

EVIDENCE**Whitehorse, Yukon****Thursday, February 8, 2007 -- 10:00 a.m.**

Mr. Mitchell: I will now call to order this hearing of the Standing Committee on Public Accounts of the Yukon Legislative Assembly. Today the Committee will investigate the Auditor General of Canada's report, entitled *Transportation Capital Program and Property Management, Department of Highways and Public Works*.

I would like to thank the following witnesses for appearing: Janet Mann, Acting Deputy Minister of the Department of Highways and Public Works; Robert Magnuson, Assistant Deputy Minister of Public Works and Transportation division; Steven Gasser, Assistant Deputy Minister, Property Management Agency; Pamela Briemon, Assistant Deputy Minister, Corporate Service Division; and Robin Walsh, Director, Transportation Engineering.

Also present are officials from the Office of the Auditor General of Canada. They are: Andrew Lennox, Assistant Auditor General responsible for territorial governments; Eric Hellsten, a principal in the Vancouver office; and Gerry Chu, a director in the Vancouver office.

I will now introduce the members of the Public Accounts Committee. The Committee members are myself, Arthur Mitchell, Chair of the Committee, Steve Nordick, who is the Vice-Chair, John Edzerza, Marian Horne, Don Inverarity, Patrick Rouble, and Elaine Taylor, who is substituting for Glenn Hart.

The Clerk to the Public Accounts Committee is Floyd McCormick.

The Public Accounts Committee is established by order of the Legislative Assembly. We are a non-partisan committee with a mandate to ensure economy, efficiency and effectiveness in public spending -- in other words, accountability for the use of public funds.

Our task is not to challenge government policy, but to examine its implementation. The results of our deliberations will be reported back to the Legislative Assembly.

To begin the proceedings, Mr. Lennox will give an opening statement summarizing the findings in the Auditor General's report. Ms. Mann will then be invited to make an opening statement. Members will then ask questions. As is the committee's practice, we devise and compile the questions collectively. We then divide them up among the members. The questions each member will ask are not just their personal questions on a particular subject, but those of the entire committee.

Our plan is to conduct this hearing from 10:00 a.m. until noon, and then from 1:30 to 3:30 this afternoon. At the end of the hearing the committee will prepare a report of its proceedings and any recommendations that it makes. This report will be tabled in the Legislative Assembly along with the verbatim text of the hearings.

Before we start the hearing, I would ask that questions and answers be kept brief and to the point so that we may deal with as many issues as possible in the time allotted for this hearing. I

would also ask that members, witnesses and advisors wait until they are recognized by the Chair before speaking. This will keep the discussion a bit more orderly and allow those listening on the radio or over the Internet to know who is speaking.

We will now proceed with Mr. Lennox's opening statement.

Mr. Lennox: Thank you, Mr. Chair, and good morning, everyone. Thank you for inviting us here today to discuss a report on Transportation Capital Program and Property Management -- Department of Highways and Public Works.

The Department of Highways and Public Works is responsible for ensuring safe and efficient public highways, bridges, airports and buildings in the territory. In 2005-06, the department spent about \$60 million to develop, construct and maintain the territory's transportation infrastructure. In the same period, the Government of Yukon spent another \$52 million developing, operating and maintaining building properties. The audit examined how the department plans and implements both transportation infrastructure projects as well as property management services. Mr. Chair, I would like to briefly review our key findings.

The condition of the territory's transportation infrastructure is a concern. The department has identified a need for major reinvestment in highways and bridges to halt deterioration and bring their condition up to its standards. This requires a rigorous approach to long-term planning and funding for maintenance and rehabilitation of these assets.

The department did not always ensure economy and efficiency in planning and implementing transportation infrastructure and building construction projects. Many of the projects we looked at went over their original targets for total spending and most of them were not completed on schedule, although some of the problems were indeed beyond the department's control.

The department has no long-term strategic approach to identify and meet accommodation needs and no long-range master space plan, although it has begun to work on both.

The department also needs to improve its practices for acquiring space. There is a tendency to lease space as opposed to constructing government buildings. We did not find an adequate cost-benefit analysis to support acquiring space through leases, and we are concerned that leases may not always be the most economical option in the long term. We found that the department entered into nearly all of its leases on a sole-source basis, most of them to extend the occupancy of the same property.

We also found that government-owned buildings are not being maintained effectively. The department does not have up-to-date information on the condition of the buildings. Some government-owned buildings are seriously deteriorating due to aging and lack of adequate maintenance.

Finally, the department needs to improve its performance measurement and reporting to the Legislative Assembly. This includes reporting on the condition of the transportation infrastructure and government-owned buildings.

We have made recommendations to the department to which it has agreed and has responded. The Committee may wish to review these responses to determine whether it is satisfied with the specificity of the proposed action plan in three main areas: first, what needs to be done to address each of our recommendations; second, who is accountable to do it; and finally, over what time frame.

Mr. Chair, that concludes my opening statement and we would be pleased to answer any questions that the Committee may have.

Ms. Mann: I thank you for this opportunity to outline our response to the findings and recommendations of the performance audit on the transportation capital program and property management.

Highways and Public Works is a diverse department with several different lines of business, delivering many central agency services to government departments. One of the common functions this multi-faceted organization shares is the responsibility for planning, procurement, construction, ongoing management, maintenance and disposal of most Government of Yukon infrastructure and assets.

Annually, approximately 130 projects, varying in size from small planning, design or construction projects to large multi-million dollar projects, were delivered by the Transportation division in each of the last three years. The 13 projects audited in Exhibit 4 included some of the biggest and most complex undertaken by the department.

Annually, approximately 160 capital projects have been managed by Building Development in each of the last three years. The 10 projects audited in Exhibit 6 were the biggest and most complex undertaken by the department.

The Transportation division is the sponsoring and performing department for all activities dealing with transportation infrastructure. In contrast, the Property Management Agency, in addition to having the sponsoring role for Highways and Public Works-owned buildings, also has a performing role as it manages and delivers capital building projects on behalf of other departments.

Many of these larger projects entail activities and special challenges as they often involve working with multiple departments, stakeholders, client groups and building advisory members.

Property Management Agency also performs custodial, security and maintenance for departments for a pre-determined fee through facility management agreements.

I'd like to speak to some of the specific observations and recommendations noted in the Auditor General's report.

I am pleased to report there are several activities planned or already underway that will raise awareness of the importance of adequate risk management planning and identify mitigation strategies.

Although the department has practised several informal and undocumented activities to manage risks on projects, we have begun to formalize these practices. We are currently in discussions with the Canada School of Public Service to deliver a tailored risk management training seminar to staff who are

involved with program and project planning and delivery. It is our goal to have this training early in the next fiscal year.

This will set the stage for understanding and developing a risk management action plan for the department. Many of the best practices from the Treasury Board of Canada Secretariat document, entitled *Integrated Risk Management Framework* will be studied and integrated into the department's overall strategy for managing risk.

To this end, Highways and Public Work has already begun to develop a risk register for staff to use to identify, analyze and rank the risk that a project could possibly encounter, what the risk tolerance is for each identified risk, and how to mitigate the impacts of each type of risk. The department also has initiatives underway for improved information management systems, for capital budgeting, and for property management.

Each of these systems will have components that identify and track risks. New risk management practices identified in training sessions and mitigation recommendations from formal risk assessment analyses will be incorporated to augment current practises. The department will also provide this improved risk assessment information to support budget decision making.

Another initiative will include standard industry recognized language in documents for building consultant services and construction contracts to clarify the roles, responsibilities, and obligations of each department and assist in mitigating associated project risks. The department is working with the Department of Justice and the local construction sector to incorporate industry standard Canadian Construction Document Committee forms into our building construction tenders and contracts.

For a number of years, the Transportation division has used asset management systems and condition reports to plan and prioritize the infrastructure projects that the department recommends in each budget planning cycle. Our pavement management system, BST management system, bridge and culvert management system, and airport services management system are the main tools used for planning our infrastructure investment for these assets. It was also the condition reports coming out of these specific systems that led the Auditor General to identify concerns with the deterioration of many of our aging highways and bridges.

The department is very aware of the condition of some of our transportation assets, but also recognizes that there are limited government funds for these megaprojects. However, the department is continually looking for sources of funding for these major rehabilitation projects. Canadian Strategic Infrastructure Fund, phase 3, the Airports Capital Assistance Program, and the recently announced Highway and Border Infrastructure Fund program funds will be actively pursued.

The higher capital investment levels made over the last couple of years are showing a payback as the annual condition reports are indicating a positive trend of improvements to the overall state of highways and bridge assets.

The current condition report, based on inspections conducted in 2006, is expected to be completed within the next few weeks.

I would like to outline some of the major initiatives that have been underway in Property Management Agency over the last year or more relating to capital program development and management of real property.

The business process redesign initiative began in 2005 and will be a fundamental building block for future Property Management Agency program activities and project management, helping us to address many of the findings of the audit report.

This major project is dealing with the four main practices of a real property asset management framework: space management, project delivery management, operations management and capital asset management, as well as the competencies necessary to achieve total cost of ownership or life-cycle cost management. This project will document processes and procedures, adopt industry standards, collect robust data and forecast the resources necessary to maintain the property assets in appropriate condition.

Staff training has already started in these disciplines. The current *Building Development Projects Procedure Manual* will be rewritten to reflect current industry terminology and practices. As well, the *General Administration Manual 2.17* will be reviewed and updated as required.

The business process redesign project will also establish guidelines and standards for building inspections or facility audits of government-owned buildings. This new robust data will be entered into a new property management information system that will be acquired and implemented over two years, commencing in 2007-08, subject to budget approval.

This will give the department the tools to plan and manage the maintenance and rehabilitation projects that will extend the useful life of the government's buildings.

Another priority initiative now underway is the development of a master space plan that will provide a long-term strategy to provide accommodation and acquire space for government programs.

These activities began in July 2006, and the final deliverable, slated for September 2007, will develop an overall strategy for the Yukon government's approach to accommodation needs. This plan will review and establish new policies and procedures including the requirement to properly document decisions to acquire space, with the supporting business case analysis whether to build, buy or lease space. Internal business processes will also be reviewed and the new processes designed to address any issues not fully explored under the master space plan.

In conclusion, there have been many things happening in this department to address the findings of the audit report. The business process redesign project, the implementation of the new property management information system and the completion of the master space plan will go a long way to correcting some of the shortcomings noted in this report.

The department is committed to improving risk identification and mitigation strategies and providing this information as part of the recommendation to decision makers.

Thank you for the opportunity to address you on behalf of the department. I would be happy to answer questions and provide more details about any of the initiatives I have mentioned.

Mr. Mitchell: Before we commence questioning the witnesses, I would like to remind Committee members to begin their questioning by identifying the area their questions pertain to and reference the pertinent paragraphs in the report. That will enable both the witnesses and the public to follow along in an easier fashion.

PAC members can ask a question of a particular witness or simply ask the question. If it's indicated to me who will respond, I'll recognize that person and that will enable *Hansard* to know who's speaking.

Mr. Inverarity: I will be addressing the issue of transportation maintenance. In the report, that includes paragraphs 20 through 26. According to a report prepared by the department in 2005, the Yukon highways received an overall score of 56.3 on the pavement condition index, whereas the department has identified an acceptable limit of 63.

First of all, I'd like to get an explanation of what the pavement condition index is. Is it part of a national standard, for example? Was this developed locally?

Mr. Walsh: The pavement management system we use here is a system we developed cooperatively with Public Works and Government Services Canada, so it's used here in the Yukon and is also used for highways that come under the jurisdiction of Public Works. That includes the Alaska Highway in British Columbia and certain highways through national parks.

To explain a little bit about what the pavement condition index means, it's a point on a spectrum of pavement condition that allows you to make comparisons from year to year. It allows senior management, as it were, to take the temperature of how the inventory of pavement is doing.

We selected the number 63. It's subjective but it's based on experienced people looking at different pieces of pavement and coming to a conclusion as to what is and isn't acceptable. There is subjectivity there, but it's a number selected by people who are experienced in the field.

Mr. Inverarity: Does the index correlate to, I guess, a safety standard? Does a low score, for example, indicate that the roads are unsafe?

Mr. Walsh: It's not appropriate to single out safety and say that there's a direct correlation between the pavement condition index and safety. There are many components that are considered. There's the condition of the pavement, the age, the ride. Of course, if you let your pavements deteriorate to a certain extent, there will be safety consequences. However, all of our pavements are maintained. Safety issues are addressed through maintenance. The big concern is that we have an aging inventory. You have to invest money when your infrastructure is aging. The pavement condition index gives a good indicator as to when different pieces of pavement need reinvestment.

Mr. Inverarity: Do you use this index to prioritize the road maintenance and the rebuilding schedule?

Mr. Walsh: Yes, we do. We have certain trigger values that we consider in terms of rehabilitating some pavement. Ideally, the number we've selected of 63 is a good pavement that doesn't need any work. We also have selected a number of 55 -- below that you need significant reinvestment. Between 55 and 63, perhaps a pavement overlay is an appropriate solution. So, you still take advantage of the existing pavement and strengthen and improve the surface with an overlay. Below 55, pavement has deteriorated to an extent where you need to invest more than the cost of an overlay, so there may be subgrade failures that have to be repaired -- those kinds of things.

Mr. Inverarity: Do you have any updated information that is current? I know that Ms. Mann has said that the index is improving. Could you give us some indication of where we are now as an overall index?

Mr. Walsh: Yes, we have our 2006 pavement condition report. The current system-wide average is a pavement condition index of 58.7. To maybe give an indication of how the pavements are improving -- in 2001, for example, we improved 46 kilometres of pavement on the Alaska and Klondike highways through pavement overlays. We have also improved the pavement on the Haines Highway: we did 20 kilometres of overlay this year. As a result of the investments since 2001, the trend in the pavement condition index has levelled off. Prior to 2001, there was a downward trend. Investments since that time have at least held the fort, so to speak, so it has levelled off.

In 2006, we had 175 kilometres of paved highway that had a PCI of less than 63. That is an improvement from 237 kilometres less than 63 in 2001, for example.

Mr. Inverarity: According to the Auditor General's report, the department appears to have neglected its responsibility for ensuring safe and efficient transportation infrastructure in the Yukon. How did this situation come to be?

Mr. Walsh: I would say that we have monitored the condition of our infrastructure well. We have been managing our pavements and managing our BST surfaces for close to 20 years. We have been doing bridge inspections since 1993. We have had our bridge management system in place since 2003. Our infrastructure is old, so it takes a considerable amount of investment; however, investment has been happening in recent years -- in the past five years. So, the condition is being addressed and the condition is stabilizing and improving, in terms of bridges. I don't feel our infrastructure has been neglected.

Mr. Inverarity: According to the figures quoted in paragraph 21 of the Auditor General's report, it says we'll need about \$18 million over the next six years to keep the highways at their current level, and an additional \$50 million over the next five years just to bring the highways back up to the established standards.

What processes are you using for establishing these costs?

Mr. Walsh: We've had a pavement rehabilitation program in place since 2002. Typically, that has been funded at a level of \$2 million per year. As we all know, the price of oil has a significant impact on paving costs and we've seen significant increases since 2002. The cost of asphalt concrete has increased by approximately 40 percent.

We've been maintaining the condition without significant improvement at \$2 million per year. It will need additional funding to continue to maintain the condition and improve it.

In bridges, there has been a significant investment in bridge rehabilitation in recent years. The average investment from 2002 to 2006 has been about \$5 million per year. In that period, decks have been replaced on the Takhini River Bridge, the Seaforth Creek Bridge, Little Rancheria Bridge, and Big Creek Bridge. The Beaver Creek Bridge has been totally replaced. We've done major strengthening on the Teslin River Bridge at Johnsons Crossing. We're currently replacing the deck of the Teslin River Bridge and are currently reconstructing the Donjek Bridge.

We are certainly addressing the aging infrastructure and rehabilitating it.

Mr. Inverarity: On the bridges, is the cost of bridge rehabilitation and maintenance included in the \$50 million five-year catch-up funding the plan has identified?

Mr. Walsh: We estimate there is a need to spend in the order of \$5 million per year in bridge rehabilitation over the next five years. We also estimate that we need to spend in the order of \$3 million per year for pavement rehabilitation.

Mr. Inverarity: Again, is that included in the \$50 million?

Mr. Walsh: Yes, it is included in the \$50 million.

Mr. Inverarity: And the \$2 million is part of the projected budget that you are going to have?

Mr. Walsh: That is correct.

Mr. Inverarity: Is there a workplan in place to bring all the bridges up to standard and, if so, how long will it take to get them up to standard?

Mr. Walsh: We have a target for bridge condition. Again, it is like the pavement condition index. You pick a point in the spectrum and measure against that for how well you are doing in terms of investment. The starting point is somewhat subjective in the same way that the pavement condition is. Do we have a plan? Yes, we do. We prioritize our bridges in terms of need. We have addressed, as I mentioned, a number of bridges. We have several more bridges in the design pipeline ready to proceed as soon as funding is available and that is done on the basis of priority.

Mr. Nordick: I will be focusing on project management in transportation -- paragraphs 30 to 37. The Auditor General's report concludes that the department did not apply sound project management practices and adhere to the directive in project planning. For example, eight of the 12 projects examined in the report were overbudget. Cost estimates received prior to the construction tendering were often significantly lower than the bid prices received. This indicates that the problems with the bid process are systemic. What has the department learned from these projects in terms of best practices for getting accurate estimates, ensuring accountability in planning and managing financial risk?

Mr. Walsh: There has certainly been a difference between the estimates that we have prepared prior to tendering and what bids are coming in at, and we agree that that is a

problem. However, it has to be somewhat put into the context of the current construction environment, both in the Yukon and in western Canada. Prices have increased dramatically in the last couple of years. Iron and steel, for example, have increased 60 percent from 2003 to 2005. Fuel for construction equipment has increased 88 percent from 2003 to 2005, and these increases impact bid prices. The other thing that has changed significantly is the competition in the construction sector. There's a construction boom in Alberta and British Columbia, which means there is less competition among contractors for work in the Yukon. For example, on one of the projects in Exhibit 4, one of our larger Shakwak projects, we only had a single bid.

These problems are not unique to Yukon. In fact, the Chief Engineers Council of the Transportation Association of Canada discussed this very problem at its meeting in April of 2006. Many members expressed a concern that they cannot obtain accurate cost estimates any more, and they cannot get the workplans done for the funding that is available, so the context is that this is a problem across Canada.

What are we doing about it? We have to be more rigorous in our estimating. We have to be more aware of the market trends. We've been taken by surprise a little bit at some of the dramatic increases. So we have to be more aware of those and we have to be more rigorous in estimating.

Mr. Nordick: How can the process be improved to ensure the department receives more accurate cost estimates in the future? Actually, you said you have to be more rigorous -- how do you see that happening?

Mr. Walsh: For many years, we have maintained a database of historic costs for construction. We have typically relied on that for developing estimates and typically our estimates were accurate. I think we have to be much more aware that the market is changing rapidly now. We have to include more contingencies for market changes in our estimates. We have to be prepared to, perhaps, make design changes to reduce costs where it is possible to do that. We have to manage quantities and construction projects very closely. We have to scrutinize very carefully estimates prepared by consultants on our behalf. We will have to do all of those things.

Mr. Nordick: In paragraph 31, the report says that an improper estimate for the Teslin River Bridge deck replacement project resulted in a shortfall of funds to complete other work. What is the department doing to ensure that such unilateral decisions are not repeated with projects that are partially funded by or co-shared with other governments?

Mr. Walsh: Hopefully I can maybe use the Teslin River Bridge project as an example of how projects are approved and how funding flows. In October 1997, we received implementation approval from Management Board to proceed with rehabilitation of the Teslin River Bridge. However, no funding flowed for that project until the SHIP agreement came into place between Yukon and Canada in 2002.

In May 2002, Management Board increased the target costs for the project to \$4.1 million for the initial structural strengthening and seismic rehabilitation.

We proceeded with that construction, awarded the contracts and got the work done. The bid received for the work was in April 2003. We received four bids; the lowest of those was \$3.839 million. The work proceeded over the next two years and is now substantially complete. The final payment to the contractor was \$4.007 million -- an increase of roughly \$160,000.

The next phase of the Teslin River Bridge project was strengthening pier 5 for seismic purposes. We received Management Board approval for the seismic work in 2004, with a target cost of \$793,000. The project went to tender in April 2004. Four bids were received and the lowest bid was \$1.112 million. Again, the work proceeded and the final payment to the contractor was \$1.143 million, roughly \$30,000 higher than the initial bid.

The next project on Teslin River Bridge was the replacement of the deck. This had been designed for many years too, but there was no funding appropriated for it until the CSIF program came into being in February 2004. Pursuant to CSIF, Management Board approved \$6.5 million to replace the deck on the Teslin River Bridge. That approval was received in May 2005. Tenders for the replacement closed and five bids were received, with the lowest compliant bid of \$8.135 million, significantly above the estimate. Even though we had used our most recent bridge projects at Donjek and Beaver Creek to develop the Teslin estimates, the market still came back with a much higher price.

The terms of the CSIF agreement included funding and scope. So, Canada agreed to contribute \$15 million to bridge rehabilitation and reconstruction of parts of the Alaska Highway. Yukon agreed to contribute \$16.1 million, for a total of a little over \$31 million. There was also a clearly defined scope that included so many kilometres of the Alaska Highway and rehabilitation of seven bridges.

Canada still expects Yukon to deliver all of that scope. Even though the construction market has seen significant escalation, Canada doesn't intend to provide additional funding. Yukon will have to find the funding to deliver the scope of the work, which is to rehabilitate seven bridges. The shortfall is approximately \$4.6 million.

Mr. Mitchell: Before we proceed, the Chair would just like to remind the witnesses that, while we do appreciate the detail, we have a great many questions that we would like to ask and we have divided this into seven general areas of questioning. If we could have some concise answers, it would help us to get through this. Thank you.

Mr. Nordick: I would actually like to revisit that and ask what you plan to do in the future to alleviate such a problem. I feel you explained what happened.

Mr. Magnuson: With respect to the multiple year agreements that we enter into with Canada and the 50-cent dollars that they give us, I think we need to spend a little bit more time with respect to the rigour around these estimates, especially when we enter into multiple year agreements. Some of these are three, four, or five years long in terms of delivery. We

are seeing a construction market right now that is so volatile that estimates that are three months old are too old.

One of the things we need to do, which has already been pointed out, is to spend more time and find better ways to put estimates together -- perhaps by revisiting them more frequently or working out some policies and procedures that will allow us to revisit our numbers and be more flexible in terms of what we can and cannot provide with the actual funds we have.

Perhaps we can enter into agreements -- or try to convince Canada to enter into agreements -- that allow us to be a bit more flexible in terms of these costs. It is not just the jurisdiction of Yukon that is facing these very problems. Every jurisdiction in Canada is having this very same problem in terms of these cost-sharing agreements with Canada. It is a problem that we are looking at collectively across the country. We meet and discuss these types of things with our colleagues in other jurisdictions regularly.

I don't have a definitive answer in terms of what we will do, but it is more definitely something we need to look at in terms of how we proceed with these estimates.

Mr. Nordick: Paragraph 34 says that with regard to eight projects it was difficult to determine if the department had complied with all environmental assessment requirements and conditions, as well as other regulatory requirements. What is the department doing to ensure that all laws and regulations will be complied with?

Mr. Walsh: The department is very careful about complying with the laws of the Yukon and various laws related to our projects. We have, we believe, a very good record of obtaining the regulatory approvals that we need before a project proceeds. We believe we have a very good record of following the conditions of permits and other regulations that we need to follow during the course of our projects. We have staff dedicated to doing that who are very competent in their field. We also do keep very good records with respect to our approvals and follow up on those approvals.

Mr. Edzerza: I want to ask some questions about long-term planning for property management -- pages 16 and 38 to 43 in the Auditor General's report. The Auditor General's report concluded that there has not been a long-term strategic approach -- no master plan to provide accommodations for government departments and agencies. Given the amount of space the government occupies and how many employees have to be accommodated, how has the department been able to this work without an overall plan?

Mr. Gasser: Over the last number of years, the department has found it difficult to do the work and has recognized that the space planning directive was not effective, and set out to review and improve the space management process. We recognize that the accommodation needs plan was not being delivered. Departments were identifying individual needs but not a departmental or corporate need over the last number of years. I would say this is a 12- to 15-year issue.

It is going to take a bit of time to correct, but we recognized it in 2005 and requested funding for a project to resolve this issue. In April 2006, we advertised for a consultant to as-

sist us in the development of a master space plan and a review of the directives and procedures within the department.

In July 2006, a local consultant and national consultant, working together as a team, began work on this project. They will give us a long-term strategy. They will deliver options and help us to determine a business case analysis so that we can recommend whether we are going to build, buy or lease in the future. This work is now underway with two pilot departments. The final result of this will be delivered to us in September 2007, at which time we will present a new draft directive strategy to Management Board for their review and approval.

Mr. Edzerza: Thank you for that answer. I do have a question with regard to the consultant but I will ask this one first. The report says that the department does not have a complete inventory of the space occupied by government departments and agencies. How does the department allocate and manage space if it does not have a complete inventory of the space for which it is responsible?

Mr. Gasser: At the moment we are doing planning on a case-by-case basis, which means we need to analyze the existing request and existing location. It is a very iterative and "one off" type of planning process.

Mr. Edzerza: I'll go back to the consultant. The department is now developing a master space plan. It has hired a consultant to develop this plan. The plan is due to be completed in September 2007, based on consultant capacity.

Given the need of this plan, why did the government hire a consultant who may or may not be able to deliver the report by September?

Mr. Gasser: The statement, based on consultant services, is really reflective of the amount of work that is required to go through all the government departments to review the directive and provide us with the assistance we need to bring everything up to date. Right now, the workplan identifies September 2007 as a final delivery date; we just need to recognize this is a significant project and may take longer than September -- it may be a couple of months later than September. It will depend on how much work the consultants are able to do with each one of the departments over the next few months.

Mr. Edzerza: In November 1995, Management Board issued a directive entitled "Office Space Committee". This directive required each department to prepare a five-year accommodation needs plan and submit it to the Department of Highways and Public Works.

This is then used to develop annual accommodation needs plans. According to the Auditor General's report, there is no current annual accommodation needs plan. Why has this Management Board directive not been followed?

Mr. Gasser: In my research, looking back at previous years, I can't answer that question. I am not sure why over the last 10 to 12 years the department and the other client departments have not been engaged in this process. But recognizing that they were not engaged in this process, in 2005 we determined that we would need additional resources to be able to re-engage our client departments and re-engage the procedure for an annual call and get the data we needed to understand where

all departments reside, and put the system back in place. That was the reason we went forward with a master space planning project, because it hadn't been done. I really don't know the history behind why space planning and the accommodation needs plans stopped 10 or 12 years ago.

Mr. Edzerza: Well, I guess I would ask the department if they would agree that maybe this is why there is such a problem with regard to the space area within government.

Mr. Gasser: Yes, Mr. Chair, I agree.

Hon. Mr. Rouble: I would like to start off by thanking the witnesses today for their participation and their answers. I appreciate the conciseness of them. Certainly there is an awful lot of information to convey, but we do have an awful lot of information to get through.

The questions that I will be asking on behalf of the panel are around the areas of maintenance and property management. For reference in the Auditor General's report, these are paragraphs 73 through 81.

In paragraph 73 of the Auditor General's report, it states: "A Management Board directive, entitled "Capital Building Maintenance", requires the department to identify capital building maintenance projects through regular and/or annual inspections. However, there is no up-to-date information on the condition of government-owned buildings". Why has the department not followed this Management Board directive?

Mr. Gasser: Fundamentally, there are not enough resources to be able to inspect all the buildings on a regular basis at the level of a facility audit that would be needed to identify all the requirements. On a day-to-day basis, we do have staff who inspect the buildings from a preventive maintenance level, mainly related to code. Again, there are insufficient resources to be able to inspect and carry out all of the preventive maintenance required, but we do inspect the buildings for code and condition in what I would call a minor way, but it is sufficient to make sure that the systems meet the building code of the day and that any health and safety issues are taken care of.

Hon. Mr. Rouble: The department has now established the building process redesign project to develop a long-term capital maintenance plan. I understand that this has four main points -- space, procurement, operation and maintenance - and it is looking at life-cycle costing. How far along is this project?

Mr. Gasser: The business process redesign project is coming up to one year where the project management team has been together planning, researching and putting a workplan together. It is estimated in the project charter that they will be finished their work in February next year. There is a fair amount of work to do to finish the planning and start implementing all the procedures we have to work on.

Hon. Mr. Rouble: Can you be a bit more specific? When you say there is a fair amount of work to be done, what does that mean in time?

Mr. Gasser: Over the next year, we will be working with a consultant who has an asset management and change management background to look at each one of the business process areas that we have -- the four major ones were men-

tioned: space management, project delivery management, et cetera -- and looking at each one of those areas. We will need to document procedures in those areas with the work staff. We will need to identify data that is required to do their jobs correctly in accordance with those procedures. We will also need to identify the additional resources required to do the work.

Each one of the work areas will be engaged, champions will be selected, and people will be asked how they will do their jobs better. All of this project also tied in with the procurement of a property management information system. In our industry, there is the very great need for collection of the data and the ability to analyze that data, to be able to make projections of recommendations to government for funding, for instance.

Hon. Mr. Rouble: Do you have any idea how this implementation will change the way things were done in the past? When will we start seeing the results of this?

Mr. Gasser: It will have a significant impact on the way Property Management Agency does its business. The three issues that need to be corrected -- the fundamental root causes of the issues we found in property management -- are a lack of robust data, a lack of documented procedures and insufficient resources to carry out all the work. We need to provide recommendations around those three root causes and start identifying those solutions.

When will we see results of this? Probably not for another year and in years after. The reason for that is there is a large amount of work and there's a large number of buildings. As an example, being able to inspect all the Government of Yukon buildings at the correct level and in accordance with industry standards will probably take a minimum of five years. Those inspections will result in further requests for maintenance funding, because they will identify specific projects that need to be done.

Hon. Mr. Rouble: In the area of maintenance deficiencies, what criteria do you use to prioritize maintenance projects?

Mr. Gasser: In the last couple of years we revised our priority list but, essentially, we use environmental health and safety issues, the protection of property -- such as immediate deterioration or damage to a building -- replacement of obsolete items, those that will imminently fail. Energy management is one of our categories; programmed major maintenance, poor condition and fair condition -- we identify requests from tenants for specific services, such as repainting, that are more cosmetic, and we also identify projects that require further investigation or engineering studies in order to answer the questions of the criteria I identified just a moment ago.

Hon. Mr. Rouble: Do you have different waiting criteria or how do those criteria fit together?

Mr. Gasser: Yes, that is correct. I have listed them off from the most important to the least important. They are given a ranking criterion of A through H, and they are prioritized, 1 through 5, indicating in what year the project should be carried out in order to respond to the need.

Hon. Mr. Rouble: The Auditor General's report says that building maintenance is done on a reactive basis. The Property Management Agency acknowledged this in its 2005-06 annual report. Will the implementation of the business process redesign project change this if the resources available to the department and its relationship to other departments remain the same?

Mr. Gasser: The business process redesign project will change this, but there will be much larger changes if our relationships with the other departments improve significantly.

Hon. Mr. Rouble: In its response to the Auditor General's recommendations in paragraph 81, the department says it will, in 2007-08, plan to procure a new computerized property management system to store and analyze data. Is this system being developed locally or is it based on a system in use elsewhere?

Mr. Gasser: The project management team is at the moment reviewing and writing the requirements definition for this project, but the intent would be that it would be based on a system elsewhere. We would not develop this locally.

Hon. Mr. Rouble: Do you have any estimates of the cost of such a system and, if you do procure it in 2007-08, when will it be operational?

Mr. Gasser: The approximate cost of the project over two years is just over \$1 million. It will take two years to deliver the system, so we would expect to start seeing results in fiscal year 2008-09 and the years after.

Mr. Mitchell: The Chair will now ask some questions having to do with the project management core area. That will be based on paragraphs 44 through 59 in the Auditor General's report.

Exhibit 6, on page 19 of the Auditor General's report, provides information on 10 building projects. The report says that in examining these projects, the auditors did not find any documented project plans that clearly set out a strategy and course of action for completing a project, including proposed quality control and quality assurance processes, work schedules, cost plan and project team organization. How is a project manager supposed to manage a project of any size or complexity if this documentation does not exist?

Mr. Gasser: Although there isn't a specific document called the project plan that we use at the present time, there is a building projects procedures manual that describes requirement specifications. That has been the main means by which we identify all the elements of a project plan. In addition to that, there is a schematic design report produced at the end of the planning phase for all building projects. This report also has all of the elements of a project plan. It addresses most but not every single item in 217. In my review, there might be one or two items that have not been addressed.

The schematic design report, along with a Management Board submission and an options analysis, is submitted. All these documents address the elements of a project plan -- a strategy outlined in Directive 2.17.

Mr. Mitchell: To follow up, then, I believe I hear you suggesting there's an alternative series of procedures that largely cover what the Auditor General is asking for.

Mr. Gasser: Yes, but we recognize there are weaknesses, and what we are going to do about it is adopt industry standards from the Project Management Institute, an internationally recognized organization. We've already started training our project managers toward that accreditation and are already reviewing our procedures manual for a rewrite to bring it in line with the Project Management Institute standard, also recognizing the procedures that are required by Directive 2.17, and we'll be asking our project managers to create a document called "project charter" to address the shortcomings we recognize.

Mr. Mitchell: Will that document specifically include the items that have been mentioned by the Auditor General, specifically the work schedule and the cost plan?

Mr. Gasser: Yes, Mr. Chair.

Mr. Mitchell: In paragraph 51, it says the Old Crow Airport "tender was issued late in the year due to several delays in the project approval process."

Could you explain what those delays were?

Mr. Gasser: The principal issue at the time was the review of the foundation design, and that delayed the project.

Mr. Mitchell: I guess I would then ask: what has the department done, or what does it plan to do, to avoid these types of delays in the future, where possible?

Mr. Gasser: The Old Crow Airport terminal building was an example of some of the difficulties the department runs into when it comes to foundation design. We need to start earlier. We need to review all the options. In this case, there were questions surrounding our recommendation and there likely wasn't enough time in the initial workplan to accommodate the review -- and it was the second review -- of the foundation options.

Mr. Mitchell: Could you indicate to what extent delays were responsible for cost overruns on this project?

Mr. Gasser: \$200,000 for winter works.

Mr. Mitchell: That is the sum total?

Mr. Gasser: Yes.

Mr. Mitchell: Thank you.

These projects are supposed to be reviewed during the implementation phase to ensure the projects are completed on time and on budget. Were those reviews carried out? If not, why not?

Mr. Gasser: The reviews were carried out. There are a number of industry standard reviews that are in place, such as reviewing the design drawings at 50-, 95-, and 100-percent. There are progress payments and site inspections that the project manager and the design team are required to make. The design consultants are required to provide quality assurance and quality control of the construction project against their design. That has been carried out.

I believe that one of the areas that we can improve on is the use of common language. We have a project that has been underway for a year to institute the Canadian Construction

Committee documents in the Yukon. That was a request from the Yukon Contractors Association.

I believe there is some clarity that can be provided between the relationship of the design community, the construction team, and the project management team, which basically form a triangle of responsibility in order to carry out projects.

Mr. Mitchell: Thank you.

In paragraph 53, the Auditor General identified a shortage of qualified project managers, which resulted in significant workload problems. One of these problems was that project managers were not always fully involved in projects assigned to them. Could you elaborate on the cause of this shortage? Is this a problem across Canada or is it an issue specific to Yukon?

Mr. Gasser: It is a problem across Canada. I think that we have, in all areas of science and technology in western Canada, a huge demand on the market. Project managers are very difficult to come by, but we are not alone. I think that the commercial sector has much greater opportunities to hire these people, given that they have more flexibility in providing compensation. That is something that we ran into when we had three very experienced staff retire in pretty much the same year period, and we had difficulty in recruitment.

We are training our staff; we are trying to get more experience. We are adopting Project Management Institute standards, but compensation and the number of project managers available in western Canada is a very huge issue for all of our jurisdictions.

Mr. Mitchell: In that case, in addition to the internal procedures that you have just outlined, is there anything else that the department is doing or can do to address this issue, because they obviously play an essential role?

Mr. Gasser: We have engaged some local project management resources to assist us. Mainly what we need to do is prioritize our work and train our staff. We need to look at additional compensation for the project management group and that is something that we did look at a year ago. I think we need to consider that again.

Mr. Mitchell: Paragraph 55 of the Auditor General's report refers to \$195,000 being spent on the Mayo recreation complex construction project prior to obtaining Management Board approval for the implementation phase of the project. This was contrary to the government's directive. Without Management Board approval, under what authority would departmental officials spend this money?

Mr. Gasser: This is an example of a client project, where we receive funding from our client department. I believe there was some confusion, this being the municipal rural infrastructure fund and one of the first ones we delivered on behalf of our client, Community Services, and the village government. They believed they had the funds in their budget and provided us with a funded work request, which is an assignment authority we use internally in the government for the expenditure. They asked us to carry forth the design development of this project.

Normally in our projects, we would wait for implementation phase approval for design development, and that seems to have been a miscommunication among us as to whether the funds were already appropriated or not.

I believe the Department of Community Services had the funds in their budget from the municipal rural infrastructure fund.

Mr. Mitchell: Have procedures been put in place internally to ensure this oversight doesn't happen again?

Mr. Gasser: We haven't instituted any particular procedure for this but we have discussed how we will control it and we will be putting procedures in place.

Mr. Mitchell: Can you indicate if this is a "one off" anomaly? How often does the department spend money prior to Management Board approval?

Mr. Gasser: This is the only example I could find.

Mr. Mitchell: Can you elaborate on what risks are involved in taking action without approval?

Mr. Gasser: In this case, there was a risk in that the options review by Management Board had not been dealt with in the manner we normally do. The risk we always manage is that we usually use the schematic design report, which shows what the building program will look like and provides some information on the workplan, the cost estimate and what the building will look like, to request Management Board approval for implementation.

Because we were well into design development, there are costs associated with the design consultants having done a fair amount of work already. The risk was that we would have to back up and re-do the design in that particular case.

Mr. Mitchell: This question has been somewhat touched on before, but it will be my final question for now. In paragraph 56, the report notes several cases where the department proceeded with a project without required environmental assessment and approval, even though these assessments are required by law. Could you explain to us how a project can proceed without all legal requirements having been taken care of?

Mr. Gasser: There were two cases that I found where the environmental assessments were not complete. It has made it obvious that on internal processes and procedures, there are not enough checks and balances in our systems. So, part of the business process redesign project's goal is to document processes and procedures and put those checks and balances in place. That is one of the key objectives that they will be addressing in the next couple months.

Mr. Mitchell: Thank you.

Hon. Ms. Taylor: Welcome everyone. I have a number of questions to do with sections 60 through 72. My first one is in an area that may have been briefly touched on already. The Auditor General's report says that the department needs to improve its practices for acquiring space. Specifically, it says that the department does not have an overall strategy for acquiring office space. Why has the department chosen to proceed without a strategy?

Mr. Gasser: I guess the short answer is that I am not sure why, over the past 10 to 12 years, the department proceeded without a strategy. There was an attempt to provide a strategy in 2003, but it didn't go anywhere at that time. In 2004, when I arrived and started working for the government, and I noticed this wasn't being carried out, I think from that point I realized that we really did need to be proactive and put this back into place. What we found was the complexities of the situation were quite large and that we would need additional resources to be able to do that, and that it would take a couple years to be able to put the process back in place that was needed and required by the directives.

Hon. Ms. Taylor: Does the department believe that the absence of a strategy has contributed to additional costs over the years?

Mr. Gasser: Yes, I do.

Hon. Ms. Taylor: In paragraph 62 of the report, it notes that in six cases the government has been leasing buildings for 15 years, yet there has been really no cost-benefit analysis to support acquiring space through leases. Given the amount of leased space, not to mention costs associated with leased space, why has no cost-benefit analysis been done?

Mr. Gasser: In many of these cases, the client departments that were looking after accommodation have been in these accommodations for a number of years, and they wish to remain in that location, or with the lack of a strategy there didn't seem to be a reasonable approach to exiting that particular property. In many cases we renegotiated in situ, and in accordance with the contracting directive negotiated a new lease in an existing location and stayed there.

What we are going to be doing under the master space plan and with the consultant's work is reviewing all of those locations, all of those leases. We certainly agree that leasing is a more expensive option than construction. Without a well-defined strategy, it is very difficult to know where to move forward and so, at this time next year, I believe the department will be in a much better position to answer your question.

Hon. Ms. Taylor: I will get to that area just a little bit later on. According to the report, the department is required to conform to government policy to ensure that leasing activities are carried out in a fair, fiscally responsible, open and accountable manner. At the same time, the report found that the department has entered into nearly all of the recent leases on a sole-sourced basis. Why does the department use sole-sourced options so often? I know that you have just made reference to your client departments. Perhaps you could answer from the government's perspective. What does it see as the drawbacks of tendering these particular leases?

Mr. Gasser: The situation we find ourselves in right now is there are so many leases in place and so many requests to address that, without a strategy, it's very difficult to know how to move forward in the most cost-effective way. What we have been doing the past couple of years is remaining in the current locations. Part of the reason for that is because it will take a long period of time -- say, up to three years -- to be able to provide a strategy for moving occupants that are in a leased

facility into a government-owned facility. Without having a strategy in place to know how it will work or where we're going to go, we found it very difficult over the last few years to do anything other than remain where we were and put our efforts into putting a strategy in place.

I would say in a year's time from now, with a strategy in place and approved by government, a good business case pro forma that we've adopted and good procedures in place, we will be able to move forward in a more competitive way if we're leasing, and we'll be able to move forward with a better view on whether we should lease, buy or construct.

Hon. Ms. Taylor: In paragraph 70, the report says there is a lack of internal policies and procedures to guide its officials in acquiring space and in documenting decisions. In its response, the department refers to a five-year master space plan that is in development, as we just mentioned, for around September or hopefully by the end of the year.

How will this plan deal with the specific problem? I would also like to know how this work can be completed effectively without having completed a full inventory and assessment of existing government buildings which, according to the department, will require five years to complete.

Mr. Gasser: The master space plan will be looking at office accommodation from an inventory point of view, so they will be finding where the program departments are residing. We will be collecting information on basic office location size in order to be able to carry out the master space plan. It is the detailed information that is needed in the background to be able to create the strategy. We are collecting information on projections of personnel and those kinds of needs, as well as some information on quality.

We know where everyone is but we don't know exactly how much space they are using. Part of the project will be to collect that information. Otherwise, we wouldn't be able to do a strategy.

At the same time that we are doing the master space planning project and looking at office space allocation and creating a strategy, the business process redesign team will be looking at facility audit and building condition reporting and inspection. In my mind, they are different but related items. So, we will be putting the procedures and standards in place, based on industry standards for a facility audit process. We will start inspecting buildings for condition, start being able to report on building conditions, and also start a more robust collection of data to analyze the deferred maintenance that we have going forward.

That inspection process will take up to five years to do. In the meantime, we will have more detailed information on where people are and the space they occupy. It will take time to bring both of those things together so that the information is current and usable. Basically, we have to make up a lot of time for things that have not been done in the past number of years.

Hon. Ms. Taylor: The government's contracting directive does not require a request for bids or proposals when the contract is to extend the existing occupancy of substantially the same property leased by the contracting authority or, in

some special cases, authorized by the responsible minister. The Auditor General is of the opinion that this provision is used too frequently and does not ensure that the government is achieving value for its dollar. Does the department concur with this view?

Mr. Gasser: Yes, we do.

Hon. Ms. Taylor: The report also says that expiring leases are not always flagged well in advance. As a result, the department is not always able to properly analyze options before leases are renewed. Why does this occur, and how does the department plan to address this problem in the short term as well as the long term?

Mr. Gasser: At this point in time, I believe that we flag our leases for review in sufficient time to stay where we are, and I guess as I mentioned earlier, that is a problem in the vacuum of a strategy. Over the course of the next year we will be staying where we are as much as possible, pulling together the strategy, and then moving into an options-analysis business-case kind of a scenario and then making recommendations on how to go forward.

Hon. Ms. Taylor: That concludes my questions. Thank you.

Hon. Ms. Horne: I thank you for your precise answers in explaining each of the questions that were given to you. My questions are on property management and they deal with sections 82 to 85.

A 2004 review of the Property Management Agency by the Yukon government's audit service found that government buildings were not being systematically maintained in an effective way to minimize costs and to maximize the economic benefit to the government. As well, the agency did not take a long-term strategic approach in identifying the accommodation needs of the departments and agencies, or in identifying the orderly replacement of buildings that are reaching the end of their economic lives. This report was based on the 2000-01 fiscal year. Similar conclusions are drawn in the Auditor General's report. These problems appear to be long standing. To what extent are these problems endemic to the Property Management Agency?

Mr. Gasser: There are a number of problems that have been identified with the agency in this and the previous audit. Since 2004, we've been working on a response to the previous audit. It's the reason why we held the strategic planning session in 2004 with all our staff to look at our shortcomings and our strengths.

After that, we engaged a consultant that is an expert in asset management and change management to assist us to look at formalizing change. We created the business process redesign team a year ago in order to address the shortcomings and move forward.

As I said earlier, my feeling is the root causes of the problems with the agency right now are related to not having enough robust data, not having sufficient resources and not having documented procedures in place to follow. We're working on all those three things. Now that we have the information

from this audit, we'll be moving forward on responding to those.

There are long-standing problems. We're aware of them and we are moving forward to address them.

Hon. Ms. Horne: My second and last question in this category: the Yukon government's internal audit found the agency did not adequately establish an appropriate structure or financial framework to make it work effectively as a special operating agency.

The audit recommended the agency undertake a strategic review of its operations to assess the effectiveness of its current structure and design. Property Management Agency agreed with this recommendation. The management response added, "A more appropriate question for a review would be whether or not the government ought to have a central agency to manage property or to have it managed within individual program departments."

In that context, the appropriateness of Property Management Agency's mandate, goals and business models could be valued in a useful manner. In consultation with our client departments, the agency will prepare a strategy paper that will initiate a discussion about these matters. The strategy paper will be developed for consideration by the Management Board.

What is the current status of this proposal and strategy paper?

Mr. Gasser: The strategy paper was developed a year ago. It was circulated in April 2006. It addressed and reviewed all of the options for how the organization could be structured and its relationship to its client departments. It wasn't reviewed by government at that time; the department plans on doing an initial review and resubmitting that paper this year.

Hon. Ms. Horne: It is propelling for me to hear that a lot of these problems have been addressed or are in the process of being addressed. Thank you.

Mr. Mitchell: Ms. Horne, do you want to carry on with your next series of questions?

Hon. Ms. Horne: Yes, you're not rid of me yet, here. These are questions now that come from sections 14 to 19, basically on risk management.

The Auditor General found that the department does not identify risks, assess them, or have strategies to mitigate the risks. This would seem to be a critical management practice. Why does this management practice not exist?

Ms. Briemon: We feel in the department that we do undertake a lot of probably more informal risk assessment and strategies to mitigate risk. We recognize that, in particular with our projects, we are aware of things like market conditions, tender timing, the amount changeability, the level of information available on which to base a project design, the risk associated with performance by contractors, the unpredictable fluctuations in commodity prices, weather, and environmental impacts, and especially changing permafrost states in that area.

Some of the things we undertake to mitigate measures in the design area include the use of detailed and standardized project management procedures, continuous client communications, several reviews throughout the design process by experi-

enced engineering staff, and the use of qualified consultants when design is contracted out. Contractor performance is actively monitored by site inspections, as has been mentioned already. It also includes documenting daily project activities and testing to ensure compliance with project specifications in the field and taking appropriate action if deliverables are not being achieved.

For sure we know that these informal practices need to be formalized and documented. To that end we have already taken measures. One of our first parts of developing a more strategic and integrated risk management plan is to ensure that our staff has training. We will be developing the department risk profile that was mentioned in the audit and we will be analyzing and assessing each project on a case-by-case basis.

Hon. Ms. Horne: The second question: your response to the Auditor General's recommendation states that a formal risk management process will be in place by 2008-09, or sooner. Will this risk management process include a comprehensive risk identification process, a complete assessment of each of these identified risks and, finally, a detailed plan to mitigate each of these risks?

Ms. Briemon: Yes, we have already started that, and I think I have alluded to some of that before. Part of our plan, as I mentioned, is to ensure that all of our project managers, inspectors, program managers, and engineers are more aware of the overall risk management field. We will be undertaking training in that.

We are currently in conversations with the Canada School of Public Service. It offers a course entitled "Risk Management in the Public Service". We are actively in discussions to bring a trainer/facilitator to Whitehorse to deliver that course and tailor it to Yukon and our environment. That is one of our first activities.

We will be developing the risk profile -- just sort of painting the picture of what the risks and the capacity of our department are to try to understand, recognize and manage risks. Right now, we have borrowed a tool from the Government of B.C. It's what they call their risk register. We are working on this and starting to customize it to Yukon and our projects. We will go through this and identify all of the areas of risk that were part of the Auditor's exhibit -- I believe it was Exhibit 3. We will cover all those risks and anything else we feel is pertinent in the Yukon context. We will be assessing those. We will be tying the overall assessment of those risks into our capital budgeting system so we will be able to prioritize the projects we feel have the greatest risks and need to go forward on a priority basis.

Hon. Ms. Horne: I thank you for your preciseness. That's the end of my questions.

Mr. Edzerza: My questions will be from page 31, 86 to 89, on performance management and reporting. The Property Management Agency has been timely in reporting to the Assembly. The annual reports and business plans are tabled each year; however, the Auditor General's report has identified deficiencies in terms of what is included in the annual reports.

In light of the Auditor General's recommendations, how will the future Property Management Agency annual reports differ from those in the past?

Mr. Gasser: One of the objectives of the business process redesign project is to do benchmarking. In order to do that, we need to determine what performance measurement or indicators in our industry are used by our peers -- whether that's provincial governments or the commercial industry. We are looking at performance measures from such institutions as the Building Owners and Managers Association and International Facility Management Association.

Part of the project will be to choose performance indicators that help us at all levels, whether that's at the tactical level or at the strategic level, to be able to report on what we're doing. We will be using the new property management information system in order to collect that data, analyze it and be able to report on it.

Mr. Edzerza: How will the business plan for 2007-08 reflect the analysis and recommendations contained in the Auditor General's report?

Mr. Gasser: The 2007-08 business plan identifies some additional resources to conduct the business process redesign team, but does not have any details on any changes as a result of this particular audit. We would expect to see those in 2008 and 2009 business plans.

Mr. Edzerza: Though the Property Management Agency reports to the Assembly on an annual basis, the department, on a whole, does not. In its response to the Auditor General's recommendations in paragraph 89, the department says that new reporting will begin as part of the 2006-07 year-end reporting to the minister. How does the department propose to keep the Legislative Assembly informed about how it is addressing the Auditor General's recommendations?

Ms. Mann: One of the recommendations we have received internally is a requirement to take some of our past statistics that we used to provide to the Legislature, both on the transportation side and on the property management side, and begin reporting on those again. That hasn't been done for about five years. We may be in a position to include that as early as 2007-08; if not, for sure by 2008-09. That will provide full disclosure to the Members of the Legislative Assembly on some key areas of our business.

Mr. Edzerza: In its responses to the Auditor General's recommendations and in the acting deputy minister's opening statement, the department commits itself to undertaking a number of planning and evaluation projects. How will the department do this when it hasn't been able to do this in the past? Is it getting an infusion of resources? Is it reallocating resources from other areas? Will other activities be put on hold while these planning evaluation exercises are undertaken?

Mr. Gasser: I will speak to the property management program specifically. As I just mentioned, in our business plan for the upcoming fiscal year, we have asked for additional resources for three personnel on a short-term basis. That is the project management team that we put together for our business process redesign project.

In addition, we have diverted some funds from within our existing program to hire a consultant to assist us with that project. One of the reasons why we would ask for additional resources is to backfill the three staff so their positions can be maintained as we go forward. The rest of the work that we will be doing, like the property management information system, is in the request for funds for next year and the year after. The master space planning project was approved in this current year's budget.

So, we have received some additional resources and we have set aside some staff who are going to be working internally to engage our work unit staff in producing and doing the work. There is a bit more of a concentrated effort than there has been in the past.

Mr. Edzerza: Mr. Chair, I have two questions on property management I would like to ask if it would be appropriate at this time.

Mr. Mitchell: Please go ahead, Mr. Edzerza.

Mr. Edzerza: I would like to ask one question from page 21, paragraph 51. It has to do with construction of a new airport terminal building in Old Crow.

Near the bottom of the paragraph, it says the department also indicated -- it had to do with the \$200,000 overruns -- that the complex building design as requested by the community was not conducive to the use of local labour. The important wording there is "the complex building design", and I would like to ask a question of the witness. Does the department have limits on construction design and costs to suit, or is the sky the limit?

Mr. Gasser: There are limits on the construction costs, but what we are trying to do is deliver the best value for money. The sky is not the limit, but basically we are trying to produce a design that is fit for the community and fit for the purpose of the program that we are delivering.

Mr. Edzerza: I would like to go over to the next page, page 22, number 54, where it states the roles and responsibilities for project management staff and the client department were not clearly defined for the multi-level care facility projects in Watson Lake and Dawson City. Further down the page it states "in June 2005, the Minister of Highways and Public Works, on behalf of the department, declined responsibility for the projects". My question for the department is why did the department decline responsibility for these projects?

Mr. Gasser: The department did not feel it had control over the contract or the design consultant, and we felt we couldn't be held accountable for the project deliverables that were taking place at that point in time.

Mr. Edzerza: Would the department feel this is an isolated case or is this common practice?

Mr. Gasser: I believe this is an isolated case.

Mr. Edzerza: That's the end of my questions.

Mr. Mitchell: In the remaining time, we've gone through sort of one rotation. We'll go back and start again with Mr. Inverarity for additional questions or perhaps follow-up questions.

Mr. Inverarity: Just to restate what we were looking at the past couple of hours, it's the transportation maintenance section, paragraphs 20 through 26. I will try to pick up where we were before; however, I'll try to give you a bit of preamble so we're both on the same page.

We were saying at one point that the Auditor General's report says you need somewhere around \$18 million over six years just to keep the highways current and an additional \$50 million over the next five years to bring the highways back up to an established standard. If you receive this funding that has been identified in paragraph 21, what level of funding would you need to maintain Yukon roads at an acceptable standard past 2010?

Mr. Walsh: Paragraph 21 deals specifically with our paved highways. The department feels that \$3 million annually can gradually improve the PCI of our paved highways. The five-year catch-up funding of annual investments of \$10 million between 2006 and 2010 would be to eliminate all the backlog of pavement that has a PCI of less than 63. We don't think it's practical to eliminate the backlog. Every jurisdiction in Canada has a backlog of projects that would need to be done to get to what you might call a perfect system.

In answer to your question, \$3 million per year -- which is an increase to the \$2 million we are currently spending, on average -- would keep us at our current level and give us some improvement.

To spend a lot of money on catching up on the backlog -- I think that would have to be looked at very seriously, in terms of other priorities for spending in the Yukon government. As I said, every jurisdiction in Canada has a backlog.

Mr. Inverarity: I am not sure quite how to follow that. You need approximately \$5 million -- are you saying you are not looking for the \$50 million also, just to bring it up?

Mr. Walsh: When we do an annual pavement management report, we identify a number of things. We identify the funding that we, as a department, feel is appropriate to invest to maintain or improve the condition of our system. We also identify what backlog of projects exists that would bring the system to, if you want to say, perfection -- for want of a better word. That doesn't mean we are recommending that those funds be spent. It is just a way of identifying that there is a backlog. If there was unlimited funding, the backlog could be eradicated with this type of expenditure, but prudent management would not recommend spending a lot of money on getting your system to perfection, because we know there are other priorities.

Mr. Inverarity: I am curious: is 63 perfection, or 100?

Mr. Walsh: Sixty-three is considered to be a system that is good enough where you do not have to do more work on it.

Mr. Inverarity: According to a bridge report that was done by the department in 2003, there were 29 bridges that were found to be unacceptable. How many of the bridges have been brought up to a minimum standard since that report was issued?

Mr. Walsh: Firstly, I would like to note that the majority of these 29 bridges are small bridges on secondary roads

with very low traffic volumes. I would also like to note that the 2003 report, while it identified 29 bridges as being below the threshold for acceptable condition, it did not specifically recommend that the department go out and focus on those 29 bridges. It recommended that a certain level of investment in the system was necessary to improve the condition of our bridges in general. There was not a focused recommendation to address the 29 bridges. However, I can update you on where those bridges are at as of 2006.

Sixteen of the bridges that were rated below 50 in 2003 are now rated about 50, and that is as a result of various types of interventions, whether it is a maintenance intervention, rehabilitation, replacement or simply an evaluation of how the BSR was calculated in 2003.

Of the remaining 13 bridges, some are programmed for replacement as part of ongoing programs such as the Shakwak program; some will be improved as part of an ongoing program to rehabilitate bridges on the North Canol Highway; others require a major investment and have to be considered in relation to other funding priorities. For example, the Nares Lake Bridge at Carcross had a BSR of 39, I believe. However, while that bridge is functionally deficient for a significant highway like the South Klondike Highway, it is perfectly capable of carrying traffic loads safely. When I say functionally deficient, I mean it is a narrower bridge; it has timber decking. It was originally built to support the Venus Mine operation rather than being a major highway bridge.

However, its load capacity is adequate for the loads it is carrying. So, a major investment is required, but that has to be stacked up against other priorities.

Mr. Inverarity: The same report identified 61 bridges as requiring seismic retrofit, strengthening and deck replacement. How many of these bridge repairs have been completed?

Mr. Walsh: To answer that question properly, I need to elaborate a little bit on seismic retrofits in general, if that is acceptable to you.

In terms of seismic retrofits, there are a number of conditions and considerations that have to be thought about. When many of our bridges in the Yukon were designed, there was no requirement in the bridge code to consider seismic effects. The need for a seismic retrofit of a bridge is based on a number of factors: first of all, the importance of the route -- is it a lifeline route, is it an emergency route; the seismicity of the site and where it is located geographically -- it could be a more seismically active area than another. Then there is the required performance of the bridge after an earthquake. Is this a bridge that can be out of service for a day? Does it need to be available immediately? These are other factors that have to be considered.

In looking at seismic retrofits, you also have to examine the circumstances of a particular bridge: again, the geographic location of the bridge. Even though when the bridge was designed there were no seismic requirements, you have to look at it and ask if it is located in a seismic area and if there is a seismic risk.

You have to look at the foundation soils. Some soils are much more subject to damage in an earthquake than others; for example, loose gravel and loose sand tend to liquefy in an earthquake whereas compacted soils don't have that problem, so you have to look at the soils.

You can do dynamic and static evaluations of a bridge and determine how a bridge might perform in an earthquake -- modeling. You can look at the bridge details -- for example, what type of bearings does it have, how big is the bearing seat, which impacts how much movement a bridge can accommodate during an earthquake.

You can look at soil forces and abutments -- all those sorts of things. Then when you've looked at that, there's a range of seismic retrofits that you can consider. You normally get the best value for money by retrofitting the superstructure as opposed to the substructure.

Having said all that, you don't necessary rush out and retrofit 60 bridges because, when they were built, the code didn't require them to have seismic considerations. You really have to look at it in terms of your priorities. Bridges that we have retrofitted since 2003 include the Teslin River Bridge at Johnsons Crossing -- that has had a major seismic retrofit; the Takhini River Bridge has had new bearings installed, which would improve its performance in an earthquake; the Beaver Creek Bridge has been reconstructed to the new Canadian Highway Bridge Design Code, which now has seismic considerations in it; the Donjek Bridge is being reconstructed to code and a major cost of that reconstruction is the allowances for seismic resistance because that is in a very active seismic zone.

Mr. Mitchell: The time now being 12:00 noon, we'll adjourn and reconvene at 1:30 p.m. sharp.

Recess

Mr. Mitchell: We will reconvene. When we left off, Mr. Inverarity was asking questions.

Mr. Inverarity: Paragraph 28 of the Auditor General's recommendations said that the department should establish effective capital maintenance and replacement programs for highways and bridges to ensure the integrity of transportation assets is maintained. The department should ensure that highways and bridges meet established standards.

The department agrees with this recommendation. What detail can you add to the response to this recommendation in terms of ensuring how this recommendation is followed?

Mr. Walsh: Just to reiterate from earlier questions, we have established standards for pavement condition, BST condition, and bridge condition in our management systems. We will continue with our inspections and the monitoring of our infrastructure to assess the condition of it. We will continue to identify suitable funding levels to maintain and/or improve the condition of our infrastructure.

Mr. Inverarity: Why was this approach not implemented previously, or am I missing something?

Mr. Walsh: It has been our approach for a number of years now. We've had a pavement management system in place

for quite awhile. The bridge management system is newer. Infrastructure, like highways and bridges, can survive without rehabilitation for the first while. In the case of asphalt pavement, you would expect to get 15 to 20 years in most environments before you have to undertake a major rehabilitation. In fact, our environment in the Yukon is pretty benign to asphalt. We have some pavement up to 33 years old still in service and still performing acceptably. However, as infrastructure gets older, you need to rehabilitate it.

A lot of our pavements are at 20-plus years old and have been for a number of years, and we have been addressing them as we cross that threshold. Similarly, with our bridges, a bridge normally doesn't take much rehabilitation in the first 30 to 40 years of its life, but once you get into the 40- to 60-year range, then you have to rehabilitate major critical components of the structure, such as bridge decks -- those kinds of things.

Because of the age of our infrastructure, we have reached a threshold where we need to do rehabilitation, and we believe that our management systems have addressed that. We have been timely in identifying the rehabilitation needed, based on the age of the infrastructure. We have made progress in undertaking that rehabilitation in the last five years, and we will need to continue to make that kind of progress.

Ms. Mann: I guess one other item to add to that is that as our risk management evaluations mature and we're in a better position to provide more detailed information, we are looking to include that information in our capital budget recommendations to decision makers. So, it will be more explicit what the implications are if investment does not proceed. We are looking at a longer term planning framework, as well, by the government, going back to a model, perhaps, where we are indicating a three-year plan of activities. So, those two things, combined with the activities at the technical level, I think will provide a better package of information for decision makers around appropriate levels of investment.

Mr. Inverarity: We have had some numbers bashed around this morning -- 56.3 is sort of where we were at before for the PCI index; 58.7 was a number that you gave us this morning as to where we currently are. Was that arrived at because of work done or because of redoing the index?

Mr. Walsh: In terms of the PCI, it was arrived at because of work done.

Mr. Inverarity: Where do you want to be?

Mr. Walsh: At this point in time a reasonable target seems to be a system-wide average of 63.

Mr. Inverarity: How long do you think it will take you to get there?

Mr. Walsh: At the current funding level we wouldn't see a significant improvement. We would remain at around a 58 to 59 level. To get to a higher level needs more funding.

Mr. Inverarity: And it was an increase from \$2 million to \$3 million on an annual basis where we would start to see an improvement on that?

Mr. Walsh: In that order. But, if the price of oil and everything else keeps escalating, \$3 million might not be enough.

Mr. Inverarity: If the \$10 million comes in, that would bring it forward in an increased time frame?

Mr. Walsh: Yes, the \$10 million would bring all pieces of pavement less than 63 up to or above 63.

Mr. Inverarity: And 63 is sort of the minimum standard that we would like to be at?

Mr. Walsh: 63 is the level where a pavement is good enough that you don't need to do any more work on it. We would like to see an average of 63 as a desirable standard throughout the network. So, some would be in the 70s, some would be less than 65.

Mr. Inverarity: Okay, I understand that. I have to ask the big question, okay? Do you feel that the highways and bridges in the Yukon are safe to travel on?

Mr. Walsh: Yes, I do.

Mr. Inverarity: Do you feel that the Auditor General's report was overly critical of your branch? Or do you feel it was fair?

Mr. Walsh: I think the terms we use in assessing the condition of our inventory are very technical. They need to be read in the context of what they mean -- what goes into a PCI, what goes into a BCI. Taking a number and reaching a conclusion that a system isn't safe or isn't being well managed, in isolation, is probably not appropriate. I think it has to be looked at in the context. You have to dig deep and understand what the report mean, how they are structured and how the numbers were arrived at.

I think our infrastructure needs investment but it's not terribly bad compared to many other jurisdictions in Canada. I can give you some PCIs from other areas for comparative purposes. As I said, we use the same pavement management system as Public Works Canada uses for their part of the Alaska Highway and for highways through national parks. The PCI for the B.C. section of the Alaska Highway is 64 -- higher than ours, granted. Category 1 parks highways, such as the TransCanada through Banff National park, has a PCI of 60. Category 2 parks highways, such as, say, the Yellowhead or the Kootenay Parkway, have a PCI of 58, I believe. Category 3 national park highways -- for example, the Icefields Parkway between Banff and Jasper, has a PCI of 54. So, that gives you some context.

Mr. Inverarity: So, in the Yukon portions of the Alaska Highway that are maintained by Canada, compared to the ones maintained by you, where do we sit? You mentioned one -- the B.C. portion of the Alaska Highway was 64. Is that correct? How about within the Yukon itself? Are there any sections that they maintain and what are those rates, approximately?

Mr. Walsh: Canada maintains a very small section of the Alaska Highway, south of Watson Lake. It is not asphalt-concrete surfaced; it is BST, so it obviously doesn't have a PCI. The figures that we spoke about earlier -- the 58 or so is an average of all of our pavements in the Yukon. That is the Alaska Highway, Klondike Highway, Campbell Highway and Haines Highway. If we were just to look at the Alaska Highway in the Yukon, it would be considerably higher. I don't have that figure at my fingertips, but it would be in the 60s.

Mr. Inverarity: If I understand it right, we are talking about blacktop as opposed to BST when we are talking about these indexes.

Mr. Walsh: When we are talking PCI we are talking blacktop, asphalt and concrete pavement. We also have a similar management system for our BST highways, but you can't make a direct comparison.

Mr. Inverarity: If I could just ask a question of the Auditor General: did you look at the BST approach, too, or just the blacktop?

Mr. Lennox: Actually, I will refer that to my colleagues next to you, Mr. Chair.

Mr. Chu: We only looked at the PCI index. We didn't look at the BST, per se, during the audit.

Mr. Nordick: I would like to touch on a couple of sections we were on this morning from paragraphs 30 to 37, under transportation and project management. I want to ask the question again relating to multi-year projects with Canada. I would like to know how you guarantee that estimates are not short when partnering with Canada for multi-year projects?

Mr. Magnuson: The short answer is that you cannot guarantee. It has only been the last three or four years where we have started to see these relatively significant increases in project costs, and we have been trying to catch up, if you will, with our estimating processes and use better numbers to address some of these shortcomings. The truth of the matter is we have had difficulty doing that. We are not the only jurisdiction having difficulty doing that, but Canada has stood steadfast with respect to the financial agreements they have with us and said they will not pick up any of that risk. That risk has to be taken on by the Government of Yukon, as one of the parties.

Mr. Nordick: The Auditor General said it was difficult to determine if the department had complied with all environmental assessment requirements and conditions, as well as other regulatory requirements. Will you develop a plan to ensure the proper documentation is on file, such as a check list to identify that all environmental regulations are met and acted upon to mitigate the environmental impacts of a project?

Mr. Magnuson: Yes, we don't believe that we have any issues with respect to this, other than we don't perhaps record that information in the project files well enough or cross-reference our environmental files well enough. We will make some changes in that area.

Mr. Nordick: If you don't keep track of it, how do you feel confident that you have actually done it?

Mr. Magnuson: Because we do keep track of it. We just keep track of it in a way that is not necessarily directly related to the project files that were audited. So, we are quite confident and comfortable that we have met all of our environmental obligations in terms of screenings and regulations, et cetera. The audit just did not bring that out. We need to close that gap. We need to take some administrative steps to ensure that we cross-reference our files better, and we will do that.

Mr. Nordick: There is a directive on the project planning and implementation that requires the department to review completed projects. The purpose of the review is to evaluate

whether appropriate procedures were applied, economy and efficiencies were observed, and objectives were achieved. The department is also required to evaluate the performance of those responsibilities for managing the projects and to develop recommendations for planning and controlling similar projects. These reviews and evaluations were not done in any of the projects looked at in the Auditor General's report. Could you explain why this directive was being ignored?

Mr. Magnuson: In actual fact, the agreements we have with Canada and the United States for Shakwak require us to do some post-audit work, which we do. The Strategic Highway Infrastructure Program, or SHIP, is a funding program that the federal government had. It required us to do post-implementation on projects as well, which we did. The current funding program we are working on right now is the Canadian Strategic Infrastructure Program, or CSIF, which also requires us to do post-implementation on projects. So, we will meet all of those requirements.

The short answer for the projects we have not done post-implementation reviews on is that we don't have the resources currently to do those reviews.

Mr. Nordick: In your response to the Auditor General's recommendations, in paragraph 37, you mentioned certain projects that have been subject to post-implementation audits and conclude that our projects will be evaluated as resources allow. This does not sound like a firm commitment to review completed projects. Does the department not see the value in these reviews?

Mr. Magnuson: Yes, we do see the value of these. What it boils down to is, do you put the resources into post-implementation or into delivery of the actual program and completing the projects? We need to either re-evaluate the number of projects we are delivering annually and the amount of resources we have available in order to do these post-audits or we need to review the amount of resources we are putting toward these projects.

Mr. Nordick: What kind and level of resources would be required to review all of the projects that you have undertaken?

Mr. Magnuson: That is a difficult question to answer on the surface. I am not trying to dodge the answer, only that it depends a lot on the number of projects you may deliver in any one year as well as the degree of complexity or the size of the project. There are different levels or resources required for different types of projects to do the post-evaluations, so it would be difficult for me to give you a definitive answer.

Mr. Nordick: How does the department ensure that it does not take on more than it can handle?

Mr. Magnuson: Well, the one area we have not talked too much about in terms of resources is the difficulty we are having in the last two years in actually acquiring the human resources we need in our transportation and engineering unit. It is not necessarily just a matter of dollars; it is a matter of finding qualified people to do the work. We have started just recently to look at what types of things we could change in our organization to allow us to do a more complete job from front

to back on any project, and we think we need to re-evaluate perhaps the number of projects we take on or the number of complex projects we take on in any one year. Up until now it has been generally driven or related to the amount of capital available, and that is not necessarily the case any more. The amount of human resources available is starting to weight that a bit more.

Mr. Nordick: One of the Auditor General's recommendations is that professional service contracts should be signed before work begins on any project. The department's response said every effort would be made to ensure that the actual contracts would be signed expeditiously by parties after an award letter of notification has been issued. This is not an unqualified acceptance of the recommendation.

Could you explain why the department feels this is an acceptable or necessary practice?

Mr. Magnuson: We make every effort to have our contracts signed prior to work commencing. In all cases, the contractor has put his insurance before us before anybody moves onto the jobsite. We have had, I believe, four or five projects in the last year where we had difficulty getting the contractor to sign the actual contractual documents. The letter of award served as the signal to begin the project, and they have to provide us with their insurance prior to going onto the jobsite. So those risks and liabilities have been assessed, but sometimes it is just a matter of chasing down the appropriate individual within the company who has the signing authority for the contractual documents and getting them back into our system. That has proven, four or five times, to be a bit of a challenge for us.

Mr. Nordick: I guess I just want to be sure -- is that an acceptable way to do it?

Mr. Magnuson: Well, we would like it to be perfect. We would like for no project to start until the contractual documents are signed. We will do everything in our power to ensure that happens. But we believe we had mitigated the risk in a reasonable fashion the few times that did not happen, and we would continue with those practices in the future.

Mr. Nordick: In our briefing with MLAs last Friday, the Auditor General said that starting a project before the actual contracts are signed carries a risk for the Yukon government. She indicated that the government could be liable if something goes wrong without a proper contract in place. The department's response is that the proponent begins work at their risk until a contract is signed. Does the department disagree with the Auditor General's assessment of risk and the potential liability of allowing a contractor to engage in the government's business without a contract?

Mr. Magnuson: We would not disagree with the Auditor General's comments; however, we do not know of one case in the history of transportation contracts -- that we, at least, are aware of -- where we have ever had an issue in terms of liability surrounding a contract not being signed. It happens rarely. It does happen, but we believe there are processes in place that mitigate that risk. Again, I will state that we will do everything within our power to ensure contracts are signed.

Mr. Nordick: On that note, what are you doing to expedite the contract signing?

Mr. Magnuson: We make every effort to get the documents ready for signature. Once the letter of award has been processed and signed by the appropriate authority within government, we contact the contractor, have him come in to sign the documents or we take the documents to him, whichever is most expedient. The only reason they don't get signed sometimes before a contract or the work begins on-site is that some of the contracts we enter into are with smaller firms, where the principal of the company is actually delivering the work on-site and he or she is difficult to track down. It's only those types of operational issues that have created any delays.

We will continue to do everything we can operationally to ensure that those documents get signed prior to commencing. We will look at our processes as well. Maybe part of the review we are doing in some of the risk assessment would be to put a process in place, and change our procedures and policies, so such that work cannot commence and we insist and educate the contractors to that fact -- that we will not allow them to start work until such a time as these documents are signed.

Mr. Nordick: In a response to the Auditor General's recommendations, in paragraph 37, the department says that over the next year, computer system enhancements will identify capital projects requiring environmental approvals and other regulatory authorizations. In addition, tools are being examined to improve information sharing, communication and access to technical data, thereby enhancing the project's implementation process. Could you explain how computer system enhancements will solve these department management problems?

Mr. Magnuson: Yes, there is software available that is currently being used in some jurisdictions that we are looking at that may help us deal with relatively complex projects where we have our own engineering staff, consulting engineering staff, and contractors involved in projects perhaps that are design/build sometimes. This software will allow information sharing at pretty much every stage of the project so that design engineers who are doing, perhaps, structural design can be communicating in a real-time basis with design engineering consultants who are doing soils work or geotechnical work or foundation design work. We have been looking at perhaps testing that software to see if we can improve the communications between all of these groups in a fashion that will allow for not only better design, but more expedient design.

Mr. Edzerza: I have a couple more questions. Let's start with the master space plan that was referred to this morning. The department has hired a consultant to develop this plan. How realistic is it for the department to say this plan will be completed in September 2007 if this deadline is based on consultant availability? Do you feel that this is achievable?

Mr. Gasser: As I mentioned this morning, I believe it is achievable, but I think that there is still a lot of effort to make, so if it is the fall of 2007, that is very realistic. The workplan today calls for the final deliverable to be received in September 2007.

Mr. Edzerza: I am going to move on to some of the comments that were made this morning with regard to inaccurate estimates from consultants. How has the department responded to inaccurate estimates from consultants?

Mr. Gasser: In a couple of cases, we actually asked for a second opinion. We hired Hanscome to do a full set of a 100-percent construction drawing review to get a second opinion. That's one example of some of the things we do. The project managers always review the cost estimates submitted to them internally, and there are always questions and discussions back and forth as to what is going on.

I think one of the other aspects is that estimates change over time. So, the estimate at the beginning of the project, when you are seeking implementation phase approval, is based on a schematic design report. There is variability in the cost estimating industry. At that level, you are actually talking about a range of prices. One of the things that we have noticed is that we probably haven't been identifying that there is a range at that point in time, because you only have so much information. The cost estimate itself is only as good as the information available.

When you move through the implementation phase, you go through a series of designs where more and more people are involved -- more engineers and more expertise. You have 50-percent, 95-percent, and 100-percent drawings. A lot of effort goes into the detail of a project at that point in time. The cost estimates that are produced at those different design stages are much more precise, and the variability comes down each time. We believe there is not enough common understanding between ourselves and the Department of Finance on the variability of the prices. We want to do some more education and work with the consulting industry to talk about their expertise. We also want to provide a better estimate at the beginning of the project. We feel that some of the initial project estimates that are made during conception are also not well enough established at the very beginning of the project. We want to work with our client departments on that particular aspect, especially defining the scope, and then providing them a cost estimate in the very beginning, at the conceptual stage. We feel there is an issue there as well.

Mr. Edzerza: It leads one to wonder how, at the end of the day, it could end up costing a lot more if the department is saying there are checks and balances in place to prevent it.

I ask the question now: how will the department establish an accountability mechanism for ensuring that estimates are accurate?

Mr. Gasser: I believe the only way we can do this is to work closer with the consulting industry. They provide us the cost estimates in the majority of the cases. We also need to collect data internally, which we haven't done historically but we've started to do in the last couple years. We have the same issues that the Transportation division has with the rising costs of petroleum products, steel prices -- the whole industry in western Canada. We were, again, taken by surprise in 2004 by the escalating prices and we are in a catch-up mechanism.

I think the focus should be on working with the consulting industry and getting some more expertise available to our department on cost estimating itself. It's a science unto itself and it's a specialty in the construction industry.

Mr. Edzerza: It is quite clear according to this audit that there appears to be a real problem with consultants giving estimates to government. Is the government going to continue using consultants who give estimates that are way out of the ballpark? Is there any recourse for consultants who give inaccurate estimates?

Mr. Gasser: I guess I would say that the cost estimates that we have were not way out of the ballpark. The market conditions at the time were very variable, and there are a lot of other factors relating to the final cost in a tender that you can't necessarily estimate. Prices were climbing -- steel prices in August/September 2004, in a six-week period, jumped 40 percent. It is hard to say that a quantity surveyor or a cost consultant, at that point in time, could have foreseen that that price would jump in that way. The entire estimating industry in the consulting community is playing catch-up with these figures and trying to get ahead of the curve. They can only do so much. I think we said this morning that some of the cost estimates are not even good for 30 days in some respects because the prices were climbing so much in the last two to three years. We are just going to work closer with the consulting community and try and make sure we have a better handle on those costs, but I wouldn't say their cost estimates were not in the ballpark.

Mr. Edzerza: My last question would be that if there was some difference in all of these different projects -- say one was off a little bit, another one was on fairly close -- it may be believable that there wasn't an issue here, but when you look at several projects and every one is inaccurate, then would you agree that there may be an issue with having consultants provide you with estimates?

Mr. Gasser: I believe that we need to have a second opinion. They are doing their work as best they possibly can with the information they have, but I believe we need to check that work -- whether that is an internal staff person who has that expertise or whether that is another cost consultant. In the examples that I gave you, where we hired a second cost consultant to make sure that their work was accurate, that would be the way that I would respond.

Hon. Mr. Rouble: One of the very positive things about working on this Public Accounts Committee is that it brings together elected representatives in a non-partisan manner, and I apologize for editorializing, but I would like to thank everybody because I find it very refreshing that we were able to work together in this non-partisan manner to ensure that the people's business is being carried out efficiently and effectively.

Over lunch today, we had an opportunity to sit down and go over this morning's proceedings. We went through it, person by person, and came up with additional questions to ask. I just wanted to reiterate that these are questions that we have all compiled together, so the questions coming out aren't necessar-

ily from an individual, but are coming from the Public Accounts Committee.

I am just following up on the questions that were asked this morning regarding maintenance and property management. One of the comments we heard earlier was that in order to improve building maintenance and some of the outcomes from that, one big step would be to improve the relationships with the departments. I am wondering if you could expand on that.

Mr. Gasser: Certainly. Our relationship with the departments is that we provide the technical information to them. One of the things we have been doing is working with the Department of Finance to close the loop between the information that is provided to our client departments on the priority and the known deficiencies that we do have -- because we do have information that would improve the condition of the assets. We are providing that information to the Department of Finance now. In that process, they are able to cross-reference between our recommendation to the program clients and the funding that is being requested in future budget envelopes. I think that process, plus a longer planning horizon, is going to help a lot.

One of the other things that we have done is engage at the deputy minister level in prioritizing new accommodation projects. So, all the departments' senior executives are around the table with a common set of priorities looking at new construction projects together to try to sort out the need across the government. They are coming to an agreement on which accommodation or new construction projects are most important from a corporate point of view, and they are making that recommendation to Management Board.

So, there is more of a process where common discussion is happening among all departments. There is more of a process of prioritization, and there is more of a process of linking capital or new construction projects with maintenance projects or existing building projects.

Hon. Mr. Rouble: Earlier today, you also mentioned that in order to accomplish some of the objectives, the items that were required were better data, more resources, and different policies. Could you expand on that a bit, please? I am particularly interested in what you mean by "policies"? Does that include things like accountability structures or management practices or training or priority setting?

Mr. Gasser: I would use the word "procedures." If I said "policies" this morning, I really did mean "internal procedures." So, data, documented procedures, and resources. What we found was the way we have done business at an operational level is not documented. So, when staff change their jobs, it's not absolutely perfectly clear how their job gets done, how they relate to other people in their work unit and how their work units relate to one another. What that will do is improve the effectiveness of the organization by a substantial amount.

We document the procedures and people are taught how to do a particular process and, when you come into your job, you can actually pull a document together that says, okay, this is how I have to do my job and this is how I relate to the organizations around me. So, that is the area of procedures. Data would really relate to the condition of the buildings. If we go

and do an inspection, we have to have a robust place to put that information to have it for the future, and we have to be able to analyze it.

So, we have a project to procure a new property management information system. We have to be able to say in the budget process what resources are needed for the future to improve the infrastructure, and we have to be able to report at a macro level what the building condition is. We want to be able to tell a department head how well their buildings are doing, much in the same way that the Transportation division has the system reports -- that's where we want to get to.

Hon. Mr. Rouble: I would also like to follow up on the discussion we had earlier about the new computerized property management system. Now, please forgive me if I sound cynical, but hearing that problems will be solved by buying a million-dollar computer system -- I would like you to expand on that and indicate how this system will help people to make better decisions. Could you let me know a little bit more about it, to hopefully reduce my level of cynicism toward some of these million-dollar magic bullets?

Mr. Gasser: All of our similar organizations in Canada and in North America that have this much inventory or assets, are struggling with strategic asset management. We have, in current replacement dollars, over \$1 billion worth of buildings, and we need to be able to tell the government how much money is needed to maintain those assets in good condition. How do we move things from poor to good or from fair to good or from poor to fair? At the moment, we can't do that. We need to start the inspection process. Once we start the inspection process, we need to have a place to put this information and we need to be able to generate reliable information for the strategic level and for the tactical level.

Ten years ago, we bought a system, and it wasn't fully implemented, it wasn't fully designed and it wasn't fully delivered on. Today, we can benefit from that with a better management of the assets, improvement to our business processes -- because the documentation and the relationship could all be in that information system -- better planning and management, better management of our operating budgets themselves, a reduced loss of corporate memory, better decision making, cost avoidance due to fewer breakdowns, better management of internal and external resources, improved tracking of all our projects, including costs, better information on design, better allocation of resources to preventive maintenance and attachment of costs to the processes and, as I mentioned earlier, operating efficiency.

There is a lot of information that can and should be collected, and it needs to be analyzed. The most effective way to do that is through a computer program that similar organizations across Canada and the U.S. use on a daily basis.

Hon. Mr. Rouble: That concludes my follow-up questions.

Mr. Mitchell: I will carry forward with additional questions on project management, the core areas, and they would reference paragraphs 44 to 59 on pages 18 through 23 of

the Auditor General's report. Again, these are questions of the Committee, not necessarily my own questions.

There was a question that I asked this morning regarding the difficulty in identifying and securing qualified project managers. Looking at the demographics in the territory and working within the Government of Yukon, there are some challenges. How is the department planning on addressing succession planning?

Mr. Gasser: We have several things underway. One of the things we want to do is train our current staff. We have three different levels of project management positions in our organization, so we brought in new people who are what we call project officers. They look after smaller projects -- more of an inspection on the ground. They have usually been in the construction industry and have a fairly good background in that area, but may or may not have done extensive project management. They are an intake of new staff; they are a little bit younger. Our project managers themselves are a little bit older and our senior project managers even more experienced. They are in a supervisory role. So we do have three levels of experience within the organization, and we try to fill that.

We are doing continuous improvement training, as I mentioned this morning, where we are going to adopt Project Management Institute standards, and we are training to that. We are going to assist our staff in becoming accredited at that level. We will be searching for people who have that accreditation in the industry in the future.

I believe that compensation is an issue. We do have a report on compensation across Canada for project managers. That was circulated for review last year and didn't go ahead for full review, but I think it is something we have to do this year again -- circulate that report and consider the compensation packages because we are not able to keep up with industry in western Canada at the moment.

Mr. Mitchell: One of the things that was identified in the Q&A this morning was -- and in the report -- is that in multi-year projects there tends to be this spiralling escalation of costs. Who is responsible for project management on multi-year projects? How is the continuity maintained there?

Mr. Gasser: I can speak to property management. Our internal owners/project managers are responsible for project management over multi-year projects. The larger ones do take many years to complete. We have had a problem in the last few years because of retirements, some increase in illness, and we have had to change project managers midstream, but that is not the norm. We have then had to reallocate our project management resources. We try to avoid that as much as possible, but with some of the problems we have had with the market and retirees, that has been a bit difficult in the last couple of years. Wherever possible, we don't change project managers.

Mr. Mitchell: Looking at paragraph 50 in the Auditor General's report, there were a couple of things that have occurred. In one, this speaks to relationships with other departments, line departments. I believe the indication was in five cases we observed changes in scope and design imposed by client departments during project delivery resulting in both cost

increases and delays. In some cases, the problems were beyond the department's control.

In our briefing, the Auditor General indicated that this may reflect some poor practice. Can you respond to how does the department try to deal with changes that come late in the day from line departments, which inevitably make delivering a project on time and on cost estimates very difficult?

Mr. Gasser: There is such a large variability in this area. We work for the client departments. There are some things that come up along the way and need to be managed. We do the cost estimates for those changes. Some of the issues may be as a result of advisory committees, for instance. We want the public to be involved but there are perhaps some expectations around the design and the architectural look of a building. One of the things I think we need to look at is further defining the role of, say, a building advisory committee, to being program related. That is the most important thing they need to be looking after -- if it's an education program, it's education; or health, or whatever, and not the look of the building. I think there is some work to be done there to manage expectations. That was one of the areas that we ran into problems with in the last three to four years. It has been talked about and adjusted, but there could be some more work on the terms of reference, for instance.

Ms. Mann: I think the other thing, too, is where there are significant changes being requested or suggested by a client department, our obligation is to ensure that the cost risks associated with those proposed changes are shared with the decision makers so that the implications in the long term can be evaluated and a specific decision can be made about that.

Mr. Mitchell: I would like to follow up on a question that Mr. Edzerza asked earlier today, referencing paragraph 54, where it indicates that the department, when dealing with the Watson Lake and Dawson City health centres, was, in effect, receiving information following meetings between the design consultant and the client department, sort of after the fact. In December 2004, the department recommended that it decline the assignment for these two projects. In June 2005, the Minister of Highways and Public Works, on behalf of the department, declined responsibility for the projects.

Now, is there actually any sort of process in place for making a determination to decline responsibility for a project, or is it simply sort of the hot potato, thanks-but-no-thanks approach on an ad hoc basis? Is there a set of standards that you require of a department in order to continue and maintain project management that is the norm?

Mr. Gasser: Yes, there is a contractual relationship between the project manager and the design consultant. It is a legal relationship. I believe that once the control over that has been broken and the communication between those two entities -- the owner project management on behalf of the Government of Yukon and the design consultant -- or the general contractor, for that matter, because there is a contractual relationship between the project manager and the general contractor, as well -- once that relationship is broken and the project manager can no longer be held accountable for what is happening, I believe the

department has a responsibility to identify whether they can carry on or not. In this instance, the department felt it shouldn't be held accountable for the decisions that were being made.

Mr. Mitchell: I don't want to get into the political, so I will be careful how I phrase the questions. From that experience, has the department put additional measures into place to try to prevent that situation from developing in the future?

Mr. Gasser: We haven't put any extra controls into place because we felt it was a one-off experience.

Hon. Ms. Taylor: My questions go back to the acquisition of space, sections 60 to 72. Earlier today, I think on several occasions, the department has made reference to the master space plan, which may or may not be ready this September 2007, depending on consultant capacity. The department also made reference earlier today of its intention to stay put -- that is, continuing with the existing leases -- until such time as the master space plan is ready to go.

Does the department know how many leases will have to be renewed in the time frame leading up to the release of the master space plan? How has the department estimated the costs associated with any renewals, if there should be any?

Mr. Gasser: We do know how many leases are up for renewal in the next 12- to 14-month horizon. I didn't bring that list with me today. I think it is in the order of 30, if I recall. I certainly could provide that more accurately afterwards. We have not estimated the impact of that, but we have started a process toward the negotiations. Usually, what we will have done is estimate an increase in the cost of those leases based on our past practices in the last couple of years. That has worked for us so far, and it is partly based on the consumer price index or the change in the market that we have been monitoring.

Hon. Ms. Taylor: The department would be looking at rolling those over for an additional year?

Mr. Gasser: No, it will depend on the location, but we are looking at a three-year window to give us enough time to put the strategy together and present that to government next fall, and then be able to implement that strategy over a number of years afterward.

Hon. Ms. Taylor: I would appreciate receiving that information if you have that available at a later time. Within the report, I think it is section 70, there is reference that rationale for decisions surrounding purchase, construction or a lease is not always supported or properly documented. Is this practice of concern to the department? Will this practice change and, if so, how does the department intend to better document these decisions?

Mr. Gasser: We do have concerns. We do agree with the Auditor General that short-term leases are more expensive than long-term, and long-term leases are more expensive than building. Once we have our strategy in place, part of the work of the master space planning consultants is to provide us a business case template from industry, and then we will start moving through all those leases and all the accommodation needs that we have outstanding and start presenting the options for new accommodation in the future, based on life-cycle cost

analyses, best business practices, and best value-for-money kinds of philosophies.

Hon. Ms. Taylor: Just skipping back a little bit -- talking about the master space plan. The report mentions that the department has advised the Auditor General that a number of accommodation requests have been put on hold, as well, pending a completion of the master space plan. I am just curious how many requests have been made and how these requests will be prioritized over the next coming years.

Mr. Gasser: We have approximately 50 outstanding accommodation requests at this moment. We have been prioritizing them all along. They are grouped into high, medium and low, for the sake of organizing them. The deputy ministers space committee, which is a committee that looks after the space planning directive, has approved 20 of those requests to move forward in the short term for operational needs. The rest of those requests will be on hold until we finish our space plan and have a strategy in place.

Hon. Ms. Taylor: I guess the next question kind of dovetails into that, about the time frame for implementing recommendations flowing out of the master space plan. How soon will we see cost-benefit analyses start to roll out? You had mentioned for a number of these -- I think there are 30 leases being rolled over for three-year terms, but that certainly leaves a lot of other leases outstanding. Do you see the cost-benefit analyses kicking into place immediately or is it going to take a series of months, or years?

Mr. Gasser: I would see it certainly kicking into place for those leases that are up for renewal in the 2008-09 fiscal year.

Hon. Ms. Taylor: My last question: how are leasehold improvements negotiated -- at the time a lease is negotiated or perhaps after?

Mr. Gasser: It's usually before. To elaborate on that, part of what we do is review the space that we are occupying. If there is any change to the quality of the space, if we are going to stay there for a period of time and it is a reasonable expense, then we will start negotiations with the owner to make some kind of service improvements -- whatever is needed for the space.

Hon. Ms. Horne: I go back to my question earlier, and that was on the Property Management Agency. It was found the government buildings were not being systematically maintained in an effective way to minimize cost to maximize the economic benefit to the government. As well, the agency did not take a long-term strategic approach in identifying the accommodation needs of the departments and agencies or in identifying the orderly replacement of buildings that are reaching the end of their economic lives. My question on this: how many recommendations have been acted on since 2004?

Mr. Gasser: Just for clarity, this is acted on in the recommendations from the government internal audit report?

The government has acted on one -- the Generally Accepted Accounting Principles -- I just don't have the list in front of me -- it has been acted on for three years now. Regarding the other six that relate directly to the Property Management

Agency, we have done some work on all six. But effectively we have achieved the recommendation number 7, which is to have done a strategic review of our organization and provided recommendations or organizational change. That report was done and submitted in May 2006. It needs to be brought back, reviewed again and resubmitted, but that work is complete.

Hon. Ms. Horne: I have a risk register question: have you identified who, person or branch, within the department will be responsible for developing this register?

Ms. Briemon: Part of our risk management unit in corporate services will be playing a lead role to coordinate things like the training and getting collaboration from all of our branches -- all of the people involved in projects. We want to get the best minds and the best ideas and pull this information all together so that we have a comprehensive risk register -- whether it be a building project, whether it be highway construction or bridge project -- but something that is applicable to whatever project the department may undertake. That means we won't necessarily have a line item or every risk applied to every project, but there should be the ones that are possible that may affect our projects. This will be an evolving document, too. We will continue to grow it, refresh it, improve it.

Hon. Ms. Horne: So right now you do have a register.

Ms. Briemon: It's still in the development phase. We just started working with this in the last month or so, but we have a good start to it. Part of our plan, again, as I mentioned, is that after we have some initial risk management training, then we'll start to work on the specifics of developing this registrar for implementation across the department.

Hon. Ms. Horne: When will that be complete?

Ms. Briemon: We would like to have the register developed so that when it comes time to identifying projects in the 2008-09 budget call and as we move into implementation for projects during that year to have all this detailed information available. That will be going into our capital budget system; that will help support the ranking and risks and liabilities and help decide which projects are priorities.

Hon. Ms. Horne: Who is responsible for developing the master space plan?

Mr. Gasser: That responsibility has been assigned to one of my project managing staff.

Hon. Ms. Horne: My last question is on the project management over the three-year term. What is the contingency rate that's used right now? Should that be increased because of the fluctuations in the market right now?

Mr. Gasser: I believe it should be increased right now. We're typically using 10 percent at each one of the different estimate points in the process. I think that what we need to do is raise the contingency in the early part of the process to match the variability that I described to you earlier. That would help us to manage the cost estimates better.

Hon. Ms. Horne: Thank you. I agree that it should be raised to reflect our changing prices right now and the market.

Mr. Edzerza: I have one follow-up question from this morning on performance measures and reporting, page 31, 86 to 89. It states in number 88 that while the Property Manage-

ment Agency has established business objectives, the report provided information on only two performance measures: facilities management unit costs work requests volumes, and turn-around. The department needs to develop more meaningful performance indicators and focus on results achieved. My question is this: the department made comments to recommending development of more meaningful performance indicators, but what would these include, specifically, and what will they measure?

Mr. Gasser: At this time, I can only give you an idea of what they might include. We are doing the research, looking at the industry standards, and we will be looking at our sister organizations across Canada to see what they measure, because we want to be able to benchmark against other organizations. They will be things like the completion date for projects, the number of hours it takes to do a particular job. We are going to be looking at cost breakdown structures that allow us to do estimating into the future better -- how much does it cost to do individual work, not only just projects themselves. There is a lot: 14,000 different work requests in our system of maintenance jobs, and we need to know what the pricing is and what our delivery quality is for those works, as well. Time, on task, costs for the activity, the length of time it takes to do a project -- these are all things we will look at and incorporate through our business process redesign project into our procedures and into our data and start reporting on.

Mr. Edzerza: My final question with regard to this is this: how would the government communicate their performance results?

Mr. Gasser: I think that Ms. Mann outlined some of the reporting that was done in the past. I haven't seen that personally but I think there is opportunity in our business plan and the agency to report on many strategic-level indicators that are in the industry. We have work to do on that and we will do it over this next year.

Hon. Mr. Rouble: In the time remaining, I would like to offer the members of the Public Accounts Committee an opportunity to simply indicate, by raising their hands, if they have any follow-up questions based on any of these areas we have just covered. It doesn't have to go through the order we established for the first two rounds. If any members have any other questions, please raise your hand and we can carry forward.

Mr. Edzerza: I just have one on long-term planning and property management. When question 4 was asked -- why this Management Board directive has not been followed, with regard to the office space committee -- the answer given was basically that you don't know why it wasn't. I would like to know if information could be provided to the Chair of the Public Accounts Committee at a later date when there is more detail or specifics as to why it wasn't followed.

Mr. Gasser: Certainly, Mr. Chair.

Hon. Ms. Taylor: I just have three follow-up questions. One is just going back to some of the project funding that is multi-year, and I refer to some of the federal infrastructure funds, such as Municipal Rural Infrastructure Fund, Canadian

Strategic Infrastructure Fund -- in particular MRIF. Going back, I am just wondering, because, technically speaking, a municipality would be submitting an application to the committee or to the federal government for a project to be funded under MRIF, and so my question is: who ultimately is responsible for project management, because it is a third federal funding, a third Yukon government funding and a third municipal government funding? I can't recall what we have done in past circumstances. The Mayo recreation centre, for example is one that was funded under MRIF, I recall.

Mr. Gasser: Because our department doesn't manage MRIF, I would suggest that the Department of Community Services would have a better answer than I can provide. We were requested, and it is one of the things that the agency is able to do, to provide project management expertise. We were requested by the Department of Community Services to do that. There was a specific agreement struck between the Village of Mayo, the Department of Community Services and the Department of Highways and Public Works in that instance. I think it depends on the capacity of that level of government to be able to provide project management, so it will be a variable. I would suggest the Department of Community Services would be in a better position to answer anything further on that.

Hon. Ms. Taylor: Going back to the leasehold improvements, what circumstances would require leasehold improvements to be negotiated during the term or the life of a lease versus prior to a lease being negotiated -- prior to it commencing, that is.

Mr. Gasser: If you are in an existing location and have an existing contract in place, the majority of the time it is related to changes in staff and employment -- how many people are in there. The functional program might be changing the number of people or they might want to co-locate with some other part of their organization. Those are the typical things during a contract that might be negotiated mid-contract.

Hon. Ms. Taylor: Is this a common practice, and is it documented or is this practice just that -- a practice -- or does it follow under a policy or directive?

Mr. Gasser: Yes, it falls under the office space directive.

Hon. Ms. Taylor: Thank you.

Just getting back to the master space plan -- my favourite subject -- for clarification, is a consultant being hired to undertake the master space plan?

Mr. Gasser: Yes, they have been hired.

Hon. Ms. Taylor: Once that master space plan is complete, how will you ensure that that corporate knowledge that has been garnered from the consultant is carried through to the department staff, just to ensure that consistency of application? Of course, because it is a five-year space plan, you are going to need that continuity.

Mr. Gasser: Part of the responsibility of the consultants is to pass that knowledge on to our staff. They are required to review the directive itself and recommend changes to the directive. They are reviewing the standards and guidelines and making recommendations for new standards and guidelines and

they are going to recommend and write procedures that our staff will follow in order to be able to take the current master space plan and continue to update it annually.

So, in the office space directive today, it asks for an annual accommodation needs plan, and what we don't have is the actual procedures yet to make that happen. The consultants will provide us with procedures that my staff will follow from now on to be able to keep track of the requests coming in and where people are accommodated and where they are going in the future.

Hon. Ms. Taylor: That is all for my questions, thank you.

Mr. Inverarity: I am not sure -- it sort of goes across both branches at this point. When you enter into a contract with a contractor, what degree of accountability do they have to honour the terms of that contract? Do we ever hold them to the price they have tendered? Are they forced to honour those contracts? It seems to me that we have overruns from time to time.

Mr. Gasser: The short answer is, yes, we do. But there is also lots of variability in a construction project, so there will be change orders. Some of those change orders will be requests from the client departments for things they would like to change, but most of them will be things that are found on the site. You might run into a soil condition that you didn't find in the geotechnical study that was done early on in the design, and there is a change. That is a found condition. Nobody will know that it is there. The design will have to be made to correct the situation, and the contractor will tell you how much money he is going to need in order to be able to respond to this new item that they have.

We do have a number of change orders that come along the way. Normally, that is what the contingency allowance in a construction project is used for -- things that you didn't discover before you started the job. But if it is in the contract, we do hold the general contractor responsible for those things.

Mr. Inverarity: I think the Hamilton Boulevard extension -- the one that is coming up -- is an MRIF program, is it not? What assurances do we have that the construction of that piece of road isn't going to fall into the same problem that we had on the Teslin River Bridge in regard to cost overruns, and in this particular case, apart from the Government of Yukon absorbing the costs, it may also be the taxpayers of Whitehorse?

Mr. Magnuson: That particular project is being managed by the Department of Community Services, so it would be difficult for us to give you a direct response to that question.

Mr. Inverarity: So, the Department of Community Services is managing that highway construction? I call it a highway, but I guess it is just a road.

Mr. Mitchell: Are there any other members who have some questions?

Regarding the section on sole-source leasing, paragraphs 64 through 70, the report references the three-year threshold in leasing beyond which Management Board approval is required. It seems to indicate that although there is no written policy, the government's approach seems to be to limit lease periods to a

maximum of three years, in most cases. Having had some experience with leasing, I know that is not an uncommon term for a lease; nevertheless, it would appear that either there is a coincidence whereby very few leases ever have to go to Management Board, and therefore undergo that level of political oversight, or there is perhaps an accepted or accommodating practice of avoiding going to Management Board. In your opinion, is the three-year line a reasonable one? Should it be less than three years, more than three years, in order to get the best results and ensure that there is more oversight?

Mr. Gasser: I am not sure what the right answer is because I know that a longer term lease is a more cost-effective lease, but three years seems to be a reasonable period of time. What we want to do as a department is we really want value for money. We want to demonstrate that, and in the future I would expect the department, if they are in a lease scenario, will be proposing something in the order of seven to 15 years because the market is telling us that those are the numbers that we need to be in in order to have a cost-effective lease. We are going to be presenting those in the future. At the moment, we are in this period of time where we need to re-jig everything that we are doing in order to get back to where we should be. Is that line reasonable? I think so, but I am not absolutely sure about that.

Mr. Mitchell: The reason I asked this question is because I took a look at a couple of these examples given and, in some cases, the original lease goes back to the 1980s and it has stayed at the original location throughout. So, in effect, it may have gone to tender in 1988 and it has been renewed in a series of three-year increments for 18 years, sole sourced. We might as well have had a 10-year lease or 15-year lease and have the benefits of locking in perhaps more advantageous rights for the government. Do you see that the process you are undertaking now will move toward that?

Mr. Gasser: Yes, I do, Mr. Chair.

Mr. Mitchell: Because we have a little time left, I am wondering -- this might not be the usual practice -- as officials, you have been subject to sitting and having to answer the questions that are asked. I am wondering if you have any desire to add clarification to any of the responses in any of the particular areas or if there are any comments you wish to make.

Mr. Magnuson: I would just like to reiterate the point that although some of the rating systems we have in our transportation system, as it were, and some of the measurement that we do within that system, seem to indicate that some of our infrastructure is failing, it is not failing; it is not a safety risk. The public can feel very safe travelling on our highways and crossing our bridges. The rating system, as was explained to you by Mr. Walsh earlier today, merely provides us some tools with which to manage the assets. I just wanted to reiterate that so people can take some comfort in that.

Mr. Mitchell: Thank you. Are there any other comments?

Mr. Gasser: I would just like to reiterate that we have recognized and we do recognize the shortcomings in the agency and we have been working for the past two and a half years very diligently to move things forward. We have a lot of

work to do but we will be creating real property asset management framework and doing strategic asset management and also looking at the details. We are committed to that; my staff is committed to that. It will take a number of years, because it's a big project, but we are moving forward with it.

Mr. Mitchell: Thank you, Mr. Gasser.

Before I adjourn this hearing, I would like to make a few remarks on behalf of the Standing Committee on Public Accounts. First of all, I would like to thank all the witnesses who appeared before the Public Accounts Committee today. While the members of the Assembly are used to asking and answering questions, we know this could be a difficult situation as an official and, in particular, when members from all sides of the Legislature question you simultaneously. We appreciate your candour and the responses you have provided.

I would also like to thank the Committee's advisors from the Office of the Auditor General of Canada and the Committee Clerk for their help. The purpose of the Public Accounts Committee is to help ensure accountability for the use of public funds. I believe the Committee made some progress to accomplishing that task today. The Committee's report on these hearings will be tabled in the Legislative Assembly and we invite those who appeared before the Committee and other Yukoners to read the report and communicate to the Committee their reaction to it.

I would also like to add that today's hearing does not signal the end of the Committee's consideration of the issues raised in the Auditor General's report. It is our intention to follow up with the department on the implementation of the commitments made in response to the recommendations of the Auditor General and of the Committee itself. This could include a follow up public hearing at some point in the future.

With that, I would, again, thank all those who participated in and helped organize this hearing. I would particularly also like to thank all the members of the Public Accounts Committee for the non-partisan efforts working together today.

I now declare this hearing adjourned.

The Committee adjourned at 3:03 p.m.