

Yukon Development Corporation

1. This hearing was held as two audits were being compiled by the Office of the Auditor General of Canada. These two audits – one dealing with the Mayo-Dawson transmission system project, the other dealing with the Energy Solutions Centre Inc. – directly related to the operations of the Yukon Development Corporation (YDC). However, as they were the subjects of an on-going audit it would not be proper for the contents of either investigation to be discussed prior to their results being conveyed, in their completed form, to Members of the Legislative Assembly.
2. In order to clarify this issue for the public record Ms. Pat Duncan posed a question to Mr. Eric Hellsten regarding the status of the audits. The question and the response are found on pages 1-3 and 1-4 of the transcript and explain why certain issues were not dealt with during this public hearing.
3. Having outlined what would not be discussed, the hearing with David Morrison, President and Chief Executive Officer of the Yukon Development Corporation, centred on three areas: obtaining progress reports on recommendations made in the committee's First Report; following up on other issues raised during the February 2004 hearings; and dealing with issues that have arisen since that time.

Progress Report on recommendations in the First Report of the PAC

4. **Recommendation #4 in the First Report of the Standing Committee on Public Accounts was “That the entities examined in this report confer on best practices for the training of board members; and that training regarding the potential financial liability of board members be a part of that process.”**
5. Mr. Morrison told the committee that he had taken a training proposal to the YDC board “probably six or seven months ago, to begin a training process for board members.” He also indicated that one proposal involved the Conference Board of Canada. Mr. Morrison added he had “held off on the training program” because he was anticipating some new members coming to the board and (he) “thought it was prudent to wait until those were in place before we started doing some training, otherwise these individuals would just miss the training and we’d have to do it all over again.” (1-6)¹
6. In fact the board has acquired three new members since the February 2004 public hearing. During that time Mr. Morrison’s responsibilities as board chair have been taken over by Mr. Willard Phelps.

¹ Numbers in brackets indicate the page where direct quotes may be found in the transcript of the public hearings held November 19, 2004.

7. Mr. Morrison also told the board that funds for training are now included in the corporation's budget and "we will be bringing someone early in the new year to start the process in terms of the base level corporate governance and board member training." (1-6)

8. As for conferring with other entities on board member training Mr. Morrison said YDC is talking to the heads of some of the other entities examined in the Committee's First Report "about perhaps sharing and involving them in the same process...So we're trying to coordinate that with some of the other boards of directors of" these entities. (1-6)

9. Recommendation #5 was, "That the planning and accountability documents employed by the entities examined in this report contain performance measures and expectations and that the plans be tabled in the Legislative Assembly annually."

10. During the February 2004 hearings Mr. Morrison informed the committee that the corporations under his guidance did not have "really good performance measurements; they're not as broad or as detailed as they should be."² On November 19 he was asked, "What progress has been made since that time in developing performance measures?" (1-2)

11. Mr. Morrison indicated that the managers of YDC, the Yukon Energy Corporation (YEC) and the Energy Solutions Centre Inc. "have a project underway...to investigate and prepare a comprehensive set of performance indicators for the board's consideration." (1-2) This project is to be completed in the second quarter of 2005.

12. Recommendation #7 was, "That the Cabinet, the Yukon Legislative Assembly and the heads of the entities examined in this report establish a process to evaluate mandates and consult with the Yukon public in doing so."

13. Mr. Morrison indicated that as part of its business planning and strategic planning process, the corporation is "focusing on both a historical review of what the mandate has been, what activities the organizations have been involved in and from where the mandates for that activity have come." (1-1) This is being done with an eye toward refining the mandate to conform to what is laid out in legislation and regulations. The result of this effort was scheduled to go to the board of directors in December 2004.

14. Mr. Morrison also agreed with the First Report's use of the term "mandate creep" to describe what had happened to YDC's operations over the years. However, he also identified "mandate overlap" as an additional issue. As a result

² Yukon Legislative Assembly, Standing Committee on Public Accounts, transcript of public hearing, February 4, 2004, page 2-7.

“part of that mandate review is discussing with other Yukon government agencies and departments where we think we have some mandate overlap, how we might resolve those issues and which departments and which agencies might be responsible for certain activities.” (1-1)

15. In terms of communicating such developments to Yukoners Mr. Morrison said his intention is to rely on the minister responsible for the corporation, the annual report and business reports as well as annual meetings held following the public release of the annual report.

16. Recommendation #8 was, “That the ministers responsible for the Yukon Housing Corporation, the Yukon Liquor Corporation and the Yukon Development Corporation ensure that protocols are negotiated annually, as per Section 4(2) of the *Corporate Governance Act*.”

17. Mr. Morrison told the committee that YDC’s protocol with the minister was completed in August 2004. The document was not public at that point. Mr. Morrison was not sure if the document was meant to be public, but did not believe it “has any secrecy around it.”(1-2) Mr. Morrison reiterated this point in response to a question from Mr. Gary Mc Robb, the Member for Kluane, during Mr. Morrison’s appearance before Committee of the Whole on December 13, 2004.³ The following day, in response to a question from Mr. McRobb, the minister responsible for the Yukon Development Corporation, Hon. Archie Lang, said he would make the protocol document public. Specifically, he said he would send a copy to Mr. McRobb.⁴

Other issues raised at the February 2004 hearings

18. In February 2004 Mr. Morrison discussed a Yukon Utilities Board (YUB) hearing as one way of improving the accountability of YEC to ratepayers. In November 2004 he was asked about the status of such a hearing.

19. Mr. Morrison indicated that holding such a hearing is “probably the highest priority we have at the moment in terms of the Energy Corporation.” (1-2) Nonetheless the corporation had, to that point, been unsuccessful in acquiring such a hearing.

20. Mr. Morrison attributed this difficulty to the fact that YEC, as a stand-alone corporation, has never completed a review by the YUB and that preparation for such a review is an “in-depth financial process...(that) consumes an enormous amount of time and resources.” (1-6)

³ Yukon Legislative Assembly, *Hansard*, First Session, 31st Legislature, Volume 7, December 13, 2004, page 3634.

⁴ Yukon Legislative Assembly, *Hansard*, First Session, 31st Legislature, Volume 7, December 14, 2004, page 3643.

21. A second issue raised in February 2004 was that of YDC governance. Mr. Morrison indicated at that time that he had a proposal to offer to Cabinet on the issue. On November 19 he was asked if that report has been completed and sent to Cabinet.

22. Mr. Morrison indicated that this is a work in progress. He said that those working on governance reform have

been going through a process of trying to really be thorough about how governance can be improved between the different levels of ownership and operation — between the government, the corporations, the board of the corporations and the operation of those corporations — so we still have some work to do. We have provided some fairly detailed information to the minister for his review and for subsequently taking to Cabinet, but we haven't completed our work. I would hope that it would be done fairly soon. (1-5)

23. Mr. Morrison did not indicate that anything specific was delaying the process, only that the process itself has proved to be more time consuming than anticipated.

24. Responding to a follow-up question about models of corporate governance Mr. Morrison said he was not concerned about adopting a particular model: "The bigger issue for me is looking at what the different roles for the corporations are and how they report. Especially today in the Yukon where ... I think we have a bit of a disjointed system in terms of reporting information... So I think there's a bigger issue of how you appoint boards, what the boards are responsible for, what's the minister's role, what's the Legislature's role and how do you report through that series of levels of authorities — if you could call them that — or responsibility levels and what information do you report, and who is responsible for doing these kinds of things. I think we are trying to build that kind of a structure — and who is accountable at each of those levels." (1-7)

Issues arising since February 2004

25. In discussing the performance of the entities under his guidance Mr. Morrison admitted that the Energy Solutions Centre Inc. has experienced "significant operational problems and significant performance problems" and "very significant management challenges." (1-3) An obvious manifestation of this was the qualification given to the ESC's 2003 financial statements by the Auditor General of Canada.

26. In his statement on page 1-4 Mr. Hellsten gives further detail on the qualified opinion given by the Office of the Auditor General. Mr. Hellsten added

We have also identified several other serious financial issues. In cases such as this, we recognize that we should be reporting these matters

beyond the board of the Energy Solutions Centre, and our mandate allows us to report these other matters to the Legislative Assembly. So, at this point in time, we are currently drafting a "report on other matters" that we intend to table in the Assembly, again, early in the new year. Because of that, we are not in a position to answer any questions on that report either.

27. While Mr. Morrison did not attribute blame for the qualified opinion given to the financial statements he told the committee that

There have been some changes at the Energy Solutions Centre in terms of senior staff. We had a couple of senior staff who were on contract. There were some significant cost issues around these contracts. The contracts had termination clauses in them and the board requested me to terminate them, which I did. I think that both the costs incurred and the formatting of the contracts — there were some questions we had in our minds about whether or not these people were actually employees versus contractors, and it was a difficult situation. I think we have resolved those. We have replaced the functions either on an internal basis — what I mean by that is that, on the accounting side of things, those are being handled by, and a big portion of them were handled by, the Yukon Energy Corporation on a contract, so those accounting functions are being provided on a contract with the Yukon Energy Corporation at a great saving, I would suggest, to you. We have taken some short-term steps to in-fill on the other contract that we dealt with. (1-5)

28. Though the committee did not discuss the financial and operational audit of the Mayo-Dawson transmission system project questions were raised about its operation. Mr. Morrison indicated that the line has been operating at full capacity since the summer of 2004. Remaining work is focused on improving reliability and completing communications work so that it can be more easily controlled from Whitehorse. Mr. Morrison also expressed the view that the transmission line is also proving to be economical, given the cost of diesel fuel.

29. The only difficulty Mr. Morrison associated with the transmission line is what he termed "significant outstanding (financial) claims." This difficulty is exacerbated by the fact that Mr. Morrison believes he has "exhausted (his) ability to try to get the contractor to deal with the claims issue." (1-5) Mr. Morrison could offer no prognosis of when the issue would be resolved.

30. Another operational issue addressed was the high water levels experienced in the southern lakes during the summer of 2004 and the corporation's ability to control water levels in that area. Mr. Morrison indicated that, for a variety of reasons, the corporation is limited in its ability to control water levels. These reasons have to do with "operational requirements on the Whitehorse-Aishihik-Faro system regarding (YEC's) water licence." These requirements determine when the gates at the Lewes River dam can be open

and closed. This requirement is based on appropriate water levels as determined by the Water Board. The result is that YEC has “no ability to control the water that comes into Marsh Lake. All we can do is control how much water we let through that system...at the (Lewes River) dam.” (1-6)

31. Complicating this issue is the “natural bottleneck” that is Miles Canyon. The narrowing of the river at Miles Canyon reduces the amount of water that can flow through, causing water to back up to Marsh Lake. A further complication was a summer of high temperatures that caused more snow and glacial melt to run into the river system. As Mr. Morrison put it, “There’s absolutely no way to stop it.” (1-7)

32. A final operational issue discussed was that of water seeping into the Whitehorse dam. Mr. Morrison told the committee that three engineering companies investigated this problem. The conclusions reached said the seepage problem was not serious and that “the dam is in very good shape.” (1-7) The primary recommendations had to do with improving the way in which water levels in the dam are monitored.

Yukon College

33. Three officials represented Yukon College at the public hearing: John Burdek, Acting President; Wayne Coghill, Director of Administrative Services; and Clarence Timmons, a member of the Board of Governors. The hearing centred on three areas: obtaining progress reports on recommendations made in the committee’s First Report; following up on other issues raised during the February 2004 hearings; and dealing with issues that have arisen since that time.

Progress Report on recommendations in the First Report of the PAC

34. Recommendation #4 in the First Report of the Standing Committee on Public Accounts was “That the entities examined in this report confer on best practices for the training of board members; and that training regarding the potential financial liability of board members be a part of that process.”

35. Mr. Timmons informed the committee of the process of training board members. He informed the committee that

At least once a year, the board will get training from a facilitator from Outside. Usually it’s dealing with the Carver model, which the board follows. There is usually a course that is put on for the board members. We ensure that all new board members receive an orientation package. For new board members, we usually look at training for about two days and, for members who are on the board for their second time or for a new year, we have training for at least one or two days also. (1-11)

36. While this was informative it appears that the response is similar to that given to the committee in February 2004. In other words nothing appears to have changed with regard to the training of board members.

37. Recommendation #5 was, “That the planning and accountability documents employed by the entities examined in this report contain performance measures and expectations and that the plans be tabled in the Legislative Assembly annually.”

38. Pursuant to this recommendation College representatives were asked if they have made any progress on developing performance indicators.

39. Mr. Coghill said the College has “made quite a bit of progress” in developing performance indicators. Central to this effort was the hiring of an institutional research officer over a year ago. This officer is supported by a president’s committee on institutional evaluation. The committee has terms of reference and includes representatives from Human Resources and Skills Development Canada, Advanced Education, Yukon Chamber, the Council of Yukon First Nations, “as well as several College representatives.”(1-8)

40. This committee has been working with the institutional research officer to develop performance indicators. Some evaluation of indicators has already been done although Mr. Coghill believes the College is “probably still a year away from a complete set.” (1-8)

41. The institutional research officer is now working on an employer survey. Mr. Coghill said, “We hope to issue that probably in the spring (of 2005)” though it was not clear that he was talking about issuing the survey or its results. (1-8)

42. Another source of information regarding the College’s performance is the student exit surveys which have been done for three years. According to Mr. Coghill “student feedback has been, by and large, very positive” as regards programming. (1-8) Areas identified for improvement include counselling and student services, and the residence.

43. Mr. Coghill said that one area of performance evaluation that needs work is the conduct of program reviews that are part of the College’s strategic plan. The College had contracted a company to evaluate the trades and tech programming. This was the first time the College had conducted an evaluation of a complete programming area. However, it became clear early on that the methodology behind the study was not sound. It is therefore the methodology and process of conducting such reviews that need to be developed before such evaluations can take place.

44. Recommendation #7 was, “That the Cabinet, the Yukon Legislative Assembly and the heads of the entities examined in this report establish a

process to evaluate mandates and consult with the Yukon public in doing so.”

45. Mr. Coghill told the committee that the college’s “principal mandate is to serve the students and to help them along their way to whatever their stated objective is. In several areas where we ask, the feedback is extremely positive.” (1-8) In this regard the student exit survey is a useful tool. Mr. Coghill said the college was looking to refine the methodology behind the assessment of the exit survey. He said “The one issue we have is looking at longitudinal information, and we are just not there yet. We are looking at more of a baseline capture at this point, but the initial feedback is very positive.” (1-9)

46. As for the issue of ‘mandate creep’ Mr. Coghill told the committee that the college’s “single biggest challenge is being the only show in town and trying to respond to the broadest needs that we can. Where we looked at trying to focus our efforts was through a strategic plan that we developed for 2002 to 2007, trying to focus us in a bit on where we should be trying to allocate the greatest resources. Subsequent to that the senior management team took that plan and developed several more focused implementation points. Our attempt has been to try to focus our resources where we think the greatest need is. It continues to be a challenge, and it always will be a challenge, I believe, in a territory that has the breadth of needs that any other jurisdiction has, but unfortunately we are just not able to meet all of them.” (1-11)

47. The strategic plan lists five goals: “excellence in all programs and services; a comprehensive program and service model with a defined core capability; increased distributed learning opportunities; increased capacity for research and enhanced partnerships in community involvement. The basic point there — number two — is the one that deals with our program and service model, and it talks about a defined core capability.” (1-12)

48. The strategic plan is used to identify “underrepresented programming sectors and ensuring that we have adequate supports underneath all of them.” (1-12) A document assessing the extent to which the College is achieving its strategic plan is being developed for delivery to the Board of Governors in the spring of 2005. Mr. Coghill told the committee the College is looking to review the entire strategic plan in 2005, but has not yet looked further than 2007.

49. According to Mr. Coghill assessing the College’s performance on a value for money criteria is difficult. One of the difficulties is in finding other institutions against which the College’s performance could be measured. Mr. Coghill said, “What we find time and again is that our costs come out slightly higher simply because we have lower enrolments and often we are in situations where you require the same infrastructure to deliver the program but you are delivering it to a much smaller number of students; therefore, the cost per individual student goes up.” (1-12)

50. In the end the College attempts to achieve maximum efficiency in its costs, while at the same time increasing the quality of its programming and the ability to retain students. This, according to Mr. Coghill, is the measure by which the 'value' of College programming is assessed.

Other issues raised at the February 2004 hearings

51. During the public hearing in February 2004, Yukon College witnesses said the College needed a \$1 million increase to its base grant in order to properly fulfill its mandate. Shortly thereafter the Minister of Education, Hon. John Edzerza, announced such an increase. Given this development College officials were asked what effect the increase to the base grant has had on the College's finances.

52. According to Mr. Coghill the College has been "able to address several of (its) long standing funding gaps." (1-9) Areas that have benefited from this increase to the base grant include programming areas (land and environment, cultural industries, heritage, distributed learning) and the University of the Arctic. Benefits have also accrued to infrastructure, such as the institutional research officer, the residence, communication and promotion and records management. The College has also been able to enhance funding for an internal audit, the lack of which "has been a long-standing issue with the Auditor General." (1-9) Mr. Coghill also indicated that the increase in the base grant contributed to the College's fiscal year-end surplus of \$500,000.

53. The increase in the base grant was one factor that contributed to this surplus. Others include economies instituted before the base grant was increased, the reinstatement of community training trust funds, an allocation of funds for collective agreement increases, and increased availability of third-party funding.

54. The increase in the base grant did not result in an increase in staffing during the 2003-04 fiscal year. This was because the increase took place on April 1, 2004 which is only three months from the end of the College's fiscal year. If staffing enhancements take place those would begin during the 2004-05 fiscal year.

55. Mr. Burdek added that the additional funding the College has received "has provided...an opportunity to move into areas where we have had limited activity before particularly with the changing landscape with First Nations and the implementation of the many final agreements and self-government agreements. There's quite a need for programming and capacity development within the implementation area, so we're moving into areas in partnership with First Nations in communities in the land and environment and in the culture and heritage areas, and also in the program and capacity development within the implementation of those programs. We've been provided some latitude and

opportunity to pursue those in those areas and react to the needs in the communities as they change over time.” (1-13)

56. Another financial issue raised in the February 2004 public hearing was the College’s practice of ‘blending’ its capital and operations and maintenance funding. Under this practice surpluses in funding assigned to capital “are used to offset O& M shortages.” Mr. Coghill indicated that this practice is still being followed and he was “not aware of any formal request to make a modification to the existing process.” (1-9)

Issues arising since February 2004

57. A new issue addressed during this hearing was the plans the College has for dealing with the effect the 2007 Canada Winter Games will have on its operations.

58. Mr. Coghill told the committee that a part-time liaison has been contracted by the host society “to act as a conduit between the College and the host society because there is a great need for close communication” between the two entities. (1-10) So far what is known is that the College’s involvement with the Games will require the full closure of the Ayamdigut campus for two and a half weeks. Nonetheless Mr. Burdek told the committee “the College really looks at the Canada Winter Games as a broad opportunity.” (1-11) There will be some construction on the College site, including some permanent facilities the College hopes to use as a family residence. Training opportunities may also exist, primarily in construction, and food services.

59. Discussion of the College’s involvement also led to revisiting the issue of its mandate, specifically whether this involvement constituted another example of ‘mandate creep.’ Mr. Coghill told the committee that he has not “heard any concern that the College was being brought into something that we really shouldn’t be involved in.” (1-11)

60. As far as other challenges facing the College Mr. Timmons described “pressure on the infrastructure of the College” as a key issue. (1-12) A lack of space is evident not only at Ayamdigut Campus but especially in the community campuses. Another key issue is the renewal of Connect Yukon, which is fundamental to the distance learning facilities that allow all community campuses to link to the main campus in Whitehorse. There are also training needs required to provide adequate education and training to students with special needs. There are also financial pressures brought on by inflation and the increasing costs of the pension fund.