First of all, anyone hired from either in Yukon or outside Yukon and hired for a position in a community other than

the one in which they reside, the removal is paid. It is paid within certain weight restrictions, which depend on the number of members per family. I do not have it with me, but I can get it for you. For instance, if the individual's weight restriction, as an example — to use the Imperial system, which is the only one I still understand — is, say, 6,000 and an individual has 8,000, we pay for the six; we do not pay for the remaining two. He pays for them himself or tosses it away.

We pay for some interim accommodation while he is finding accommodation in the territory. We pay for house hunting trips if that is requested and warranted. All the funds are supplied by the PSC and, as I mentioned earlier, the average cost per move is approximately \$6,800 — at least it was in 1982-83.

**Mr. Brewster:** Does the Public Service Commission keep a record of employees who are hired from outside and how long they stay in the Yukon after they move up here?

**Mr. Besier:** Yes, we keep a record of those who were hired periodically but I have not for something like two or three years. We run a check to find out how many of them are still around. The last time we did it, we found out an interesting thing. Most of these people are hired for technical, professional, senior administrative positions and the ones who were hired outside the territory lasted longer with the government than the ones who were hired locally for the same type of position.

**Mr. Brewster:** Is there any cost benefit method used to evaluate the cost of hiring outside or hiring inside the Yukon?

**Mr. Besier:** No, there is not.

**Mr. Brewster:** What courses or assistance does the Public Service Commission have to aid or help underfilled positions and how successful has this been?

**Mr. Besier:** We have, this year, as a result of negotiations with the union back in the spring/summer, broadened the underfill policy. We found it too restrictive. I cannot recall — and Ms Cumming will correct me — I believe the first policy that we had in effect limited underfill to one year. That has now expanded to allow underfill for up to three years because we found that the margin between what the job level expectations were at the full working level and what the underfill candidate possessed was too great to be able to accommodate them in one year.

But, anyway, when someone is selected for underfill — and this can only be done, incidentally, with the cooperation of the hiring department — we can suggest to the hiring department that they should run an underfill competition, that we think that there are people within the service, or in the Yukon, who could fill this position on an underfill basis. But, if the department states that they cannot afford the luxury of hiring someone who, in effect, is marginally qualified for a period of time, whether it is a year or two years, in order to do this job then the job is not run as underfill. We cannot compel the departments to do so. All we can do is try and twist arms.

In cases where there are single class positions, it is very difficult for the department sometime to accommodate these. Anyway, the position is then advertised as an underfill. If, however, fully qualified candidates are found and are applying on the competition, they are hired and the position is not filled with an underfill. The position is never run strictly on the basis that it will only be underfilled because we feel that we cannot defend turning down qualified candidates in order to hire an underfill.

An underfill, when hired, is told what the salary will be and that will be a portion of the full working level salary that would normally be paid. It will be a percentage of 80 percent or so on, or how the structure will work for them to achieve the full working level. This is done in consultation with the hiring department, of course, which has to cooperate totally with this exercise. The training schedule is drawn up and it consists of short courses, on-the-job training and, in some cases, a short training course outside the territory is deemed necessary. What, in effect, is a contract is drawn up between the hiring department and ourselves with the total training module laid out and, at that stage of the game, this is all monitored by Mr. Conway to ensure that they do achieve the objectives that are set up in the training plan.

When the individual has achieved and completed the full training



plan, they are then reconfirmed at the full working level of the position.

**Mr. Brewster:** Does the Public Service Commission and your officials work with the Department of Education with regard to future manpower needs for the Yukon government.

**Mr. Besier:** We work with the Department of Education to the extent of identifying needs that we have and foresee with the Public Service and request them to accommodate those and their development for Yukon College and this type of thing, yes.

**Mr. Brewster:** You may choose not to answer this or make no comment, that is fine. On one of our news releases, the government policy in the Yukon gives the first chance of a job to local residents, next preference is Yukon students returning from home. I think we all agree on that. In the inquiry to the transport requirements of the Yukon, the Carcross Indian Band made the following statement: "Subsequently the road was extended to Skagway as a tourist road at which time the CIB negotiated cash and certain land trade with DIAND so as to permit construction. As part of this agreement, the CIB claim that Venus trucks were to be limited to 40 tonnes, band members were to be given jobs on the road and no other heavy traffic were to occur unless the agreement was renegotiated. At present, only one CIB member works on the road in the summer and yet the Yukon government transports workers from Whitehorse to Carcross for such work. Some of these outside workers board at the Carcross Hotel in Carcross".

I do not know if you are aware of this or not.

**Mr. Besier:** We are not aware of it or all. I do not even know if that construction job was handled by Yukon government employees or by contractors or what. It is news to me.

**Mr. Penikett:** Mr. Besier, Mr. Brewster has called our attention here to two documents that we should cite for references. One of them is a Government of Yukon news release, March 10, 1982 - 025B and a statement of government policy about giving the chance for jobs to local residents. The other one is the inquiry into transportation requirements of the Yukon by the Canadian Transport Commission. I do not think that we can pursue that question now, but I cite those documents for you in case you do.

Let me now, because we have a couple of questions — and in fact there are a lot of other questions — that we are not going to be able to finish today. We have an undertaking tomorrow for the Workers' Compensation Board because they have an official who we need to hear from who will only be here tomorrow. Would it be possible for you to bring you and whatever officials you may need to bring back to perhaps join us again Monday?

**Mr. Besier:** Monday morning?

**Mr. Penikett:** Yes.

**Mr. Besier:** Yes, because I have a deputy minister review committee in the afternoon. The only exception will be Mr. Conway who, as I said, is leaving tonight so if you have any questions of him in the training area, you should pursue those now.

**Mr. Penikett:** I cannot speak for all members of the committee, but I would expect that much of the line of inquiry would be the truncated pursuit of Mr. Falle and Mr. Brewster of those issues that they began to raise earlier and did not get into in much depth because we had to get back to some of the specifics.

The question of casual recruitment, affirmative action, advertising, setting job qualifications and some of those issues that we talked about. I do not know if that would have any bearing on who you would want to bring back with you.

Let me see if we can wrap up with a couple of questions which arise out of some of the specifics on the estimates that we were talking about. You told us earlier that some of the information that you provide for the annual report and the estimates; you provide a lot of information and, in some sense, in one case, Finance sorts out or makes the final determination of what goes in and, in another case, the Public Affairs Bureau makes the determination of what goes in the record.

With respect to Finance, is the information you provide not done in accordance with some guidelines issued by Finance?

**Ms Cumming:** Yes. The Department of Finance gives very specific instructions on how the information is to be compiled. We have had a standard format of statistics over the years and we

compile them each year.

**Mr. Besier:** Ms Cumming tells me that the basic statistics that we have are the ones that are supplied to Finance.

**Mr. Penikett:** Mr. Besier, is it not the purpose of the supplementary information in the estimates to give some indication of the levels of activities?

**Mr. Besier:** Yes.

**Mr. Penikett:** Does not the level of activity relate into the level of funding being requested?

**Mr. Besier:** Yes. And, if we had a clear schedule of workload indicators that could justify that, I would certainly be a lot more comfortable.

**Mr. Penikett:** That is really the question about whether or not it would be more appropriate to provide this information in such a way as to justify the levels of funding requested and what is achieved by the funding. In other words, some kind of performance indicators. You would agree with that then?

**Mr. Besier:** Yes.

**Mr. Penikett:** Is it not the responsibility of the department to provide this information in the most meaningful form possible as opposed to Finance?

**Mr. Besier:** Oh, yes. There is no responsibility to Finance or anything beyond what we supply them.

**Mr. Penikett:** Let me just leave it then. Some other members of the committee may have some quick last questions, because that is about all the time we have left. No?

Mr. Besier, you can be joining us again Monday morning. Witnesses are excused. I would like to thank Ms Cumming, Mr. Conway, Ms Drummond, Ms Walshe and Mr. Besier for being with us this morning. The committee will now adjourn into Executive Session and reconvene for public hearings tomorrow morning at 9:30 a.m. with witnesses for the Workers' Compensation Board.

*Committee adjourned at 11:30 a.m.*

**Yukon Legislative Assembly**

**PUBLIC ACCOUNTS COMMITTEE**

Friday, February 10, 1984  
9:30 a.m.

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Issue No. 4 (Fifth Sitting)

25th Legislature

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purposes.

The board's functions include setting general trends, approaches and attitudes in relationships with claimants and employers, treating professions, members of government in the Legislature and members of the media and public.

The board consists of a full-time chairman and two members, one representing industry and one representing labour.

The board establishes board policies in the various areas of responsibilities, sits on reviews or appeals from staff decisions, and engages in public relations and other activities.

Under the necessary chain of responsibility, the executive director attends all board meetings, is responsible for the proper implementation of board policies and decisions and ensures that matters requiring policy or other decisions are referred to the board as promptly and completely as possible.

The director of assessment and director of finance are responsible for their applicable sections of the act and report to the executive director.

That concludes my remarks. At this time, I would like to introduce my officials: Mrs. Patch Buckler, Director of Finance, and Mr. Crawford Laing, Consulting Actuary to the Board. We are at your service to provide any further explanations you may wish.

**Mr. Penikett:** Thank you for that opening statement.

**Mr. McDonald:** I would like to thank you, also, for the advance copy of the summary statement. There is a good deal of ground to cover this morning and, of course, we are looking for as complete answers as possible, given the time we have.

Let us begin by briefly with the goals and objectives outlined in a brief letter to the minister responsible for the Workers' Compensation Board. I refer you to page 4 of the board's Tenth Annual Report for the year 1982. You stated that, during 1982, the board continued to pursue its goal of providing the highest standard of service to injured workers. Can you briefly state what is meant by "standard of service to injured workers"?

**Mr. Booth:** By "the highest standards of services", if we accomplish our goal, which is to get the injured worker back to the earning capacity he enjoyed prior to his accident and to provide whatever means and expenditures that may be necessary to accomplish that and to provide whatever service is necessary. The act is quite open on that point.

**Mr. McDonald:** In pursuing this goal, do you measure this standard of service? Do you measure your performance to determine how far you are still away from your goal or whether or not you have achieved your goal?

**Mr. Booth:** We measure it in the terms of adjudication of claims. This is your measuring factor. If you can adjudicate the claim efficiently and, as I said earlier, to obtain the fastest means of getting the worker back to his condition and the capacity he enjoyed prior to his accident.

Of course, you are aware that this is done on an individual basis. We are small enough where we can do this with the worker and, of course, this depends upon the degree and the severity of the accident and the length of time it takes. Each person has a different healing; some heal faster than others. All these are measures that we must look at individually.

**Mr. McDonald:** I am sure we have to understand the complexity of this.

You say that the board, generally, measures its performance by the speed by which it adjudicates claims. Do you measure the time taken to process the claim or are statistics like that kept?

**Mr. Booth:** Again, it is difficult to measure with those facts that I stated. We certainly do. We have policies in place that state that, say, if a particular claimant is taking longer in receiving, for example, physical therapy, then we should be referring that back to a medical doctor to ensure that the worker is receiving the proper physical therapy treatments. This is another measure. Again, it is done on an individual basis and we think that is the only way you can measure it; to do things on an individual claimant relationship.

**Mr. McDonald:** I think I understand that, and I appreciate that very much. Obviously there are times when the time taken to process one claim may be quite different from another.

Do you have any statistics, however, to determine the average

time taken to process a claim, because I am still trying to get a handle on how the board assesses its own performance?

**Mr. Booth:** We had to do a study into that in 1983 when the act was changed to provide loss of earnings as against a pension for life for physical disability, and we had to then make awards. We did a review of not every file, but active files, to look at the time limit that it took. Because the physical and permanent rating schedule now states that certain disabilities could be and should be settled within a period, whether it be anywhere from six months to the two year maximum. As a result of this study, this is how we could determine the length of time that it should take.

**Mr. McDonald:** So, in the various subsections or subcategories of injury, has the board determined whether or not there has been any significant improvements in recent years in the time taken to process claims in those subsections or subcategories?

**Mr. Booth:** Yes.

**Mr. McDonald:** To what extent is it?

**Mr. Booth:** Prior it was the referrals. Appeals, for example, was a good guideline of how long these claims were taking. We find, again depending upon the severity of the particular claim, that most of them have increased.

The ones that have taken longer is, of course, due to having to refer patients, claimants outside. This prolongs the claim's adjudication, sometimes, but we have found that there has been an increase in the time, improvement. Again, the volume has a bearing on the fact.

**Mr. McDonald:** In order to assess the board's overall performance, do you have a base year upon which you base how well you are doing? Do you have the statistical information that can support your feeling that you progressed in recent years?

**Mr. Booth:** We have statistics that provide the frequency and occurrences and the time limit. We record statistics when the accident is reported and the file is opened. The statistics are recorded when it closed and that gives us the length of time. We have statistics that keep track of the total number of days that the worker is on compensation and that is a measuring factor. We have statistics on the type of disability and the percentage of the disability and those figures are then taken into account.

A statistic of 500 time-loss days on a five percent disability is a signal that maybe something is wrong with the treatment the worker has been receiving. Therefore, this is monitored in these ways.

**Mr. McDonald:** Let me refer you now to the annual changes in compensation payable to individual workers. The act provides, of course, that the amount of compensation payable annually shall vary, based on the percentage change in the Annual Consumer Price Index. Are the changes in compensation based on changes in the Consumer Price Index?

**Mr. Booth:** Yes.

**Mr. McDonald:** Can you just explain the process by which the board makes that kind of change.

**Mr. Booth:** Any amount of compensation, whether it be for a pension to a spouse or a disability pension or temporary total or temporary partial compensation, it is increased on the amount that is payable on December 31st of the prior year. This is increased in January, when Statistics Canada released the Consumer Price Index. That amount is then applied on top of the payment up to, again, the maximum assessable amount proclaimed for that year.

It is so that the older claims are keeping up with the cost of living, because an old claim, for example, can be 1974 and, if it was left at the maximum assessable, then he would be falling far below the poverty line. The CPI then increases these claims continually to keep them up to date.

The actuary just pointed out that, in 1982, the ceiling was indexed based on the industrial industrial composite of salaries and wages of workers in the territory, as released in Stats Canada.

**Mr. McDonald:** I am trying to get through a large number of areas quickly, as this is the first major review. Perhaps we will be able to deal in-depth with things in future years, as we return.

A major change from the organization chart of September, 1982, which you provided to us along with the opening statement, appears to be the elimination of the director of claims. Can you tell us what the board's considerations in eliminating this position were?

**Mr. Booth:** The activity in Yukon, as we are all aware, has decreased. The number of workers has decreased drastically and, therefore, the numbers of claims being reported have decreased. The number of employers registered with us has decreased, so that the volume of business has decreased to where we did not feel that, at this time — until the economy picks up — that we could warrant filling that position. So, some duties were taken over, administratively, by the chairman and others by the executive director. The intention is, of course, that as the volume of business increases, the position will be refilled.

**Mr. McDonald:** Have the responsibilities of all the members of the board's staff been clearly established in writing? Are there job descriptions for all members of the staff?

**Mr. Booth:** Yes.

**Mr. McDonald:** Would it be possible to provide the Public Accounts Committee with the documented responsibilities of the chairman, executive director, director of assessments and director of finance.

**Mr. Booth:** Yes, sir.

**Mr. McDonald:** By the way, are all the positions on the organization chart for January 1984 filled?

**Mr. Booth:** The rehabilitation officer is not filled.

**Mr. Penikett:** Let the records show that the document referred to by Mr. McDonald is the organization chart, January 1984 and we table the same, along with the organization chart of the Workers' Compensation Board, September, 1982.

**Mr. McDonald:** You say that the rehabilitation officer is the only position that is not filled on the organization chart for January, 1984.

**Mr. Booth:** Right.

**Mr. McDonald:** Can you tell us what action is being taken to fill this position and whether adjustments have been made to ensure the responsibility of this position is adequately being carried out?

**Mr. Booth:** I am sorry.

**Mr. McDonald:** I am asking, specifically, about the rehabilitation officer. I am just wondering what action the board is taking to fill the position and how the board is reacting to, obviously, a lapsed position? What responsibilities are being assumed by others?

**Mr. Booth:** There were four vocational rehabilitation services being provided by the B.C. Workers' Compensation Board and the Alberta Workers' Compensation Board. The claimant has a choice. We give him the choice if he wishes to go to Edmonton or Vancouver. This position was put in in 1982. It was established because, at that time, we thought that the new legislation, which came in January 1, 1983, would be going in at that time.

With the new change in the legislation, the new program effective 1983, the main thrust of this new program is vocational and rehabilitation. We have not filled it, to date, because we do not have a caseload that would warrant even half a man-year. Therefore, until the caseload comes to be, we are still using the other services.

If I might add, the director of assessment's position is presently being advertised, but it is not filled at the present time.

**Mr. McDonald:** I see. That, too, is vacant.

**Mr. Booth:** That is vacant at present.

**Mr. McDonald:** Are the duties and responsibilities of that particular position being assumed by the assessments department? Can you please explain that?

**Mr. Booth:** Right now it is being assumed by the executive director and partly myself.

**Mr. McDonald:** Speaking of the assessment department and, specifically, the auditor, can you briefly state what the established responsibilities of the assessment auditor are?

**Mr. Booth:** His responsibilities are to ensure that every employer in Yukon is reporting all of his payroll to the Workers' Compensation Board; that the employer is reporting his type of industry in the correct manner, so that he is charged the correct rate; and he acts as the board's representative in the field, as far as public relations between the employer and the board. Those are his main functions. He is also responsible for the collection of outstanding assessments.

**Mr. McDonald:** As you said, there is a job description for this man in writing, clearly defined?

**Mr. Booth:** Yes.

**Mr. McDonald:** Regarding the assessment auditing, specifically, rather than the position itself, is there an overall audit plan to ensure that all employers are covered either annually or on a cyclical basis?

**Mr. Booth:** The policy is in place now and each employer must be audited at least once in three years and he must completely saturate one area. We have Yukon broken down in area codes and he must saturate that area, completely cover it, before moving on to another area. That is the schedule of the program for audits.

**Mr. McDonald:** And, in fact, the auditor does manage to saturate each particular area and every employer within that three year period?

**Mr. Booth:** Yes.

**Mr. McDonald:** Does the auditor give special attention to, for lack of a better word, "troublesome" spots?

**Mr. Booth:** Not troublesome areas, but special attention to accounts that are delinquent. We would provide special efforts at that end of it.

**Mr. McDonald:** Is the auditor permitted to go outside the Yukon jurisdiction to audit employers' accounts?

**Mr. Booth:** No, he does not. We request certified statements from out-of-territory accounts. If we suspect anything at all, we have a reciprocal agreement with all the boards in Canada, where they can perform audits for us and we, in turn, for them.

**Mr. McDonald:** Is the audit policy a written policy?

**Mr. Booth:** Yes.

**Mr. McDonald:** Can the Public Accounts Committee have a copy of that?

**Mr. Booth:** It is in the policies that are public. Copies are in the legislative office and all libraries throughout Yukon.

**Mr. Penikett:** That is the administrative policies of the board that are a matter of record now?

**Mr. Booth:** Yes.

**Mr. Falle:** As a result of the new thrust of the legislation, basically on rehabilitation and training, I would like to know, in your opinion, has this saved the board any money?

**Mr. Booth:** We have only been in it for one year. In your severe accidents, which are the ones that cannot go back into the same work that they enjoyed prior to the accident, you are looking at over a year of medical treatment before he is ready to go back to work. Therefore, we have not reached that stage yet, to say whether it has or not.

**Mr. Falle:** So you really do not know whether or not there is any saving for the department.

**Mr. Booth:** We did estimate, at the time we studied this program — and basically using the experience of the Saskatchewan Workers' Compensation Board, who has the same type of program — they and we estimate between 10 and 15 percent, possibly. What you are doing is taking that lifetime pension away, but then you are placing it into loss of earnings.

**Mr. Falle:** As a result of this new legislation, people hurt, say, in 1979, permanently, for the rest of their life or whatever and they are sort of semi-rehabilitated; they cannot work. Maybe they have a broken back. I do not know the real reason why. Did you take these people from your files and subject them to this new legislation in trying to rehabilitate them, or is it just the people who get hurt from 1983, now?

**Mr. Booth:** No, sir. We had rehabilitation and retraining prior to 1983 for a claimant. That is not new.

**Mr. Falle:** I realize that, but the main thrust is now.

**Mr. Booth:** The main thrust is now. Because you are compensating for loss of earnings and the worker is entitled to the loss of earnings until age 65 and, therefore, he wishes to go back into the workforce, then we have to provide this.

I must state that we did provide this prior. Even though a worker was on a pension under the old system, he still was entitled and was provided retraining if he could not go back into the same occupation he was in prior to the accident.

**Mr. Falle:** In the event that a mechanic lost an arm, which is



vital to his trade — a one-armed mechanic finds it very hard, sometimes, to put a set of points in or whatever — you would then, after getting back into shape, train him for a job that he could do with one hand. Is this the thrust of the new legislation?

**Mr. Booth:** That is correct.

**Mr. Falle:** Back to his pension. Would there be a payout to his pension or would there be a settlement made?

**Mr. Booth:** You are talking about the new system?

**Mr. Falle:** The new legislation.

**Mr. Booth:** Under the new legislation, he would receive a lump sum payment to recognize that physical impairment, in other words, the loss of the arm. Then he would carry on on compensation payments until he got back into the workforce. If he goes back into the workforce at an earning loss in wages, we then pay compensation on the difference.

**Mr. Brewster:** I would like to get back to questions on delinquent accounts, having been a businessman, I suppose, at times, I was one of those, which I think was all paid off by me. Do you have a large number of these accounts that you are not able to collect?

**Mrs. Buckler:** In 1982, the doubtful accounts amounted to \$582,000.

**Mr. Penikett:** I am sorry. Could you repeat those figures?

**Mrs. Buckler:** In 1982, the doubtful accounts amounted to \$3,500 and \$78,000. That was accumulated from prior years.

**Mr. Brewster:** What efforts do you make in an attempt to collect this? Do you stay at this for a continual time? Is there a great deal of money spent or just what happens?

**Mr. Booth:** It depends upon the situation. If it has gone into receivership — and, mostly, these are the types that are into receivership or bankruptcy — if there are assets, then we proceed with filing a certificate and a distress warrant. If there are assets available, we proceed with seizures or we can go after the principle. If it is a contractor and he does not obtain a clearance before he releases his final hold-back, we have, under the act, the capabilities of making the principle responsible for that portion of assessment for that portion of work that falls under that contract. That is another route that we can recover.

The policy of the board right now is that an amount is not written off for three full years and every attempt is made within that three full years. We find that most of the ones are bankruptcies or the person has skipped the territory. If it is a small amount, it is not worth the legal cost to the fund to go appointing a lawyer outside to represent us and to file.

**Mr. Brewster:** Your attempts to collect from the delinquent account, would this in any way influence higher cost of fees for the other people to pay continually? Is this any way judged in this in your operation?

**Mr. Booth:** Yes, it is. We have had certain industries that have had a habit of this and, therefore, we have put in steps of making them up security deposits before they commence operations. We also have provisions in the act to cease them operating and hiring workers if they do not pay their account.

**Mrs. Buckler:** I wanted to respond to the earlier question, when you were asking about what we do about doubtful accounts. At the outset, there is a policy that provides for the levying of penalties at the earlier stages, as it progresses. With that negative incentive and being penalized amounts for some late filing or underestimating or not filing, and so on. That gives the incentive to the employer. Immediately, also, it helps us identify those accounts for the purposes of — one of the duties of the assessment auditor that we referred to earlier is in the area of collections because he does field work — flagging those accounts for the assessment auditor. He also does some field work in the area of collections to encourage the employer to pay the account and so on. If he gets to the final stages, then, yes, we always take legal action.

The Workers' Compensation Board is a priority creditor for the purposes of bankruptcy, et cetera. So, yes, we do.

**Mr. Penikett:** As a supplementary to that, we are talking in the neighbourhood of in excess of half a million dollars doubtful accounts, at this time. Mr. Booth, you suggested that a large number of the difficult accounts might be bankruptcies or marginal

operations.

In your opening statement, you make this assertion. "An employer whose industry is covered by the act is required to establish an act with the board, whether the employers are employed on a regular, casual or contract basis". To what extent does that amount in the doubtful accounts include businesses or industries or firms within an industry who may claim their employees are, in fact contract, which would, therefore, dispute or have a disagreement with the board about whether they should be paying the premiums or paying the levels of the assessments that you make against them?

**Mrs. Buckler:** We do not have statistics on those kind of particular disputed cases. However, we would not have recorded them unless we thought that the amounts were certainly owing and payable to us.

**Mr. Booth:** Again, these are just doubtful accounts. At the end of this year, I think we have recovered —

**Mrs. Buckler:** We have recovered \$120,000 of those. Some of them are still going to court, et cetera, and we are hopeful of collecting certainly a lot more of them.

**Mr. Penikett:** The court cases you refer to refer just to people who have refused to pay or because people are unable to pay and you have to tax the masses or are there some cases, such as I have indicated where people, in fact, are disputing the jurisdiction of the board?

**Mr. Booth:** No, there has been no dispute there of the jurisdiction of the board. These are strictly financial problems and these are accounts that have been established because of the fact that is why there is money owing. Therefore, there is no problem of that. There could be, I would say, three of the accounts where the assessment — and I think this is what you are trying to get at — where the auditor has gone out, discovered these subcontractors who were reported into their payroll, but they did not have accounts because they were independent operators; he has included that and that has increased the assessment. There may be three in to the list of doubtfuls.

**Mr. Penikett:** Probably not a lot of money?

**Mr. Booth:** No, it is not.

**Mrs. Firth:** Could you tell the committee how you determine the lump sum payout on a permanent disability, to follow up on Mr. Falle's question?

**Mr. Booth:** Are we talking 1982, or asking the new system?

**Mrs. Firth:** The new one.

**Mr. Booth:** The new system, okay. The claims officer and the medical consultant determine the degree of disability from the medical records on file. If they cannot do that, they make that decision from the attending physician's report. They can call in the worker and the medical consultant; the board will examine the worker. There is a physical and permanent schedule that is put out by the Workers' Compensation Board, which gives the degree of disability and the amount of dollar that is paid on that.

As I say, in the first instance that is determined by the medical consultant and the claim officer. If the claimant is not satisfied with that, then he has the right of appeal through the review committee and through the board.

**Mrs. Firth:** Does the claimant have the option to say "I do not want to be retrained. I will be living with my permanent disability", and have the option, therefore, to collect workers' compensation as opposed to settling for a lump sum payout?

**Mr. Booth:** No. If he is capable of working, then he must show the initiative and must be provided with and accept the rehabilitation. He does not have the choice because the idea is to get the worker back into the workforce as prior to the accident.

**Mr. Falle:** Just a follow-up on Mrs. Firth's question, in the event that a worker says "I do not want to be trained. I am 50 years old and I have been a bus driver all my life and physically I cannot work anymore because I have had an accident." or whatever. He is 50 years old and he feels that to do anything physically and to be retrained for anything, maybe that decision is not his to make. Is that what you are telling me? He is going to have to be retrained, and that is it?

**Mr. Booth:** Not necessarily. There are other ways of looking at



the individual case, again. It is possible that he does not, as you say, want it but he might be quite happy to just take a job within his capabilities. Again, there is the training on-the-job program and that might apply. This is worked out between the rehabilitation counsellors and the workers to come up with a decision. If he did not want that, he is entitled to the compensation because the award for the physical has no bearing on the temporary total compensation.

**Mr. Falle:** I understand. You have the option of paying him out. Saying, "here is \$100,000" and just paying him out. Have you?

**Mr. Booth:** No.

**Mr. Falle:** No, you do not have that at all? You said, priority debtors. I believe it was you who said that the compensation board is a priority debtor.

**Mr. Penikett:** One problem that we could anticipate. We do need to identify the witnesses speaking, otherwise *Hansard* may have a problem.

**Mrs. Buckler:** I said that the workers' compensation was a priority creditor.

**Mr. Falle:** Does this mean that the creditor is above a salary worker or does that come first?

**Mrs. Buckler:** No. Under the bankruptcy legislation, to the best of my knowledge — although I do not have the notes here in front of me — I believe that salary that is owing to employees is a priority in any case. Then Revenue Canada. There are other creditors that have priority also.

**Mr. Falle:** Referring back to security bonds. Mr. Booth said that security bonds, if there was a fly-by-night or if you suspected a fly-by-night contractor or a miner — we have had lots of miners not paying their compensation and wages and whatever — and if you decided that this fellow from Alberta, Saskatchewan or the United States — especially the United States as there are lots of these contractors who come in from the USA — come up and hire a lot of people from Dawson and when they fly the coop and leave the country with the gold, you people could easily be stuck with the compensation bill. In that event, do you people ask them for a security bond?

**Mr. Booth:** Yes. A security bond, cash or certified cheque.

**Mr. Falle:** Would you use a security bond on a local person with assets? For instance, a small individual who is trying to start up a business and, although he has fixed assets here and has been in the country for 10 or 12 years, would you be asking that person for a security bond?

**Mr. Booth:** Not usually, no. Where we ask for securities is when we are aware of the past records, basically. With a new account, we usually do not have too much difficulties with it. It is basically the ones who have continually been delaying and having a poor payment record; this is when we have to step in.

**Mr. Falle:** And also for people who you know nothing about outside of the country. Am I right in assuming that?

**Mr. Booth:** Yes.

**Mr. McDonald:** Obviously, we are jumping back and forth between claims, training and assessments and it obviously displays a good deal of eagerness and interest in the committee regarding the board's activity. As we are more deeply into assessments than I anticipated, perhaps we will discuss that a little bit more and then get back to some more general questions about board organization and try our best to deal with the board's actuary while he is still here.

Regarding assessments, there was a interesting discussion regarding the penalties imposed for delinquent assessments. Can the Public Accounts Committee have a copy of that policy? Do you have that policy written?

**Mr. Booth:** Once again, it is the same policy that is in the legislation.

**Mr. McDonald:** Are the penalties that are used periodically reviewed to ensure that they are effective?

**Mr. Booth:** Yes, they are. In fact, we reviewed them all just last year. But again, because of the economic situation and decrease in employers, we felt that this was not the time to increase them.

**Mr. McDonald:** Assessments are due and payable on the first

of January, although provision is made for by the board to direct a payment of assessments by installments or otherwise. Does the board have any procedures to permit or allow for payment by installment?

**Mr. Booth:** Yes. It is a board policy that outlines that again. The method of payment is the method of the time the account opens. If, for example, they file in January they are entitled to four installments throughout the year. The later in the year they establish the account, there is three and two and one.

**Mr. McDonald:** On the first day of January, when the employer consistently over the years reports, or anticipates, a low total payroll figure, what action is taken in that case?

**Mr. Booth:** He receives an underestimating penalty for doing that. If, when the payroll return comes in, and the estimate is way lower than his actual payroll was the previous year, the employer is contacted to give a reason why he estimates his payroll to be lower in 1984. If he gives an adequate reason, then we accept that estimate but warn the employer that, if he does expend his payroll over his estimate, he must revise his estimate throughout the year otherwise he will receive the late filing penalty. And, to prevent that late filing penalty, he will revise the estimate.

**Mr. McDonald:** Fair enough. The board's consulting actuary is present today. I wonder if you could outline the role of the actuary pertaining to assessments? Either you, Mr. Booth, or whoever feels most competent to do that.

**Mr. Penikett:** May I advise you to please speak into the microphone. We are advised that they are having some problem hearing some of us.

**Mr. Laing:** The role that I have as an independent consulting actuary to the board is to do the calculations and make recommendations to the board on the rates that should be charged for the different industrial classes. This is based on past experience. I do not have a direct role in the assessment department as such but an advisory role on the level of rates that should be charged for the different industrial classifications. These, in the last few years, have been reviewed annually.

**Mr. McDonald:** How often are you requested to report to the board?

**Mr. Laing:** I report when I am asked. They make requests for the rates to be reviewed. It is not an automatic thing.

**Mr. McDonald:** Mr. Booth, perhaps you could provide some direction here. How often, when and for what reasons and how frequently does the board ask for the actuary's advice?

**Mr. Booth:** We ask for the actuary's advice on rate setting annually. For the adequacy of the reserve and the pension fund, this was done annually because of the fact that we were a new fund. But now we ask for a review of the reserves every three years.

The act was changed because we felt, because of the historical data that we had, that the longer we had been in business that it was not necessary to be done yearly.

**Mr. McDonald:** We are getting back to areas which may require the advice of the actuary. I have a few general questions I would like to put to you, perhaps, to put everything in context and provide the kind of background that the committee needs to understand the situation.

Section 40 of the *Workers' Compensation Act*, as amended, effective the 1st of January, 1983, provides for an annual review of compensation payments to an injured worker and adjustments are then based on the then current earning ability of the worker. This feature was not present in the previous legislation, obviously. What procedures, if any, have been put into place to ensure that this annual review is carried out?

**Mr. Booth:** Each year in December, the claims officers go through the open claims and determine if there is any loss of earnings between the prior year and this year. It will be in place this year.

**Mr. McDonald:** You have indicated that the board's functions, in the annual report, are setting general trends, approaches, attitudes in relationships with claimants, employers, trading professions, members of governments and legislature, members of the media and public. You may have mentioned that in your opening statement.

Have the responsibilities of the members of the board been clearly defined?

**Mr. Booth:** We use the act as their job description, you might say.

**Mr. McDonald:** Section 10(1)(3) of the act, provides that the board may delegate all or any powers of the administration to staff of the board. To what extent, and to whom, have the responsibilities of the board been delegated under this section of the act?

**Mr. Booth:** The portions of the administration have been delegated by board policy to the executive director so that the board will not have to get involved in the day-to-day operation. By the board I mean, board members. The chairman is still the chief executive officer of the board and, therefore, must be involved.

**Mr. McDonald:** Yes, of course. You said that they delegate powers through the executive director. Have they delegated any responsibilities or powers through others than the executive director? Has the executive director redelegated authority to persons subordinate to that position which would otherwise be board responsibilities? No?

**Mr. Booth:** The next area I would like to cover, for which the actuary may give us some direction, is rather a large area — I do not know if the chairman would like to take a break at this point. It deals with investments, mainly.

**Mr. Penikett:** I am entirely a servant of the committee, Mr. McDonald. If you are thirsty, I am quite happy to have a coffee break. But, if we do so, we must reconvene, I think, at 10:40. So we will now take a 10-minute coffee break.

#### *Recess*

**Mr. Brewster:** Mr. Penikett will be away for a few minutes, so I would like to call the committee to order and I will turn the floor over to Mr. McDonald.

**Mr. McDonald:** Mr. Booth, I have been accused of subjecting the committee to terminal boredom, so if I happen to shout unsubstantiated allegations, it is only for the health of the committee.

Perhaps we could get on to the investments. The board, in its Tenth Annual Report, at December 31st, 1982, shows its investment, shown on the balance sheet, at an amount of \$2,600,000. Can you, Mr. Booth, or the actuary, discuss what the board's investment policy is?

**Mrs. Buckler:** The board has an investment policy, which is also available in the manual in the legislature. It is Policy Number 8. The policy of the board is to invest in short- and long-term investments. The short-term investments are limited to those guaranteed by the Government of Canada or the provinces or the chartered banks.

**Mr. McDonald:** Can you state who makes key investment decisions and who is responsible for carrying these out?

**Mrs. Buckler:** We have an investment committee, which is comprised of three members; it is a quorum of three members. The three members are the chairman, the executive director and the director of finance. Any investment in excess of \$500,000 has to be approved by that committee and they approve long-term investments in any case.

**Mr. McDonald:** Who has the responsibility for monitoring the board's investment portfolio?

**Mrs. Buckler:** The director of finance; the operations of it.

**Mr. McDonald:** Did you say that you are also a member of the investment committee?

**Mrs. Buckler:** You mean in the day-to-day operations? I manage the portfolio in the sense of bringing matters to the attention of the investment committee, and so on.

**Mr. McDonald:** Do you obtain any independent advice?

**Mrs. Buckler:** Yes, we use both *Pitfield, McKay, Ross and Merrill Lynch*. They both advise us on trends and what is available and so on, given the funds that we inform them that we have available for investment.

As you know, we want to have relatively stable and secure deposits to meet the long-term liability of the fund, particularly the pension fund of the board.

**Mr. McDonald:** What return on investment does the board consider an appropriate return? I notice, on page 22, that we see a 15 percent return. What is an appropriate return and what do you anticipate in the immediate and long-term future?

**Mrs. Buckler:** That would vary with trends, I should think. We attempt, though, to keep up with at least the cost of living, because all the compensation payments and pensions are indexed according to the Consumer Price Index. So, we want the return to meet the Consumer Price Index.

**Mr. McDonald:** So that is the minimum return that you think is acceptable?

What do you anticipate, in terms of return on investment over the next few years and over the long-term?

**Mr. Booth:** I wish we could answer that.

**Mr. McDonald:** The reason I am asking that is that we see that you do have some long-term investments, which expire as late as the year 2002. However, we also realize that the board has a good deal of money in term deposits, which cannot be expected to have the kind of return that these long-term investments have. Can you just state what you anticipate to be the return on the investments in term deposits, over the next few years, for example?

**Mr. Laing:** This is a very difficult question, as you know, and none of us have a crystal ball. But, taking a consensus of the economic forecasters and pundits who advise the various pension funds that I am responsible for, including some of the other board's in western Canada, the general consensus is that rates of interest may increase slightly during the coming year, 1984, and then decrease again to a more normal level.

I have had to have a special study done by an economist for the Alberta board who are working on this very question very intensely, at the present time, because, there, we have an investigation and we have to come up with a rate of interest to assume for the future in valuing their liabilities.

**Mr. McDonald:** While you are speaking, perhaps you can refer to the special reserves, which are delineated verbally in the Tenth Annual Report, on page 21. Is there any consideration given to capping these reserves and, if so, how is that determined?

**Mr. Laing:** I think I could address that in general terms. The board, having a small fund, is subject to greater fluctuations than the larger boards in the main provinces; therefore, it is all the more necessary to have a contingency reserve in case of a bad run of accidents or a serious catastrophe. In common with the private insurers in the US, where most of the states' workers' compensation is under-written by private insurers, the general objective is to have free reserves in the contingency funds and in the operating reserve approximating to one year's revenue, as a safeguard against violent protrusions.

Not all of the reserves in the special reserves are free in that sense, in that they are already spoken for to meet excess claims, under the disaster reserve, because there is a reinsurance policy as between the classes and the disaster reserve, which I can go into in more detail if you wanted. Also, there are claims for rehabilitation already known, which are going to be charged to the rehabilitation reserve; there are enhanced disability claims; there are silicosis claims and industrial disease claims. Probably about 40 percent of the special reserves are already spoken for to meet specific claims that we know are coming up. The rest, the 60 percent, could be classed as free reserves and, of course, the operating reserve or class balances can be classed as free reserves.

So, we are getting to the point where the free reserves are just about at the level needed to have a soundly operating fund that is not going to need support, except in a very, very serious catastrophe.

**Mr. McDonald:** So, you are saying that we are getting to the point that the reserves can be capped. How soon will we achieve that point?

**Mr. Laing:** We started to reduce the appropriations to some of the reserves for 1984.

**Mr. McDonald:** So that, obviously, would be reflected in assessments.

**Mr. Laing:** Right.

**Mr. Penikett:** On page 27 of the Tenth Annual Report is the

list of the investments. Since there is \$21 million-plus of workers' employers' money here — not a penny of which seems to be invested in the territory — are there no actuarially sound investments available within the territory, at all, from your point of view?

**Mr. Laing:** I think I should explain that I do not have a direct role in investment policy, as such. My concerns, to date, have been on the financial side.

**Mr. Penikett:** The investment committee does not consult at all.

**Mr. Laing:** They have not, so far.

**Mr. Penikett:** Just these nice gentlemen with *Merrill Lynch and Pitfield, McKay, Ross*. They do not live here, either, I guess. Okay, I will leave that question unless Mr. Booth wants to comment.

**Mr. Booth:** We have not, at present, because the policy is to be sure that we have got guaranteed bonds and, certainly, if the Yukon government came out with bonds and they compared with the other provinces, then the board would be looking at that.

**Mr. Penikett:** Could you, under the present rule, buy municipal bonds, if they were issued here?

**Mr. Booth:** They would have to be guaranteed by the government.

**Mr. Penikett:** By the Government of Yukon?

**Mr. Booth:** Yes.

**Mr. Laing:** Just as a matter of explanation, perhaps I should say that I have a role, perhaps, as an ultimate monitor. If the investments were not returning adequately, compared with other similar funds, I would have the responsibility to report the matter to the board and suggest that they do something about it. I have to see that there is a return on investments that will justify the assumptions that I make in calculating the factors, both for the evaluations at the end of the year and for the capitalization factors when the money is set aside to the pension fund, all of which is reflected in the rates. So, if I saw the investments were not earning appropriately, in the light of inflation, to cover inflation plus the actuarial assumptions, then I would have a responsibility to report to the board.

**Mr. Penikett:** I understand that, but I guess my concern was or is a little different one of a lot of money from the territory being invested securely. That is one issue, but the other issue is that since it is all invested outside the territory, it does not demonstrate a lot of confidence in the territory. But that is a different problem.

**Mr. McDonald:** The assessment rates, to briefly veer from the topic, are established on the basis of the accident experience record for each classification and then applied to an employer's assessment payroll. I will refer you to page 19.

∴ The statement of income for 1982 shows a decline in the assessment income from that of the prior year of approximately \$2,671,000, which translated, I believe, into a 32.6 percent decline, while, on page 12 of the same report, there is reflected a reduction of only 6.3 percent in assessment payrolls. I wonder if you could just state what accounts for that significant reduction in assessment income for 1982?

**Mr. Booth:** These are estimated assessable payrolls that the employer puts in in January, at the beginning of the year, for that calendar year. Your page 19 is your actual assessments chargeable and, therefore, these are payroll figures, this is revenue.

**Mr. McDonald:** I think I see what you are saying. For the purposes of the Annual Report, do you believe that it might be wise to put in actual assessable payrolls to be able to provide for a clearer understanding for persons such as ourselves, to be able to make the kind of comparative analysis that we would like to make, rather than the estimated assessable payrolls?

**Mr. Booth:** Certainly, that can be quite easily done.

**Mr. McDonald:** That is very good.

To stretch this out a little more, in view of the downturn of Yukon's economy and the reduction in the payroll assessment base, are projected changes in the economy taken into account in establishing assessment rates?

**Mr. Booth:** Yes, we did, sir, completely.

**Mr. McDonald:** I would like to, again, veer from the topic slightly and talk about the registration of employees. Perhaps you can tell us how the board ensures that all employers are registered

and assessed?

**Mr. Booth:** We have in place a system where we are notified of any registration, through the companies branch of the Department of Consumer and Corporate Affairs, through business licenses. The auditor, as part of his function of going out, audits these subcontractors and this is a means of obtaining employers, where we find that they have been working in the territory and did not report to the board. We still have the authority to go after them and collect back assessments on that particular employer if he is such or we can assess the principle for whom he was working. It is the employer's responsibility to ensure that he registers and he has ten days in which to do so, from commencing to hire workers in the territory.

∴ As I say, other means are through being advised by the business licenses issued; water licenses, through the Water Board; or employers; and also through the Department of Consumer and Corporate Affairs' companies branch.

**Mr. McDonald:** Have you had any instances of claims by employees for employers who are not registered?

**Mr. Booth:** Yes, we have had. We have penalties in place for that, where the employer who does have an accident and is not registered with us, we can assess him 50 percent of the costs of the claim, up to a maximum and, at the same time, go back and assess the employer on his payroll and collect the assessments.

**Mr. McDonald:** Can you just state what the responsibility the board has for claims, arising from accidents in the territory of an employee only here temporarily, while working for an employer who is registered in another jurisdiction? How do you account for that? How do you compensate for that?

**Mr. Booth:** We have, as I mentioned before, reciprocal agreements with all other boards in Canada. The Association of Workers' Compensation Boards is presently conducting cost analyses of this.

The way it worked before was that, if an employee resident of Alberta came into Yukon, we would assess on that payroll earned in the work, but he had the option of claiming compensation in his resident jurisdiction or the jurisdiction where he was injured and the adjudicating board would be reimbursed. It came about from studies prior to this — and this was a year ago — that, administratively, it did not seem feasible when we were reimbursing others because of the fact that people today, being very transient, moving from one place to another, that the cost outweighed the administrative effort. So, we are studying this now to see and keep track of the number of claims that fall into this category. These will then be discussed at our annual convention to look at this agreement.

As I say, we are monitoring them and will have figures available at the end of this year, which I believe is the end of the two years.

**Mr. McDonald:** There is a possibility I would like to get into that further when we go a little more in-depth into the area of claims itself.

I would like to change directions slightly and ask you to discuss the merit rebate plan, which was introduced, I understand, in 1977. ∴ You did mention it, of course, in your opening remarks. I am wondering if the board has ever conducted any evaluation of the effects of the plan?

**Mr. Booth:** This is a question that has been discussed, that I know of, for 23 years at conventions and there is no way of monitoring that. All you can assume is that the employer is putting those costs and that is what we encourage the employer to do, is to rebate, is to put it into accident prevention, education and programs within his company.

There is no measure, means or ways of measuring whether this rebate works or not. It is an incentive, basically, to the employer to have good accident prevention programs.

**Mr. McDonald:** As I understand it, the merit rebate is based on the three years' past performance. Can you briefly explain that for me?

**Mr. Booth:** It is a three-year and current year experience that we go by. The reason being for the three years is that a capitalized amount on a claim may not come up for three years. You take, for example, 100 percent disability, it would take him three years to reach that permanent stage of recovery. Therefore, the cost of that



claim, which is the highest capitalized cost, would not get charged to that employer within the first year and possibly the second. So, we use a three-year experience as a guideline to ensure that the total costs are charged against that employer.

**Mr. McDonald:** On page 19 of the report, I wonder, in light of your remarks, if you could state what the reason was for the reduction in merit rebates in 1982 to \$754,000 from \$1,300,000?

**Mr. Booth:** Again, lack of activity, the same way as with the revenues. In 1982, particularly in the mining industry, which is one of our largest classifications, the payroll dropped then and it was on the basis of that that there was a drop in merit rebates, as well, because the activity and the number of employers decreased.

**Mr. McDonald:** We have already dealt with payment of assessments. Perhaps we could discuss briefly — as I see time is running on — the Government of Yukon as an employer. The Yukon government is defined as an employer for the purposes of the act and is shown as a separate class when the statement of transaction is by class, on page 14 and 15.

» No merit rebates are shown for the Government of Yukon in this statement of transaction, nor any transfers made to future claim costs or reserves. Does the Government of Yukon not earn any merit rebates?

**Mr. Booth:** The Government of Yukon is really self-insured. It shows as assessment revenue, but they have a deposit account and we administer their claims of injured workers, government employees, and bill the Government of Yukon every month. They reimburse us the total costs. At the end of the year, we charge the Government of Yukon an administrative fee, the same as we charge every other employer, and class on the same basis.

**Mr. McDonald:** There is no special incentive program for the government equivalent to the merit rebate program to encourage them to hold down on claim costs?

**Mr. Booth:** There is none.

**Mr. McDonald:** Perhaps it might be wise — this is merely a suggestion and you can take it any way you like — to state the difference, in the Annual Report, between the government class and the rest of the classes, because that has not been expressed. At least to me, people have expressed wonderment at that difference and it might be worthwhile to put it in the report. Would you be amenable to a suggestion like that: the difference between government class and the rest of the classes?

**Mr. Booth:** It does show it as the government class. It is different because of the fact that, although we are showing it as assessment revenue, it really is not. It is the levy that is the cost of those claims that we are billing the government for each year. They are not under an assessment the same as any other.

**Mr. McDonald:** I think I understand that. I understand they are not a class in the sense that other employers in the private sector are a class for the purposes of assessing payroll. I am just wondering if it might be wise to state that difference in that report for the benefit of the public? Would you be amenable to making that statement in the report?

**Mr. Booth:** It could quite easily just be referred to as a self-insured employer, which is what other boards report it as anyway.

**Mr. Penikett:** Just a quick question on the subject of classes: no where in the Annual Report does it define the classes in any way or make any reference to industry specific. I understand that you have a simple one-page schedule that does do that. Would it be possible to have that tabled before the committee? In answering that question, could you also indicate if you think that would be useful information to include in the annual reports or such other public documents?

**Mr. Booth:** We did include this in the Annual Report. I think, two years and we found nobody made use of it. So, we provided an assessment rate book, which is available to all employers and is given to every new employer who registers with us. We found that they want to know the rate before they start business, not to know the class when the Annual Report comes out after they have set up business. So, this is the reason, we found that it was not used in the Annual Report, so we made it available separately.

» **Mr. Penikett:** It would be useful for us if we could get it tabled

now.

**Mr. Booth:** I will leave you a copy of this and I will provide you with the current rate book, too.

**Mr. Brewster:** I am just curious — and maybe it is in there and I just cannot find it — but, on page 8 of your Annual Report, you have "NC". What would that stand for? With one-year classes?

**Mr. Booth:** These are no claims that are allowed. They are disallowed.

**Mr. McDonald:** One more brief question regarding the government's role. If claim settlements for a government employee are reimbursed on the current basis by the government, how is the deficit, for example, of \$38,000 in the operating reserve, December 31st, 1982, explained?

**Mr. Booth:** It is after the year-end that we bill the Government of Yukon for an administration expense. It is showing up in there and that is the reason for it. We are changing the format of this because it is misleading and it will be set up in accounts receivable and then, when it is recovered, apply it against receivables in administration.

**Mr. McDonald:** Do you wait until the entire cost of the claim is determined before you bill the government, or do you bill the government on an annual basis?

**Mr. Booth:** It is an administration fee and we determine that after the end of the year, because we have to pro rate the total administration costs against the classes and we do not know what that will be until all our year-end are in.

**Mr. McDonald:** Does the bill, as of January 1st, 1982, reflect greater activity by the board? It was a \$53,000.

**Mrs. Buckler:** That \$53,000 was not just a administration fee. It did result in a book value, but part of it was resulting from an adjustment that was made to increase the pension fund at any particular time and it was charged against YTG. It was a year-ending transaction and it was passed to January 1 of a subsequent year before that amount was reimbursed to us. The administration costs for 1981, this would imply, were not \$53,000 to YTG. Is that what you are asking?

**Mr. McDonald:** I am not sure I understand, but I will wait and discuss this later.

Perhaps we can get back to \$38,000 and the \$53,000 for a moment. You said that the dues from government amounted to \$38,000, the administration fees \$28,000. Can you tell us what the difference of \$10,000 reflects?

» **Mrs. Buckler:** The interest of \$10,000, in the \$38,000 sense, applies in part to a value against the future claims cost reserve. If you look you can see it was because of an adjustment that was made to the pension fund. The amount was charged against prior year claims costs, which is the future claims cost reserve, of which YTG is not a contributor. So, we billed them at a later date in order to cover that deficit. Meanwhile, it carries through the progressive stages and shows as a deficit in the end result.

So, the amount of the \$38,000 to the future claims cost reserve was in the area of \$10,000. The actual administration cost that was billed was in the area of \$28,000. If you look at the administrative cost itself, you will see that it is \$28,000, the other difference being a book value and the nature of the statement to do with an adjustment to the pension fund, for which the actual reimbursement —

**Mr. McDonald:** Is the adjustment to pension funds something that happens annually, depending on the circumstances?

**Mr. Booth:** I will elaborate a little more to make it clearer. This is really just a year-end transaction, which is why it shows up here. An addition could be where the worker has appealed and then we have increased his disability. His pension increases, therefore the capitalization amount increases and we have to bill YTG. It is because this may happen in December and, therefore, it falls over on to December 31st and shows as an outstanding deficit, really. It is paid off in January and it may come through the following year.

As I say, we are changing that system as it should not really show it there. It should show as accounts receivable and this is what will happen.

**Mr. McDonald:** I think I understand what you are saying. Perhaps we should get back to classifications for a moment. The

board's Annual Report contains no information on the current year's assessment rates or changes in these. The report comprises, in part, an accountability report to employers. Would it be practical and meaningful, in your opinion, to furnish within the Annual Report assessment rates by class for the current and prior year and, also, to provide a five-year comparative summary of operating reserves balances, by class?

**Mr. Booth:** As I say, there was no problem in showing the rates in there or the class. We did, for two years, provide that, but, as I pointed out earlier, no one used it and we felt it was an absolute waste of time and effort to include it in the Annual Report and we took it out and provided a rate book instead, which has been used quite frequently and is in demand.

• We admit we have no problem in putting it in. Now, I do not know what the comparison for five years would do, because the things change drastically from year to year and the rate is reviewed yearly. So, it depends on the accident experience in that particular year. It would not really show a comparison.

**Mr. McDonald:** It would not be at all useful?

**Mr. Booth:** No.

**Mr. Laing:** I think it would be very difficult in practice, because we have been pursuing a policy of amalgamating classes over the last few years. There were some very small classes where it was not possible for them to be self-supporting. Going back over as much as five years, it would be kind of difficult to show it clearly, where you have six or seven subclasses five years ago that are now all in one today. So, it is just a mechanical problem showing it clearly, going back as far as five years.

**Mr. Penikett:** This information that has been given us on one sheet, which seems incredibly pertinent and which is not in the Annual Report, even though you say it may have been at one point, talks about the classifications and the rates for each classification. Just looking at the classifications, instantly some eyes were raised here about some of the industries that were in individual classifications.

In your opening statement, you talked about rates are set based on the accident experience of the classification as a whole. There is a fascinating series of questions that come to mind here about what happens to an industry that has, over time, a much higher accident rate than the average in that classification. Does it get moved into another classification and how quickly does that happen? How often do you review the appropriateness of the inclusion in any class of an industry or — because the industries, presumably, change in terms of their accident rates and the practices, too?

**Mr. Booth:** The classification, as a whole, is done by the actuary. Every year, we will look at various industries within that group and any that the board feels are out, then we will ask for a further review by the actuary. It could be on many industries or it could be on one industry, or three.

**Mr. Penikett:** You have got logging, for example, in the classification of light construction. You have pilot car service, for example, under heavy construction and trucking, number two.

Now, the pilot car service, the rate is \$7.50; the logging is \$4.50. Many of us laymen would assume, just from our own life experience, that logging is an awful lot more dangerous and risky than a pilot car service.

• But, what you are saying that the experience with the industries here is contrary to that folk wisdom.

**Mr. Booth:** Correct. Each of those industries is assigned an industry code and the costs are broken down by that industry code and revenue so that we know, by looking at the total pilot cars, of what their cost ratio is against their assessment revenue and what rate is required to cover costs.

**Mr. McDonald:** Within a particular operation, for a particular employer, he or she may employ a variety of persons who may be otherwise covered in a variety of classes. For example, metal mining is classification number one. Yet, within a particular operation — for example, United Keno Hill Mines — there would be everything from miners to janitors to secretarial services, et cetera, who all have variable accident rates and the severity of accidents is varied. Do you break down employees within a classification or do you charge the single rate?

**Mr. Booth:** We charge the single rate. We look at it for what is the main industry of that. It is the same as if you take Hudson Bay or Woodward's. They are all in the transportation business, too, because they have more trucks really than a trucking company, but their main industry is retail stores. So, they are put into retail stores.

The question is asked by every employer: "Why can I not have a lower rate for my administration staff? They are not going to get hurt unless they fall off their chair." The answer to that is "Fine. If I take your administration out of that mining \$4 rate, then I am taking payroll less, I am getting less revenue, so I will have to raise that rate to offset the 80 cent rate I am going to give for your office. So you are going to be paying the same, no matter what I do if we move it." So, it is —

**Mr. McDonald:** What about those industries that may become automated to a greater degree and; therefore, would have a lower accident rate and there may be a greater portion of persons who are administrative and lesser who are manual labourers and even those manual labourers could conceivably have a lesser accident rate? But, for those mines who are more automated, they would still be charged as, say, United Keno Hill Mines, which is still largely dependent on manual labour and, perhaps, not antiquated mining techniques but old-fashioned techniques. Is that the case?

**Mr. Booth:** Yes, that is the case. But, then that is where the rebate comes in. If he is having less accidents than United Keno, then he would qualify for a rebate and possibly Keno would not. When you are going into an individual, then the rebate plan is to cover that individual experience.

• **Mr. McDonald:** The merit rebate, in the board's opinion, is sufficient to account for the difference in classifications. So, for example, if the automated mine was doing particularly well and had an accident record that was equivalent to, say, service industries, for example, the merit rebate would be sufficient to provide the difference in dollar value to the employer?

**Mr. Booth:** Oh, no. Because you are saying there that the accident that is experienced by that individual is 80 cents and that he should go to the 80 cent rate. No, we are saying that this is a collective liability system. Therefore, each employer has to assist the other. You start taking smaller groups of employers and giving them separate classes, then we are back to day one, which Mr. Laing spoke of earlier, where your payroll base is too small in the Yukon to break it down that fine.

We started out with 29 classifications in 1974 when we set the fund up and it was ridiculous. There was just not enough employers in one class to support themselves. One accident, and they were in a deficit position. Therefore, you have to have a bigger payroll base to stabilize that rate. Therefore, as we say, it is a collective liability system so the employer must contribute as a whole. You cannot go down into the nitty-gritty of going into a classification of mining and looking into each individual one on a rate structure. They have to collect that \$4 rate for the mining industry and then we look at the individual experience and provide the merit rebate reward system.

To go back to Mr. McDonald's hypothetical question. If there was a sufficiently different category of mining started up in the territory and it was identified, even on general terms, we could look at the experience of employers in that particular industry within these classes and we would probably be asked to do so very quickly. It would be possible to take them out of the mining class and put them in some other class or create a class for them, if there was a sufficient volume and if there was a sufficient difference. The merit rebate system, as you said, would not account for the whole of the difference between a \$4 rate and 80 cent rate. We have looked into the classes to see if some of the industries within the class should be moved to a more appropriate rate. We are constantly reviewing that.

A good example of that, Mr. McDonald, was that the placer mining industry, which is mining, was in class four. As a result of an analysis of that class, we discovered that their required rate was \$7.50, so we moved them to class two. This is done on a regular basis.

• **Mr. Penikett:** Because Mr. Crawford Laing is going to have to suffer the unfortunate experience of having to fly south, leave this

beautiful place and not be with us Monday, could I ask the members of the committee if they have any last minute quick questions to Mr. Laing before he has to leave us?

No? Okay. Let me just have one brief question to you, Mrs. Buckler, which arises out of an answer you gave earlier about the provision, \$578,000, for doubtful accounts not written off. What accounts have been written off, say, in each of the last three years? You talked about a three-year period.

**Mrs. Buckler:** In 1982, it was \$26,993. I do not have the figures for 1981 and 1980 in front of me. Is that what you meant?

**Mr. Penikett:** Yes. Would you be able to provide those?

**Mrs. Buckler:** Yes, I believe it was around \$12,000 in 1981 and I am not sure of 1980, but I can provide you with the exact figures at a later date.

**Mr. Penikett:** Perhaps we could get the exact specifics.

We have reached our time of adjournment now. Mr. Booth and Mrs. Buckler, you will be able to join us again 9:30 Monday morning? I guess we could say, thank you, Mr. Laing, for having been with us. The witnesses for the Workers' Compensation Board are now excused. The Committee will now adjourn into Executive Session. Formal hearings will resume 9:30 a.m. Monday morning. Thank you.

*Committee adjourned at 11:30 a.m.*

**Yukon Legislative Assembly**

**PUBLIC ACCOUNTS COMMITTEE**

Monday, February 13, 1984  
9:30 a.m.

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Issue No. 5 (Fifth Sitting)

25th Legislature

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## **Standing Committee on Public Accounts**

**Chairman:** Mr. Tony Penikett, M.L.A.  
**Vice-Chairman:** Mr. Bill Brewster, M.L.A.

**Members:**

Mr. Maurice Byblow, M.L.A.  
Mr. Al Falle, M.L.A.  
Hon. Mrs. Bea Firth, M.L.A.

(Mr. Piers McDonald, M.L.A., substituted for Mr. Maurice Byblow throughout the hearings)

Ms Missy Follwell  
Clerk to Committee

**Expert Advisors from the Office of the Auditor General:**

Mr. Raymond Dubois, Deputy Auditor General  
Mr. Harold Hayes, Principal

**Witnesses:**

**Workers' Compensation Board**  
Mr. Brian Booth, Chairman  
Mrs. Patch Buckler, Director of Finance

**Public Service Commission**  
Mr. Jean Besier, Public Service Commissioner  
Ms Geri Walshe, Director, Compensation  
Ms Dorothy Drummond, Manager, Employee Records & Pensions  
Ms Pat Cumming, Director, Recruitment & Labour Relations



## EVIDENCE

Monday, February 13, 1984

**Mr. Penikett:** Meeting Number 5, Fifth Sitting. Formal Hearings of the Standing Committee on Public Accounts will come to order.

This morning we are continuing with our review of the Workers' Compensation Board. I would like to welcome back Mr. Brian Booth and Mrs. Patch Buckler to continue this inquiry. In picking up where he left last week will be Mr. Piers McDonald.

**Mr. McDonald:** I think, as we all recall, on Friday we were discussing classification of employers for the purposes of levying assessments. I believe you suggested that there was no breakdown of employees into subclasses, within any particular classification, in order to promote the principle of collective liability. Can you tell us whether management or senior management is treated as a separate subclass or are they treated differently in any way or are they all included in the same classification?

**Mr. Booth:** They are all included in the same classification as the industry in which they are engaged.

**Mr. McDonald:** Perhaps you could just elaborate a little bit on one aspect of this. Could you tell us how a classification for an employer is determined when the employer is, essentially, an amalgam of various trades and occupations, et cetera; for example, a trucking business, maybe some farming, maybe a little bit of stock brokering, all in the same operation? Can you tell us how these classifications are determined?

**Mr. Booth:** It depends upon the percentage of their activity. We take his main industry. If his main industry is trucking, then he would go into the trucking classification. If a percentage or volume of his business, depending on the percentage of payroll, is insignificant or applicable to his trucking — in other words, if he is hauling feed, it does not mean to say he is in farming. So, it would be incidental to his trucking operations and he would go into the trucking classification. If it is 75 percent trucking and 25 percent farming, then he would have to establish two accounts: one to cover the farming operations and one to cover the trucking.

**Mr. McDonald:** If a particular operation was an amalgam of many of the different classifications, would you take a weighted average of the types of work being done?

**Mr. Booth:** It is not necessary. If it is incidental to the main operation, it would only be given one class, but if there were three or four distinct operations, it would be given four classifications; four accounts.

**Mr. McDonald:** Perhaps you could explain the concept of "fair value of service," in assessing independent operators.

**Mr. Booth:** That is no longer in effect, but when it was in effect, the auditor and the employer came to an agreement. The criteria was what the employer would wish to be paid as compensation if he were injured: the minimum or the maximum. Also, what would he expect to pay an employee to do what he was doing. Usually, this came to an agreeable value of service. Because of the problem, the act was changed on January 1 to allow these people to come under personal coverage and set their own amount. That is the way it is now.

**Mr. McDonald:** For the year under review, was this concept still in practice?

**Mr. Booth:** Yes.

**Mr. McDonald:** You say that the employer agreed, or determined, with the board what amount he should be paid?

**Mr. Booth:** It was an amount agreed to between the employer and the board. That was only in the case where there was no drawings or earnings taken from the company by the officials of the company. If they took drawings or wages from the company, they were assessed on that, the same as any other worker for the company.

**Mr. McDonald:** If the employer was part of the trucking firm and was actually trucking himself, without actually drawing specific earnings from the company, how would you determine the value of his service; upon his agreement?

**Mr. Booth:** On the basis of what he and the truck earned during that year. We would take 75 percent as earnings from the truck and

25 percent as wages, to the maximum assessable amount in force in that year in review.

**Mr. McDonald:** If it was at all difficult to determine — for example, in this instance, an employer may be driving his own truck — but in the cases where it would be more difficult to assess exactly how the employer's work was affecting the company, in terms of his value — would there be any instances where there would be any difficulty in determining or assessing the value of his service?

**Mr. Booth:** The difficulty could arise if the employer feels that he did not earn anything out of the company. There would be difficulties in arriving at a value, but it was always attempted to ensure that he was covered. That was the main goal, to reach a fair value of service. It was a problem and that is why the government made changes.

**Mr. McDonald:** So, if all this was a problem, were any claims made with the board that were of higher value than, perhaps, the assessed rate allowed?

**Mr. Booth:** If a company put in a claim and reported his earnings at the maximum and, as a result of the assessable account he is in for the maximum, we would then go back and reassess that employer or that principal of the company, because we have now, after the fact, determined that his wages were, shall we say, the maximum assessable earnings, whereas, when he put in his estimate, he put it in lower than the maximum. Then, actually, he would then —

**Mr. McDonald:** So, if you were to pay a higher rate of compensation, how would you assess the employer? Would you assess him retroactively, or would you have them pay a penalty, or how is it?

**Mr. Booth:** Usually, on the basis of determining his wages at the time of the accident; therefore, he only has an estimate in anyway. He has not resubmitted his earnings wrongly because the earnings, of course, are at the end of the year, after the fact of the accident. It is ensured that he is included at the maximum, if that is what he has deemed his earnings to be for the year prior to the date of the accident.

**Mr. McDonald:** So, essentially, the problem arose that if the — if I can paraphrase slightly — that the board would only be able to determine whether or not employers were actually paying the proper rate when they were actually injured and when they made a claim before the board?

**Mr. Booth:** An annual evaluation?

**Mr. McDonald:** An annual operating budget; is there such a thing for the board?

**Mr. Booth:** Yes, this is all determined by the actuary.

**Mr. McDonald:** I see. So it includes a projected cost of claims, the administrative expenses, et cetera?

**Mr. Booth:** Based on the three-year experience.

**Mr. McDonald:** Do you have a copy of a sample budget that we might be able to see?

**Mr. Booth:** Not with us, but we can obtain that for you.

**Mr. McDonald:** I would like to get into the area of safety inspections but, before I do that, at the beginning on Friday, we spoke of performance indicators that allow the board to evaluate its progress in reaching the goal of highest standard of service for injured workers. Would there be any problem that you could foresee to include such information in the board's annual report every year? Performance indicators meaning the time it takes to process the average claim, et cetera, and the amount of claims processed.

**Mr. Booth:** I think it is difficult to do, again, because you are going back to the individual claimant. To come up with some sophisticated quality control is very difficult. This is a problem in every board in Canada and the only way you can do it is, really, is to take your sources from your supervisors, put in factors that supervisors watch, which may be the time it takes to obtain employers' reports or workers' reports or doctors' reports, and the adequacy and duration of the treatment and, possibly, the adequacy of the investigation into the reports. We found that the only way that we can do random samples is by the supervisors and the

board.

**Mr. Penikett:** On average, you must know whether you have improved the time in which it takes you to process the claims, even in the random samples. Surely, on a year-to-year basis, it would be possible to report that average in such a way that the people to whom you are accountable, the Legislature, would know whether the performance of the board is improving, in your terms, or not, would it not?

**Mr. Booth:** As I say, we have figures that we say are an adequate caseload for a particular adjudicator and, if that caseload becomes more than that, then we realize that the service would decrease and, therefore, we would require another adjudicator. We know, for a fact, that they can handle so many caseloads per adjudicator and those are the performance indicators, as you call them, that we use.

**Mr. McDonald:** Do you compare the performance of the staff of this board, with the staffs of other boards in the country, and how do you make that comparison?

**Mr. Booth:** Again, we would, basically, ask the other boards how many caseloads does an adjudicator have and how many active claims are they handling at one time, and doing it on that basis.

**Mr. McDonald:** So that kind of information could go into the annual report for persons, such as we, who would like to see that on a regular basis?

**Mr. Booth:** What we would be able to give you is the caseload factor.

**Mr. McDonald:** Perhaps we could get briefly into the area of safety inspections. Can you state what the board's responsibilities for safety inspections are?

**Mr. Booth:** None whatsoever.

**Mr. McDonald:** None whatsoever. During the 1982 Public Accounts Committee hearings, the Department of Consumer and Corporate Affairs indicated that the occupational health and safety, which was a shared responsibility with the Workers Compensation Board, was in the developmental stages, dependent on new legislation. It was further indicated at that point, I think, that the position of the occupational health and safety officer within the department was actually paid for by the board and that, although reports of investigations of accidents were provided to the board, reports on routine inspections were not provided to the board, but a more formalized reporting system was under discussion. Can you state what changes there have been in the relationship with consumer and corporate affairs, with respect to the responsibility for this position?

**Mr. Booth:** The board does receive a monthly report that outlines the type of inspections, or safety committees, the type of calls that the inspector has made throughout that month and that is tabled at the board meeting every month.

**Mr. McDonald:** Did you say that the safety inspector comes to meetings?

**Mr. Booth:** No, he submits a monthly report of his activity during that month and it is tabled at the board meeting for the board to review.

**Mr. McDonald:** With regard to this kind of information, you say that he provides the types of inspections that he has made over the course of the month and the kinds of activities that he is engaged in. Does he deal at all with specifics, about specific employers and about specific situations?

**Mr. Booth:** He will list the employer and whether he has issued the type of order he has issued requesting the employer to repair or change. The items are listed with an explanation of what he has recommended.

**Mr. McDonald:** What portion of this officer's salary is paid for by the board?

**Mr. Booth:** The Workers Compensation Board pays for all the expense, O&M expenses, as well as salaries for the occupational health and safety officer.

**Mr. McDonald:** The board does not direct this officer in any way, is that correct?

**Mr. Booth:** Correct. We try to work closely, if we can see something that is a problem, as a result of our analyses of the classes. If we feel one industry should be more concentrated on, we

certainly advise the occupational health and safety section to follow up on that.

**Mr. McDonald:** Can you briefly state the views of the board regarding this organizational situation within the Department of Consumer and Corporate Affairs?

**Mr. Booth:** The view of the board has been that occupational health and safety is a workers compensation responsibility. Their feeling is that, although many people feel we are in an insurance business, we are not. Their main reasons are that the only way to cut costs in workers compensation is to cut the frequency and severity of accidents. To do this, we all know, occupational health and safety programs and education is the only means. That is the board's feeling.

**Mr. Penikett:** Are you saying the present arrangement is not administratively effective?

**Mr. Booth:** No, I am not saying that. Consumer and corporate affairs are doing a good job. The board feels that they do not have any control over the expenditures that they are putting out or the claims costs, because of the fact that occupational health and safety is the only means of cutting those costs.

**Mr. McDonald:** For all the efficiency that the board feels the Department of Consumer and Corporate Affairs is effecting with this particular position, does the board feel that it could be more efficient if the board was to direct and monitor the safety inspection program itself?

**Mr. Booth:** That has been the opinion of the board.

**Mr. McDonald:** Who has the responsibility for the preparation of accident prevention regulations?

**Mr. Booth:** The Department of Consumer and Corporate Affairs.

**Mr. McDonald:** Can you say why the board should pay the full salary costs for the individual occupational health and safety officer when the officer actually works for the Department of Consumer and Corporate Affairs?

**Mr. Booth:** Because the service is being provided to industry and to employers and workers under the **Workers' Compensation Act**, at the present time. If a new occupational health and safety act comes forth and it is removed from the **Workers' Compensation Act**, then I am sure that you will see joint funding of occupational health and safety, to keep it in a fair, equitable way.

**Mr. McDonald:** The last thing I would like to get on, before we get into victims of crime compensation and the claims area, is just a follow-up from discussions on Friday, regarding rehabilitation and medical care. Can you just state what the responsibility of Yukon Medicare is for general medical costs and rehabilitation costs?

**Mr. Booth:** None whatsoever. Any industrial accident comes under workers' compensation and the costs for medical aid, rehabilitation, comes from the workers' compensation fund.

**Mr. Penikett:** When you have someone out on retraining, perhaps Vancouver or someplace else, is your relationship to that person, at that point, in a sense that of an employer, in the sense that you may be providing them with income, housing support, and so forth?

**Mr. Booth:** No, definitely not. If we were deemed to be his employer then we would be obliged to deduct all the other benefits and then you are making compensation taxable because you would be deeming it to be earnings.

**Mr. Penikett:** But it is not taxable now and you do not deduct medicare, you do not deduct anything?

**Mr. Booth:** No, we do not and it is not taxable.

**Mr. McDonald:** Perhaps we could move, now, to victims of crime compensation and perhaps you could just tell us who administers this program.

**Mr. Booth:** The Workers' Compensation Board administers it on behalf of the Department of Justice.

**Mr. McDonald:** The Workers' Compensation Board administers it and the Department of Justice pays the claim costs.

**Mr. Booth:** That is right. It is joint cost-sharing between the federal government and the Yukon government.

**Mr. McDonald:** Who determines the amount of any particular award.

**Mr. Booth:** The board. The members themselves determine the award.

**Mr. McDonald:** Are there established guidelines and procedures by which this award is determined?

**Mr. Booth:** Again, it is determined on the basis of precedent and, again, the loss and the disability to the victim. We try to follow the same guidelines that we do in Workers' Compensation, as far as any physical disability. We take into consideration the pain and suffering by the victim and any pecuniary losses, other than pain and suffering and physical disability.

**Mr. McDonald:** So, the procedures are roughly identical to those already established by the board for normal work-related injuries.

**Mr. Booth:** To a degree, of course. The benefits are the maximum that we can award and, therefore, the victim may not obtain the same financial awards that they would under the Workers' Compensation Board because the maximum amount limits us to that.

Those are under review now, as a result of the recommendations of the federal-provincial task force.

**Mr. McDonald:** To what extent are personal property damages compensated and how is that determined?

**Mr. Booth:** They are compensated for personal property loss. The feeling is that that should be left in the hands of private insurance.

**Mr. McDonald:** Has the board established at all what expense to the board this particular program has cost?

**Mr. Booth:** We have considered it and the agreement is — with the Department of Justice — that we be paid 10 percent of the total awards for an administrative fee. This is the figure that is used across Canada, where workers' compensation boards administer the program on behalf of the government. Ten percent is a fair and equitable return.

**Mr. Penikett:** I am going to pick up with a couple of questions, which we flagged last week, that I wanted to get back to. The first one is one that, for want of a better description, we called late claims. Let me briefly explain what I mean by giving you a real case — instead of a hypothetical one — because it is probably easier to talk about. You have a case, a mine such as Clinton Creek, which closed down — I forget how many years ago now, in the 70's, anyway. It has been a few years now since it has closed. That was an asbestos mine.

Since the closure of that mine, an awful lot more is now known about asbestos-related work diseases, the industrial cancers, the asbestosis, and so forth, than I think was probably known at the time. One of the things that we now know is that the incubation period for some of those illnesses is quite long. I think it is, in fact, 20 years, is it not in some cases?

I want to, taking that case, without casting aspersions on any company or anything, talk about the actuarial problem — not on a professional basis, but in a general way — of a situation like that. There you had a mine that, at least, operated for some 10 years. It had, certainly in its earlier years, anyway, a very high turnover rate. There must have been, literally, thousands of people who, at one time or another, worked in that property and were in varying degrees, therefore, exposed to the dangers and risks associated with mining asbestos, which we now know is a very dangerous commodity.

The mine is now closed and the company no longer operates in the territory, as far as I know. I would expect that a very large percentage of the former employees are non-residents. I wonder if you could, in a general way, talk about this board's responsibilities for those former employees, should some of them start to turn up with some of those asbestos-related illnesses. Would they, if they were working, say, somewhere else, go to the board in their province and then how would that impact on us? Then, later get back, if you could, on how we can assume the costs of that, given that the company is no longer operating and how the notion of collective responsibility would bear on a situation like that?

**Mr. Booth:** First of all, I must say that when, each year, an actuarial review of the estimates for future claims costs is taken and it is, again, based on an actuarial assumption that there are so many

claims out there that have not yet reported and may not report until later on and he bases this on actuarial assumptions and experience within the board of late claims being filed. We then set monies aside in the reserve for future claims costs to cover this.

The claimant with asbestosis, who is now working in a mine in Ontario, due to a medical finds that there are signs of asbestos or he has it, can make a claim at either his resident province's Workers' Compensation Board, or with us; he has that choice. We have reciprocal agreements with all boards in Canada for this purpose, for the claimant's purpose, so that he can go into any compensation board office where he is at. They will then administer that claim. Once the claim is determined to be a work-related result, then we can, as I say, pro rate the costs of that. If he has been working, for example, ten years in Yukon, he has been working five years in Ontario, then we would share that on a third and two-thirds basis.

As I mentioned on Friday, these reciprocal agreements are now being studied to see whether it is worthwhile reimbursing each other's costs in this way or whether it is strictly best for whomever adjudicates the claim pays the cost, but the worker is covered and would be covered.

**Mr. Penikett:** I am, of course, concerned that the worker be covered, but I am also concerned about how we manage the costs of such a thing, which may occur considerably after the point where we have any chance to maybe even assess the industry.

**Mr. Booth:** As I say, we presume that once, in that year of while the mine is operating, we are estimating that future costs will come in. Future claims will come in down the lane and that, based on actuarial assumptions, so many thousands of dollars are set aside for this purpose. Therefore, that is included in the rate that is charged that mining industry that year.

**Mr. Penikett:** So, from your point of view, the actuarial assumptions with a mine such as Clinton Creek were actuarially sound at the time, in that the industry, the actuaries, in a sense, had a pretty good idea of the probable, eventual kinds of claims that would come from an asbestos property?

**Mr. Booth:** Correct.

**Mr. Penikett:** In British Columbia, at a mine owned by the same company, Cassiar Asbestos, the provincial government — or, perhaps it is the compensation board, I am not sure — maintains a registry of former employers there for the purpose of periodic checks into these late blooming illnesses. Is there any such thing here?

**Mr. Booth:** Yes. We usually have them re-examine every two years.

**Mr. Penikett:** All former employees?

**Mr. Booth:** Not all former employees, no. Where it has been determined there is either silicosis or asbestosis or any other industrial disease, but it is not disabling, then those are checked every two years.

**Mr. Penikett:** So our registry is only when people turn up with a problem?

**Mr. Booth:** Correct.

**Mr. Penikett:** As I understand in British Columbia, it is all former employees who have a spot check, in fact.

**Mr. Booth:** That may be the government's Department of Mines or something, but —

**Mr. Penikett:** ..but there is no spot check here, okay.

The actuary has assumed or made some kind of projection about the probable cost from a certain kind of operation. Let me ask you, not as a hypothetical thing, if you have ever had a problem such as this. It occurs to me that you might have a time in the life of the Yukon economy, when a certain industry is booming, when there might be a lot of accidents or a lot of health problems that occur that do not show up for a while. You might have claims coming up after the fact. At that point, that industry may have shrunk considerably, that we may have gone — this is purely hypothetical — from ten mines, down to a situation where you only have one, or ten mines down to a situation where you have none.

Is there any, if you like, retroactive assessment against an industry for a problem that may be occurring now? I may be phrasing that wrong, but the situation where you are having a lot of problems now in the industry, which are costly, that were really



caused some time before. Do you reassess an industry today, based on that experience, or do you increase their assessment today, based on some of those old problems?

**Mr. Booth:** We have the facilities in the act of where we can sue for assess an industry or an employer, at any time, where the costs suddenly come up as a result of that employer's operations.

**Mr. Penikett:** We are dealing with an issue of fairness. If that employer has a problem or is an unsafe property, I can understand reassessing them but, surely, it would not be fair to reassess that employer because some other people in the industry, some years before, ran unsafe operations or had problems that they did not even know about.

**Mr. Booth:** We must assume that we have charged sufficient rate, put sufficient away into the reserve future costs, because the idea of compensation, under the terms of the act, we must charge sufficient in this year to cover all costs and future years on accidents arising this year.

**Mr. Penikett:** Have you ever had in your experience — and I assume there is room for error even with actuaries — where you have not charged enough to an industry or a certain kind of occupation.

**Mr. Booth:** Not yet, we have not, no.

**Mr. Penikett:** Have you ever had an experience where you have charged too much?

**Mr. Booth:** That we will not know, we do not know.

**Mr. Penikett:** Do you have a way of finding out?

**Mr. Booth:** With more history, yes, I say we will.

**Mr. Penikett:** Would it be fair to say that if an industry — to pick an example, hod carrying — which might be number one, right now, over a two- or three-year period move down to a lower classification or a cheaper classification, would that be fairly good evidence that they may have been unfairly assessed in the past?

**Mr. Booth:** No, because they would be in there, they would not have been moved down for that year. It is in the year of occurrence that we are speaking of and the rate charged at that year.

**Mr. Penikett:** Let me ask you about one other aspect of this late claims problem that interests me. Some years ago, I remember hearing of a peculiar number of cases that would affect a mine like, for example, Elsa, which is a different kind of property. In those days, when those of us who wanted to work in a Yukon mining industry, we used to have to go down to an outfit called the Chamber of Mines in Edmonton to get a medical. I think they were annual, at least in those days, and you had this miner's card that said you could go mining.

They still have that operation, but that is not the only way you can get into a mine. You do not have to go through that to get into Cyprus Mine, anymore, but you still have to pass, presumably, for certain kinds of miners, the periodic medicals.

I used to hear of cases of old guys, many of them immigrants, perhaps, who were not as well aware of their rights as other citizens or other people might have been, who would go out, who worked a long time in the mine — not necessarily here, but, perhaps all over the north — had gone out for their holiday, come back through the Chamber of Mines and then flunked their medical one year and then would not be able to work in the mines anymore and who would then disappear off to other work or go off and, if they had a debilitating illness, presumably, in time, pass away.

It was alleged, then, that those cases, those people were not benefiting from compensation, were not always, in many cases, availing themselves of those services because they may not have been aware of them. Some of them may have gone back to the old country. Can I ask you, as a general proposition, because I do not want to deal with specific cases now, if, from your point of view, that was ever a problem or if it ever came to light, in your experience, with this board? Have you experienced any cases of that kind?

**Mr. Booth:** Yes, in cases of hearing loss now, these are coming out. Specifically in the mining, when they were being laid off, then they were not concerned —

**Mr. Penikett:** So while they were working, they did not claim for them?

**Mr. Booth:** Or, in other words, would establish a claim for a

hearing loss and these are compensated. In those particular instances, it is an individual reserve that is set aside for these types of industrial diseases and every employer contributes to them today, last year and next year.

**Mr. Penikett:** Two things concern me about the problem of such a kind, especially in an economy like ours, which has a fairly transient workforce. One is whether all employees who might be suffering an industrial illness like that would be done justice. The second thing is whether that would skew the actuarial figures we might have for an industry, because these claims might come late, they might come long after the fact or, conceivably, they might never come at all. Some community, such as the province of Alberta or the province of British Columbia, might have to end up having to pick up the social costs for caring for those people, as they suffered a long and debilitating illness.

**Mr. Booth:** Ultimately, the social society would cover up the cost because the medical professional today can determine whether these are a result of employment because he usually asks what type of work you do and it is brought to light. In this day and age, the medical people advise these workers to put in a claim with the Workers' Compensation Board.

**Mr. Penikett:** At one time or another, I seem to remember hearing the board say that they had recognized that there could be such a thing as an alcohol-related work illness. Is that the case?

**Mr. Booth:** B.C. did not recognize it. There was a lawyer in B.C. who felt that they should recognize alcohol-related, we do. If he does have an alcohol problem after he has had an industrial accident or had it at the time, but this was not the cause, we will work towards helping with alcohol and drug treatment.

**Mr. Penikett:** You work with rehabilitation, but you have not paid a pension on this basis.

**Mr. Booth:** Not on the basis if it is strictly an alcohol problem, no.

**Mr. Penikett:** Have you paid any pensions on the basis of "white hand"?

**Mr. Booth:** Yes, we have.

**Mr. Penikett:** How many?

**Mr. Booth:** I believe that there was three.

**Mr. Penikett:** Let me ask you a couple of quick questions about performance indicators that I would like to close the circle on. When you first appeared, you started to talk about how your board assessed its own performance. You stated your own objectives very much in terms of being able to process claims more expeditiously. I think, I think I have already asked you whether or not it would be possible to report progress or report your performance according to that standard in the estimates or in your annual reports. I believe you conceded that you could.

In your answers today, you seem to have indicated that there is a role for the board, very much, in accident prevention, safety and that kind of thing, which would seem to suggest that if the board were having great success in that area, a more valid performance indicator might be less accidents, or a lowering of the accidents in the territory. Therefore, consequently, a reduction in time of the assessments to industry — at least accounting for inflation.

Would it not be possible, in the estimates or in your annual reports, to show some year-to-year, not just annual figures, on the accident rates, but some year-to-year figures on the global number of accidents of a certain type, whether they are going up or down, as a measure of performance. Also, some kind of plot of what happens to assessments over time. Would that not also be a good performance indicator of the board in this area?

**Mr. Booth:** If you are using assessable payrolls, it certainly has a measure, but it does not have a direct measure to the quality of service in claims but it would because your assessable payroll, it depends on the economy of Yukon. Whether your revenue is up or down does not mean that your accident frequency will go up and down.

**Mr. Penikett:** How about accidents, then?

**Mr. Booth:** Accidents, yes.

**Mr. Penikett:** Do you think it would be useful to give some year-to-year comparisons with accident rates as a performance indicator for the board?

**Mr. Booth:** Again, you have to look at the number of workers who are out there, because there could be very few workers. If there is and suddenly our accidents go up, yes, there is something wrong there, you can tell that right away. But, if suddenly your accidents come down but your workforce has gone sky-high.

**Mr. Penikett:** Taking that into account — we can get the number of workers from another government department and compare those figures — but even granted that the workforce varies in size, it grows or shrinks, do you think it would be useful, as a performance indicator for the board, to have year-to-year accident statistics included in the information you report to us?

**Mr. Booth:** These reports are actually for the benefit of the employer, whether he would. Yes, he could possibly get something out of it.

**Mr. McDonald:** I have a couple of quick questions to complete some circles that we had been floundering in previously. We will get into the area of claims, which I know that one colleague on my right is jumping at the bit to get a hold of that.

Regarding the occupational health and safety officer, once again. Other jurisdictions, as you are better aware than any of us, have taken a more direct role in accident prevention. They have their own, in some cases, accident prevention regulations. They have their own staff, they take more of a hands-on approach to better administer effective safety programs, their accident prevention staff are not integrally or organically linked to the collective insurance system, et cetera. So, in a sense, the board uses certain kinds of expertise to a maximum advantage and provides the board with more than just monthly inspection reports.

Can you state why the board is not taking initiatives like this? Why, for example, is the occupational safety officer not a member of the staff? Has this been a conscious decision of the board, to divorce themselves from this area of activity?

**Mr. Booth:** When the Workers' Compensation Board started, they were a department of government. We were a branch of the Department of Consumer and Corporate Affairs. When the board was given the autonomy by becoming a corporation, it was a decision at that time to leave that portion of occupational health and safety in the Department of Consumer and Corporate Affairs and that is where it has remained.

**Mr. McDonald:** Let me put the question another way. If the board had had its druthers, would they prefer to engage in this kind of activity, which is engaged in by other boards, perhaps the provision of the invention and provision of accident prevention regulations and a staff of its own?

**Mr. Booth:** It has been the opinion of the boards in the past to administer it, but this is a government decision, not the board's decision. It does vary from province to province. In some provinces it is under a government department of labour and, in some provinces, it is under a workers' compensation board.

**Mr. McDonald:** Does the board engage in education activities in the territory, both employers and employees?

**Mr. Booth:** Occupational?

**Mr. McDonald:** From an occupational health and safety standpoint?

**Mr. Booth:** No, we do not.

**Mr. McDonald:** Does the board engage in any education activities with regard to the workings of the board?

**Mr. Booth:** Yes, we do.

**Mr. McDonald:** How often is this carried out and to whom?

**Mr. Booth:** Whenever requested by labour or employers' associations.

**Mr. McDonald:** It is an on request.

**Mr. Booth:** Last year, we wrote to all organizations saying that we were available and would be quite happy to meet with them at any time, or we will put forth our invitation at any time to them. We have to be invited, of course. We cannot just walk into an association meeting.

**Mr. Falle:** I want to know, under the Workers' Compensation Act, who is required to be covered and at what age?

**Mr. Booth:** There is no age, providing they are a worker.

**Mr. Falle:** So, if a 16-year-old kid is working, he must be covered?

**Mr. Booth:** Correct.

**Mr. Falle:** In family operations, such as farming or placer mining, we have about, probably, 25 percent of the employees in the placer industry under the age of 16. They are family, sons, daughters. How does their employer, their father, put them under workers' compensation, or does he have to?

**Mr. Booth:** Yes. It is solely optional to the employer, proprietorship, volunteer worker or independent operator and they must apply. If they employ their workers, then they must establish an account to cover those. They become workers. Only the employer has the option.

Now, if this operation is set up as a partnership between the family members, then all that partnership are the employers and, therefore, it is not compulsory.

**Mr. Falle:** Let us take an hypothetical situation where I would be a placer miner: I would be the sole owner of the property and I would hire my sons. Therefore, I would have to pay them, under the act, compensation. Is that what you are saying?

**Mr. Booth:** You have to pay the government, yes. They become your workers and, therefore, it is compulsory to establish an account to cover those workers, within 10 days.

**Mr. Falle:** Likewise on a farm, where a farm belongs to, not the family, it belongs to the proprietor of the farm. Their sons and their daughters then would be excluded from working unless the farm was put into a partnership operation. The same situation would apply. I own a farm, I could not hire my son because he is not a partner. Is that what you are saying?

**Mr. Booth:** No, you could hire him, but you must cover him for workers' compensation.

**Mr. Falle:** Regardless of the age.

**Mr. Booth:** Regardless of the age.

**Mr. Falle:** He is 14-years-old and driving a tractor and, therefore, he has to be covered by workers' compensation.

**Mr. Booth:** You say he is a worker?

**Mr. Falle:** He is driving a tractor, so he is a worker.

**Mr. Penikett:** If the 14-year-old was injured, fell under a tractor or a tractor rolled on a 14-year-old who was not covered by compensation, the board, I understand it, would have no responsibility for that individual.

**Mr. Booth:** Yes, we could go back and assess that employer.

**Mr. Penikett:** So you could accept some responsibility for the injured worker, but you would reassess the employer?

**Mr. Booth:** Every worker in the Yukon is covered. The only exemptions are members of a religious order or domestic workers. The only workers exempted in the Yukon.

**Mr. Falle:** Just touching on what you said about adjudication a little while ago, I was under the impression that we were looking for a quota system. I hope that is not what we are looking for. Trying to pin down how many people the board could pass through their system. I hope every person is basically an individual and every case is an individual case not based on a quota system.

**Mr. Booth:** This is what I have stressed on both days. That is the only way to adjudicate a worker's claim, on an individual basis. That is the main thrust of the board.

**Mr. Falle:** You stated that one of the problems that is coming forth now is loss of hearing from miners who have been out of work. In other words, sound. I wonder whether or not the board would instruct their inspectors — the mining inspector, the safety inspector, and what else we have — to inspect more vigorously for ear damage. Sound; loud sounds within a working area. I wonder if the board itself had ever given that kind of an instruction.

**Mr. Booth:** The board itself has not because they do hearing testing now at the Department of Consumer and Corporate Affairs. The inspector does go out to where the main noise areas are and does hearing testing.

**Mr. Falle:** What would you call the main noise areas?

**Mr. Booth:** I would not like to comment on that because I am not in the occupational health field. Just from my experience, I know that they have gone into places like the hospital where there are boilers; your mining machine shops; this type of thing.

**Mr. Penikett:** Basically, you are saying because consumer and corporate affairs does it, not you, you cannot answer the question.

**Mr. Booth:** I do not feel I should.

**Mr. Falle:** I have been in mines and yet I have never been in louder places than in the bars in town. I mean, there are no laws for them. That is what I am getting at.

**Mr. Penikett:** I will agree they are dangerous places to work, Mr. Falle.

**Mr. Brewster:** This is just a follow-up, which you answered part of the other day. The subject is money. I usually have a shortage of it so I am very interested in it.

How long do you carry your delinquent accounts on the books, before you finally give up?

**Mr. Booth:** Three years.

**Mr. Brewster:** Then, at the end of three years, will they show up in the estimates somewhere, accounts that have been doubtful accounts or given-up accounts? Do they show up anywhere in the estimates?

**Mrs. Buckler:** In the year that they are considered doubtful, they are written off against the revenue as it is reflected in the report. And, if they are subsequently collected, they would increase the revenue for future years. But, the costs relating to them are basically charged off in the year of occurrence of the supposed debt and that year the rate setting would be set so, yes, they would be taken into account for the rate setting for that particular time.

**Mr. Brewster:** Let me get this clear in my mind. Most businesses, at the end of three years, in the financial statement — or at the end of the time you give up on this money — it is showed in there as a loss or something like that that you have written off. Is there anywhere that it shows up in your estimates? I cannot find anything in these.

**Mrs. Buckler:** The revenue is decreased by that amount. The auditors are aware of the amounts that have been written off and, so far, they were not significant enough to require special note.

**Mr. Brewster:** It makes it quite hard for individuals like us to come in and really know how much money is out.

**Mrs. Buckler:** If you had asked me about giving the amounts right off, I could tell you for the three years. It was \$29,993 for 1982, \$14,400 for 1981 and \$3,700 for 1980.

**Mr. Penikett:** Thank you, Mrs. Buckler. Could I go back to Mr. Booth with a quick question. You have something else, Mr. Booth?

**Mr. Booth:** To add to that: the amounts were insignificant. That is why they were not disclosed. But, as they become significant, then certainly the auditors are going to require that they be disclosed.

**Mr. Penikett:** You were very artfully avoiding a precise answer to a question I asked you earlier. I would like to go back and try again. When we were talking about the accident rate, or the number of accidents as an indicator of the board's performance, let me ask you about the accident rate. Would it not be possible for you, in some form, to report the accident rate in terms of accidents per 100 workers or thousands of hours of work, the type of industry, or some such rate figure like that that would give us a year-to-year performance indicator?

**Mr. Booth:** Yes, it would be possible if I could get the figures of those numbers of workers. We do not ask for the number of workers that an employer has. We could possibly get that from economic development.

**Mr. Penikett:** You know what kind of workers you are assessing, do you not?

**Mr. Booth:** No. We do not request that anymore. We used to request for the average number of workers and it was not factual. It was so way out and there were a lot of complaints from employers, saying "here is another workload for us to do" that we abolished it.

**Mr. Penikett:** I was just trying to find out if there was a simpler way of reporting the same information.

**Mr. Falle:** I have a problem trying to figure out how you people would assess the wages of a 14-year-old farm kid.

**Mr. Booth:** If the member of the family is on the payroll, and he is paying him, then those are the figures we would take. If he is not going to be paid, then he would be determined as a volunteer worker. Therefore, it would be to the employer to set the amount of coverage that that 14-year-old required.

**Mr. Falle:** I would like to know how you would make a 14-year-old kid a legal partner into an operation before he or she would be able to work?

**Mr. Booth:** I do not know. That is out of the Workers' Compensation Board —

**Mr. Penikett:** You may need a lawyer to answer that. Do members of the committee have any final questions for Mr. Booth?

**Mr. Booth:** do you have any last thoughts?

**Mr. Booth:** No.

**Mr. Penikett:** I would like to thank you, Mr. Booth, for having been with us. And, Mrs. Buckler, sorry we did not ask you any more questions. There are one or two things that we may want to pursue with you in writing, Mr. Booth, and you should not be surprised if you get a letter from us. Other than that, I would like to thank you for your appearance here today and excuse you as witnesses. The committee will take a 10-minute coffee break and reconvene at 10:45 for witnesses from the Public Service Commission.

#### Recess

**Mr. Penikett:** Committee will come to order. We have the Public Service Commission before us now. Welcome back, witnesses from the Public Service, Mr. Jean Besier, Ms Gerri Walshe, Ms Dorothy Drummond and Ms Pat Cumming.

Let me try and — since we have so little time — survey the ground that we want to go over, just to indicate to you some of the topics that we want to pick up on. They may, in every case, involve only a question or two, although, if you have some documents that will save us asking the questions, that would be helpful. Mr. Brewster wanted to pick up on the question of local hire training and recruitment; Mr. McDonald wanted to pick up on the question of monitoring of casual hires, which we had gone into — auditing was, I think, the word that you used. We wanted to pursue the question of programs which are elsewhere known as affirmative action programs. Mr. Falle and Mr. Brewster both had questions about advertising job qualifications and job descriptions arising out of discussion the previous day. And then Mr. McDonald had two questions: one about transfers within the public service and, two, preparation for collective bargaining. Mr. Brewster may have a question or two about supplementary information in the estimates.

**Mr. Besier:** A number of packages of information were submitted and are laying out there that deal with a number of questions.

**Mr. Penikett:** Could you indicate for the record which topics those questions deal with and that might help us.

**Ms Cumming:** There is information there on question number (b) monitoring of casual hires. There is information, also, on question number (d), the advertising; information on (e) the transfers within the public service; and (f) preparation for collective bargaining.

**Mr. Penikett:** Let us begin, then, with Mr. Brewster, who has a question about local hires.

**Mr. Brewster:** I believe you answered it, but I would like to get clear in my mind. I will give you an hypothetical question. If a person outside — let say there is a qualification of four — and the person outside had a qualification of four points and the person in Yukon had three-and-a half, there is no consideration, under your terms of reference, where you would be hiring the Yukon one? I am looking at this from the point of view of saving money for Yukon because, if it is the other one, you have to transport this man in.

**Mr. Besier:** Pardon me if I lead into it with reference back to Thursday's hearing. At that time, Mr. Penikett posed to me a question about a marginally-qualified candidate, versus a very excellently qualified outside candidate and whether cost was a factor.

As I stated, at that time, no, I overstated the case because cost is always a factor. However, if the disparities between qualifications are that wide, certifiability is a crucial factor.

We look at cost, we look at the best qualified local candidate and, in each and every instance, we ensure that the hiring department — in other words, the department in which the person is to be employed — justifies why we should have to bring anyone in from



outside the territory. We are periodically questioned about outside hires and, in each and every instance, my managers and my officers have and work under clear instructions that they had better be able to defend the choice, publicly.

Ms Cumming can speak to you specifically about the kind of margin that is regarded in terms of outside versus local, as to when the choice is made for an outside candidate but, normally, it is if a local candidate or candidates are not qualified.

Ms Cumming: That is correct.

Mr. Besier: The chairman, on Thursday, referred to a Yukon government news release, which stated there was a government policy of preferential hiring for Yukoners. That news release, and I have it in front of me, deals specifically with summer jobs, casuals and students only. Policy 1/7 deals with the terms and conditions of casual, temporary and summer students and it does, indeed, state quite specifically that in all — and if I might quote, that "it is the policy of the Government of Yukon to hire local residents for casual and temporary duties where practical". I do not recall us ever hiring casuals from outside the territory, with the exception, years ago, of some civil engineering students who we needed as party chiefs for survey crews. I do not think that has reoccurred for five, six, seven years.

We also, as I referred to on Thursday, give preference to residents who reside in communities in which the work is to be performed and we state that we try to balance the mix of local residents hired for summer jobs with those of summer students who are receiving grants from the Government of Yukon to attend post-secondary educational institutions. In each and every instance, that is a local preference clause. However, the *Public Service Commission Act*, the *Constitution* and *Charter of Rights*, at the present time, do not allow us to give certain points for local preference. We exercise it anyway, for permanent positions only. We exercise it anyway, in the manner I have described, that if a person is qualified locally, there has to be substantial justification of why we should hire anyone from outside Yukon.

Mr. Brewster: I would like to carry this a little further and then let it go. I might say that, in my 34 years here, there certainly has been an improvement in the last two years.

If, when two people are here and one is a little less qualified, they are both Yukoners, is there anywhere in your terms of reference where you can consider if the one person has a home and a family and lives in this area and the other person does not? Is any consideration given to this?

Mr. Besier: Are we talking now about permanent positions?

Mr. Brewster: Permanent positions.

Mr. Besier: In permanent positions, as you will note in many of our ads that are for locations outside of Whitehorse, it states that preference will be given to qualified residents of Mayo, Haines Junction, Dawson City, yes.

Mr. Brewster: This is a supplementary question. Would it not be appropriate to include details of the public service establishment in the estimates? That is: (a) the number of positions authorized; (b) the number of positions filled; and (c) breakdown of positions between permanent, casual and contract employees?

Mr. Besier: As a matter of fact, I do not recall whether the staff establishment is noted in our section of the estimates, although I believe it is in the overall government estimates on the summary sheets. The number of positions filled at any given point in time, of course, varies from day to day. I have provided to Ms Follwell, in response to a question asked by Mr. Falle on Thursday, figures of a breakdown dealing with permanent, full-time, part-time, casuals, contract, et cetera, in two different points in time. One was for March 31st, 1983, and we did a special computer run, as a result of Mr. Falle's question, for February 10th, which was Friday of last week.

I do not recall, quite frankly, without referring back to the estimates — I believe it states there the number of appointment as opposed to the number of people employed at any given point in time. As I point out, this varies, literally, from day to day.

Mr. McDonald: I have a question regarding the monitoring of casual hires. This morning, we were given a sheet regarding this question. Perhaps you could explain and elaborate the first line of

the written statement that you or your department submitted. The line is "Some departments have delegated hiring authority for casuals". Would you mind elaborating on that?

Ms Cumming: Some departments that have a large requirement for hiring of casuals, in the summer particularly, are highways, renewable resources, tourism. We have granted them hiring authority to hire their casuals, so they are responsible for the advertising of those competitions, if that is done, or they go straight through the Canada Employment or the Student Employment Centre and would hire their casuals and document them and put them on strength. The Public Service Commission would not be involved with that staffing.

Mr. McDonald: So the Public Service Commission does have the authority to delegate its authority to other departments, correct?

Ms Cumming: Only for casuals.

Mr. Besier: As a matter of fact, the *Public Service Commission Act* provides delegation for a number of other aspects, but casuals is the whole thing. The only thing we have done, so far, in those departments Ms Cumming mentioned, as well as the delegation, is that we have delegated the function of accrual and maintaining of leave records, on which we conduct periodic audits.

If I may interject, we would like to delegate, perhaps, more functions, but the departmental administrators in the departments, who would be our main contacts in those departments, have a variety of functions and are not personnel specialists.

Mr. McDonald: In delegating this authority, surely it might be wise to ensure that there is effective monitoring to ensure that the interests of the Public Service Commission are adhered to. Would that not be proper to suggest?

Ms Cumming: I think it is proper to suggest it. Right now it is very difficult. We do not have a large staff and it is a function that would require manpower to do. We just have not had the capability to do monitoring processes.

Mr. Besier: We do, in fact, review the employment files of casual staff, periodically, but I do not know what you are referring to as to determining whether these individuals are qualified or not, if that is your question pertaining to audit. What does happen, in the fall of each year, the Department of Highways has a number of vacant heavy equipment operator positions that we do not fill during the summer with permanent employees. They leave the positions vacant. During the fall of the year, one of the officers from the Public Service Commission will sit down with representatives of the Department of Highways and will take a look at all the applications of the casuals who are then working for the department, who have applied for those specific permanent vacancies. Their work record over the summer will be known, so we at least do a paper audit in those instances.

Mr. McDonald: I was not referring specifically to qualifications. Perhaps we can get back to that in a minute.

I am dealing, I guess, specifically with strictly monitoring of the numbers of casual hires and determining whether or not the casual positions are, in fact, casual positions.

I will not repeat the testimony this morning, but I think some interesting things have been elicited already. It is my understanding that there are computer listings of all employees, including casual hires. Have these computer listings been utilized to determine who is a casual employee and whether or not that particular position should be maintained as a casual position?

Mr. Besier: If you pardon the expression, there is no such thing as a casual position, there is a casual appointment. In other words, the departments have been funded with permanent person-years, both full-time and part-time, in which they are supposed to hire only permanent or, if you wish, indefinite employees. They have sums of money that are used for casual employees, against which are hired a number of casuals for varying periods of time. Casuals are not supposed to be hired into permanent positions as casuals, unless for the purposes of awaiting a classification review or unless someone is on leave and are replacing an employee on leave only.

Mr. McDonald: As we know, I suppose — and I think it is common knowledge — we know there has been some instances where persons working beyond a six-month period have been discovered, leading to the situation where, perhaps, either the

placement should not be considered a casual placement but should, in fact, be a permanent position.

I am concerned now, specifically, with monitoring that kind of situation. The written statement from this morning says that there is no monitoring being carried out by the Public Service Commission of actual hiring practices of departments, yet the Public Service Commission has delegated hiring authorities for casuals. Would it not be administratively more efficient and true to the act if the monitoring provisions were established prior to the delegation of authority?

**Mr. Besier:** Yes, it would be. If I had the resources in the commission to carry on that process, we would certainly do so. We are making some headway and I think the document that was submitted to you, in terms of an actual contract for the delegation of hiring authority with these departments. And we will be monitoring that.

**Mr. McDonald:** In terms of the number of people who may work in excess of six months, you will recall that in the fall session of the Legislature, my minister brought to the attention of this House that something like 30 to 35 people were converted into permanent positions, because it had been an ongoing situation with those individuals.

Departments are under very strict instructions to ensure that employment does not last beyond six months. It may well be that the person's service is broken and brought back for a further period of six months and there is nothing prohibiting us from doing so.

**Mr. McDonald:** What are the procedures to evaluate the work being done and to determine whether or not the person should be rehired as a casual or whether the job should be, rather, reclassified as a permanent position? What type of procedure takes place between the Public Service Commission and each individual department?

**Mr. Besier:** If we have become aware — and we do through both Ms Cumming's section and Ms Drummond's section — that there is a reappointment of casuals beyond what we find acceptable, we will contact the department and suggest that they had better convert a casual position to a permanent position if they have an ongoing need for it and it be reflected in the main estimates.

Most of the positions that we are talking about are truly casual: people who are working for the summer season or heavy snowfalls in the winter, when they are called in. Depending on when your spring break-up starts and when your freeze-up occurs in the fall, that really determines the period of their employment. Sometimes they do, indeed, go over six months, but there are relatively few for which an ongoing need is identified and if that ongoing need is identified, the department is supposed to request a conversion to a permanent person-year.

Pardon me, Ms Cumming has just tipped me off. We have the files of those casuals, in the PSC. They are tagged by Ms Drummond's section on a BF system, so that, prior to their six months occurring, the files are yanked and the departments are reminded that they have to terminate the individual or break their service.

**Mr. McDonald:** Does the Public Service Commission monitor whether or not persons within those casual placements are rehired, which would, again, raise an alarm signal that the casual placement is really a permanent position?

**Mr. Besier:** It depends on what length of time. We are aware that they are rehired.

**Mr. McDonald:** Do you have alarm signals that tell you that there might be some problem in a particular department?

**Mr. Besier:** (Inaudible)

**Mr. McDonald:** I have a very brief question regarding transfers within public service. I am wondering to what extent the Public Service Commission determines, in making a transfer, the cost not only of training the person in a new position, but the cost of training another person into the old position. Do you understand what I am trying to say?

**Mr. Besier:** Perhaps I should define what we consider to be a transfer, because it may be different from your perception. A transfer is strictly a person moving from a job in a certain classification to another job in the identical classification, in either the same department in a different work location or between

departments. There is no promotion involved and it is strictly effected for, mainly, two purposes: either the need or desire of the employee or the need or desire of the government.

Cost, obviously, becomes a factor. In other words, if an employee would rather live in Whitehorse than in Watson Lake, as an example — heaven forbid — then, certainly, we are going to determine whether we should pay the individual's transportation, in an instance like that, as opposed to hiring someone locally for the vacancy. But we do give preference to people who are employed with the government, for vacancies that come up. Sometimes those are filled on transfers, but relatively few.

**Mr. McDonald:** Obviously, when you remove one person from one job to transfer them into another job, that creates a vacancy that has to be filled in and of itself. Is that cost taken into account when determining whether or not transfers should be made?

**Mr. Besier:** Yes and no, except that transfers within the service are usually so marginal in cost. Most of the transfers occur in Whitehorse, for example, and the transfers that occur outside of Whitehorse, mainly, again, with highways — although some with renewable resources take place — the cost of removal, especially with highways, is basically handled by the department and very marginal. They pay the individual mileage to haul his own goods; we do not use a moving company.

**Mr. McDonald:** What is the policy regarding transfers which require a modicum of training? Are there many of these?

**Mr. Besier:** Not that I recall, because they go to an identical classification level, so the training should not really be required, unless it happens to be peculiar to that particular location or work assignment. As you know, from our training statistics, we train a large number of employees and orientation to a new work situation is part of that.

**Mr. McDonald:** I wonder if you could elaborate just a little bit further on the extent to which there is preparation for collective bargaining? I got the impression that the efforts in preparation were rather informal. I wonder if he could explain — he is nodding his head no — perhaps he could explain how formal these preparations are?

**Mr. Besier:** Maybe I took informal to mean rather ad hoc and I can assure you they are not, because I have to defend it before management board. There are two people who play a key role in collective bargaining for this government. One is Ms Walshe, whose compensation unit works up the costing of any collective bargaining agreements, and Pat Cumming, whose branch actually conducts the negotiations with an outside negotiator.

**Mr. McDonald:** I usually sit at the table but, essentially, I keep my mouth shut — which is somewhat unusual. So, I will let Ms Walshe talk about the preparation, which may, perhaps, answer some of your questions.

**Ms Walshe:** I will just speak to the preparation that the compensation branch, specifically, is involved in. This is good timing because we are doing this right now.

Basically what the compensation branch does prior to collective bargaining is prepare a research report, which looks at a number of areas. Number one is it looks at the economic trends in Yukon and western Canada and Canada, generally. Secondly, it looks at recent wage settlements across the country and, again, in western Canada and Yukon specifically. It also looks at the employment picture in the west and in Yukon.

Then we look at a series of benchmark positions that we select from the bargaining unit and we survey those positions outside, collecting data from other government jurisdictions and from professional pay research associations, such as the pay research bureau in Ottawa, and certain information from the private sector, where that can be collected. We then have a look at what has happened in the Yukon public service over, maybe, the last five or ten years, in terms of trends in wage settlements, average wages, that sort of thing.

On the basis of that, we propose, in conjunction with Mr. Besier and Ms Cumming's branch, what might be a reasonable objective, in terms of bargaining, taking all those factors into account. That provides the basis of a management board submission. All this research provides the basis of the management board submission, which goes to the management board of Cabinet, proposing a



specific settlement.

I focus mainly on wages and salaries because that is, with the present legislation, what we are mainly focusing on. In different times, of course, this would encompass broader areas, such as benefits, packages and non-monetary issues, as well.

**Mr. McDonald:** That is useful background information. I am a little more interested in the coalition of departmental requests and how that is effected. Are departmental requests funnelled through the Public Service Commission? I assume they are and how is that effected?

**Mr. Besier:** I will let Ms Cumming answer that because she has been involved with the process just recently, again.

**Ms Cumming:** About two weeks prior to a meeting that we have with the departmental administrators' liaison committee, I write to them and advise them that this will be on the agenda for their meeting and ask them to prepare information for us. At that meeting, we go through the collective agreement article by article. Any section that they have had particular problems with, anything they want changed, or anything new they want, that information is given to us there and when we leave the meeting, we tell them that we will give them another time frame if there is something else that has come up afterwards that they can write to us. That is how we get the information from the departments.

**Mr. McDonald:** Could you briefly state what sort of interchange there is? Surely, there is a costing. Does the department do a costing itself of the various even non-monetary items that may constitute a cost? Do they do the costing or does the Public Service Commission do a costing and return it to the department for consideration? Or, how does that work?

**Mr. Besier:** The costing is the responsibility of the Public Service Commission but, in fact, departments can tell you because there are certain clauses in the collective agreement that usually hit only one department. I could draw some examples, except that I do not want to start waving any flags before we go on the table again. But, there will be a class of employees that is only accommodated in the department and the particular clause has caused the department some problems in interpretation.

In other words, the union members hold one view of the interpretation, management holds another view. That, sometimes, has a cost effect and the department can say, if you do this or do not do this, it is going to cost me money. They will have ballpark figures of roughly what the ramifications were. It normally pertains to things like shift schedules, weekend premiums, that sort of thing. Then, if language is changed or depending on how language is interpreted, there is a cost factor. We, however, are responsible for the costing.

**Mr. McDonald:** Once the costing is done of a particular department's proposal, is there any interchange between the Public Service Commission and that department after the costing has been done?

**Mr. Besier:** Yes. Ms Walshe here takes a look at the language and what the history has been and what changes in the language would appear to bring out and cost us and that is hashed back and forth between the department and the PSC.

I quite agree with you that there are relatively few issues in a collective agreement that have a non-monetary cost regardless of what my opponents at the bargaining table say.

**Mr. McDonald:** I do not want you to put words in my mouth.

**Mr. Besier:** I was hoping you would.

**Mr. Penikett:** Let us move along to the next two issues that were identified. These were programs that we would normally be known as affirmative action programs about which there is some concern about that designation in this committee.

**Mr. Falle:** I would like to start off by stating that I did spend the entire weekend over a very drab act and that is the *Public Service Act*. It is very boring reading, but like any piece of legislation, one likes to know where they are coming from and where they are going. I have read the act and it seems to me, in the act, that the Public Service Commission is set up mainly to protect the workers from political interference of any kind and the way I read the description of your job, your job is basically to do just that.

**Mr. Besier:** That is certainly an important part, yes.

**Mr. Falle:** I find it very, very hard sitting on this side of the fence with our mandate. Our mandate is to stay out of any political policy-making ramifications. But, as your mandate is separate from ours, your mandate is to protect the workers from political interference of any kind and I must say that, since I have been an MLA for five years now, the most common complaints we have are from the civil servants and basically from the Public Service Commission on job qualifications.

I will give you an example. Hypothetically, maybe not. Maybe it is actual, maybe it is not. For instance, a social worker in Old Crow. A worker who lives in the community, who is a native person and he or she, whoever be it, has worked with the kids and the people but, because of lack of job qualifications and she has not got a bachelor's degree and this and that, she cannot apply for a set job. This is what I am getting into, affirmative action. Politically, I cannot go to Mr. Pearson, or nobody can go anyways, and say that that person should be hired for this because we cannot interfere with your i.e. domain. That is the way the act reads, anyway. And, we, as politicians, of course — I think every person along here — catches it because we end up with a social worker in Old Crow who comes from Ottawa and knows nothing about the situation up there.

Now, these are straight facts and that is why I wanted to know if we had any basic programs to be able to hire people for jobs in areas where they know. They may not have the college degrees, but they know the problem. I think that they are best suited for the problem. That is where I am getting at the affirmative action. We do not like that program, we can call it something else. But, the problem exists. I would like to know what you, in your capacity, are trying to do about it?

**Mr. Penikett:** Ask Mr. Falle to repeat the question.

**Mr. Besier:** No. I think I got it all. First of all, let me address what you refer to as a political interference. My job, and that of public servants, is to stay out of political affairs and there are certain constraints that are very specific in the act so that all people in Yukon will feel that they have full access to the public service regardless of their political beliefs. It is my job to (a) see that politicians do not interfere with that kind of process, and (b) that civil servants do not participate in that kind of process beyond what is allowed in the act. That, however, has nothing to do with what you are referring to as the affirmative action process.

« If this government decides that it wants to take certain approaches in affirmative action, it can do so. That is a policy decision, not mine. We are, in fact, doing certain things. We have certain constraints, not the least of which is the size of our service, which does not allow you to carry a large number or a significant number of people with marginal or lower than marginal qualifications. The job still has to get done and I can tell you we are caught in a vise. On the one hand, numerous people, including politicians, make statements that the service is too large, there are too many of us. On the other hand, placing more demands upon us. And, thirdly, saying you had better do it with local people who may not, in many cases, be qualified.

We participate, as I mentioned, in two programs that deal with native people. The DIAND and Northern Careers Program. We have an underfill program, which is not utilized as much as we would like to see it, but there is some headway being made. We have a program of training on the job for the disabled. Again, we accommodate some, but they have to have some basic qualifications, in other words, do the job that they are supposedly being trained for.

One of the main problems, however, and incidentally, is to make absolutely sure that we understand each other. I fully agree with the sentiments that you have expressed. I sympathize with them. We have, with our present classification plan, tried to make certain modifications in class areas. I mentioned, on Thursday, that we are overhauling this whole plan to put a brand new plan into effect because the current plan is 17 years old. Normally, a classification plan has a life expectancy of eight to 10 years at maximum. Part of the reason is to try and accommodate more of the local hire goals and the affirmative action type of goals of which you speak.

In the meantime, Ms Walshe's section particularly, which is responsible for classification, job evaluation, has developed a

number of series pertaining to classifications to accommodate the type of things that you are talking about. I can tell you bluntly and unequivocally that we have received opposition from the union on several occasions, who have refused to sign those class series off and, in fact, there is nothing they can negotiate. All they can negotiate is pay. But, I will be glad to let Ms Walshe give you some specific examples.

**Ms Walshe:** Mr. Besier is referring to three areas that we have been looking at over the year. One of them, interestingly enough, has been the social worker area. What we have been trying to do with these three areas, which are social workers, youth service workers, and a third group that we call program trainees, is that we are trying to take away the systemic barriers in the classification system to hiring local people who may not have the full qualifications, the MA's, the Masters of social work and so on, to be hired at the full working level. We have developed new series that instituted trainee levels and developmental levels that permitted people to come in with virtually high school education and work their way up through the system, through learning on the job and taking courses in the department, and so on.

"It was done, as I mentioned, for social workers and for youth service workers. We also developed a program trainee class that would basically permit people in the clerical and junior administrative area to move from clerical work into more progressive administrative work. It was a bridging type of class system.

**Mr. Penikett:** Including stenos?

**Ms Walshe:** That is right. We do not have too many stenos in this government. When we develop a new class series, we take it to the union for sign-off and in none of the three instances that I have mentioned, did the union agree to sign them off. Right now, they are still in the waiting room, so to speak.

**Mr. Falle:** I am very glad to see that we are moving in some very good direction on that, because I realize we are in a political forum here; this is our house and I happen to be on this side of the house and the chairman is on the other side of the house, and one of the main questions that is asked of this government is that the amount of native people who we have working in this government in no way reflects the population percentage. At least with the program that you have stressed, we are heading that way or it could be a possibility. I will leave it at that.

**Mr. Penikett:** I hoped that you would because I fear that you are inviting the commissioner to enter into a political debate, which we probably should not have here and now. I would emphasize that dialogue here is between the legislature as a whole without regard to Party and the administration as a whole.

We have one other question that you, Mr. Falle, had flagged, which is advertising job qualifications and job descriptions. That was also a matter that Mr. Brewster mentioned. Perhaps we should ask you, Mr. Brewster, if you covered that completely previously?

**Mr. Brewster:** Yes. It was very clearly covered.

**Mr. Penikett:** Mr. Falle, you had another question on that subject?

**Mr. Falle:** No, I covered it in the other, thank you.

**Mr. Penikett:** Let me ask you a question in that area, Mr. Besier. It was touched on, but not very extensively covered, and this is to avoid the problem that has been enunciated of, on the one hand, educating our kids for export while we import all our experts. Have you had occasion to do an assessment of the recruitment versus training costs in these terms. Of weighing the short term benefits of being able to recruit expertise from outside versus the long term benefits of training people from, perhaps, a very low level of qualification to a fairly high level of qualification in the civil service. Perhaps, in answering the question, you might indicate to the committee something of the nature of your experience with hiring senior people from outside and the length of time they stay here versus the tenure or the kind of stability or length of time that local hires tend to stay with the government.

**Mr. Besier:** If I did not know any better, I would presume that you have had my office bugged at least for the last two months because we have, in fact very specifically, in our management meetings, spoken about the cost benefit of manpower development, manpower training, locally vis-a-vis outside hires. We have not

costed it because we do not have a manpower development training plan in the manner that you mean for more than senior positions in place.

"I do know, from my counterparts in other jurisdictions, that that requires a number of things. Huge resources, in terms of training staff. And, a pretty stable workforce. Obviously, if you do it you should, hopefully, build a more stable workforce. At the present time, I have one training officer. The training component for the type of thing that you are talking about, depending on the qualifications of the applicants, is normally envisaged to take a number of years; a very, very expensive proposition. While outside recruitment costs can be identified relatively simply, we have not done the costing.

In terms of the second part of your question that you asked, I mentioned on Thursday that we had a dollar comparison several years ago but not recently about the length of stay of people hired from outside the territory from hired locally for the same type of position. That was when the economy was quite buoyant. And, at that stage of the game, the people who were coming from outside the territory stayed with the government longer than the ones who were hired locally. I assume, because they make a psychological commitment to come here for a period of time. I do not know.

**Mr. Penikett:** To go back to the question I think Mr. Falle raised earlier, not in terms of affirmative action, but in terms of the writing of job descriptions and qualifications. In your evidence, last week, you talked about the demands made by line departments on the commission; for the 35-year-old PhD's and so forth. Let me turn that question around and ask you to what extent you are able, in the current job market, to put a value or to quantify a person's life skills. For example, it is my experience here that there are an awful lot of quite bright, quite able people who may have come here, sometimes with a very good education, but may never have employed those skills. They may have been in a marriage, they may have raised children and now want to re-enter the workforce. You often hear women complaining that the experiences they may have had in their life are discounted in the job market because of the way job descriptions and formal qualifications are written. Are you in a position to be able to assess, in your view, fairly the non-formal, non-professional, non-academic qualifications that applicants may have for positions in the Government of Yukon?

**Mr. Besier:** Our application forms, which are probably going to be overhauled again within the next year or so, do make provisions for stating qualifications or aptitudes or experiences that are related to the job assignment that are not directly reflected in one's previous work background. There is no doubt, however, that if we are faced with a candidate who has been out of the workforce for 10 years and another one who has been in the workforce up until now doing the particular work that we are looking for and both are academically qualified, the chances are that the person with the most recent work experience is going to likely get the nod. However, we stress very heavily, especially with the category of people you are talking about — women who have been out of the workforce for some time — that they should state, on the application form, all of the volunteer work that they have done that, quite often, they dismiss thinking it is not very important.

"We happen to state that if you have been secretary-treasurer for a swimming club, or whatever, it has some relevance to the job that you are applying for. The class series development that Ms Walshe referred to earlier will allow these people to be absorbed and taken into the public service and moved through the ranks as they gain experience.

**Mr. Penikett:** I presume you are less able to do that in a tight job market, where there is a lot of competition for the jobs?

**Mr. Besier:** For example, three years ago you could not get a stores clerk in town. In one competition we ran half a year ago, I think there were 110 applications.

**Mr. Penikett:** Do you run into a problem, which people complain about sometimes, about people claiming that they cannot get on with the Government of Yukon because they are overqualified?

**Mr. Besier:** Yes.

**Mr. Penikett:** How serious a problem is that. Someone has a