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Department of Transportation and Works

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Honourable Ross Wiseman, MHA

Public Accounts Committee

Chair: Jim Bennett, MHA

Vice-Chair: Kevin Parsons, MHA

Members:

Keith Russell, MHA
Eli Cross, MHA
George Murphy, MHA
Tom Osborne, MHA
Calvin Peach, MHA

Clerk of the Committee: Elizabeth Murphy

Appearing:

Office of the Auditor General

Terry Paddon, Auditor General
Sandra Russell, Deputy Auditor General
Stephanie Lewis, Audit Senior

Department of Transportation and Works

Brent Meade, Deputy Minister
Gary Gosse, ADM, Transportation
Paul Smith, ADM, Strategic and Corporate Services
Ben Farrell, Air Services Manager

The Committee met at 9:40 a.m. in the House of Assembly Chamber.

CHAIR (Bennett): Good morning.

This is a hearing of the Public Accounts Committee of the Province of Newfoundland and Labrador. My name is Jim Bennett; I am the MHA for St. Barbe and the Chair of the Public Accounts Committee.

Today we are inquiring into Part 3.8 of the report of the Auditor General, and that is dealing with contracted and chartered air services. We were supposed to start at 9:00 a.m., but we had some technical issues that made us a little bit later starting.

I am going to momentarily ask the members of the Committee and also the witnesses to introduce themselves by way of introduction, because we are being viewed, filmed by the Broadcast Centre. Some witnesses will have already been sworn, and others will not have been sworn. Anybody who has appeared before us on a prior occasion during this session does not need to be sworn again, and it could be sworn or affirmed as the person chooses.

Generally, the questions and answers are around ten minutes or a little more if the member is in some subject matter that are taking a little more time to complete, and we alternate among different members. The morning break usually is after all members have had an opportunity to have at least one round of questioning. That typically puts us around 10:30 a.m. or so, which undoubtedly will be a little bit later because we are starting around forty minutes or so past the time when we thought we would have started.

The first thing I am going to do is to ask our Clerk, Ms Murphy, to swear or affirm witnesses as they see fit, and then I will ask the Committee members and witnesses to introduce themselves.

Swearing of Witnesses

Ms Stephanie Lewis
Mr. Brent Meade
Mr. Ben Farrell
Mr. Gary Gosse
Mr. Paul Smith

CHAIR: Thank you, Ms Murphy.

With introductions, we will start with Mr. Osborne.

MR. OSBORNE: Tom Osborne, Member of the House of Assembly.

MR. K. PARSONS: Kevin Parsons, Member for Cape St. Francis.

MR. CROSS: Eli Cross, Bonavista North.

MR. MURPHY: George Murphy, MHA for St. John's East.

MR. PADDON: Terry Paddon, Auditor General.

MS LEWIS: Stephanie Lewis, Audit Senior.

MR. MEADE: Brent Meade, Deputy Minister, Transportation and Works.

MR. FARRELL: Ben Farrell, Manager of Air Services.

MR. GOSSE: Gary Gosse, Assistant Deputy Minister of the Transportation Branch with Transportation and Works.

MR. SMITH: Paul Smith, Assistant Deputy Minister of Strategic and Corporate Services, Department of Transportation and Works.

MS RUSSELL: Sandra Russell, Deputy Auditor General.

CHAIR: Before we start with the question and answer session, we ordinarily provide the group or the person who is heading up the group that is appearing before us, if they want to have a few minutes just by way of background to introduce themselves and what they do. It is not mandatory. Half the time people do, and half the time people don't. If you would like to do so, then we would be happy to hear from you on that basis.

MR. MEADE: Deputy Minister, I think that is a self-explanatory position. I am department head, permanent head of the Department of Transportation and Works. One of our divisions, and probably a division that Ben can

certainly explain in his role as manager of Air Services would be to explain his position and his role and the role of Air Services. That may set some context, Mr. Chair, for this discussion.

I invite the ADMs to also provide some context to why they would be here today in their particular role in supporting the Air Services division. With no further ado, I would suggest that maybe Ben can give a quick overview of his role and that of Air Services.

MR. FARRELL: At Air Services in Transportation and Works we operate a fleet of nine aircraft on behalf of the Province of Newfoundland and Labrador. It consists of three King Air 350 air ambulance airplanes that are based at Goose Bay and St. John's. We also have a fleet of five water bombers, four of which are the CL-415 aircraft; one is the older version of the CL-215. During the summertime currently they are based at St. John's, Gander, Deer Lake, Goose Bay, Labrador City, and Wabush. We also have one aircraft that is a Cessna aircraft, a twin-engine piston aircraft that is a spotter bird dog aircraft that is used in conjunction with the water bomber aircraft during the summer months.

My role at Air Services as manager is to basically be a liaison between the Department of Transportation and Works that has the certificate to operate these aircraft under the Canadian Air Regulations and the Department of Transportation in Ottawa that oversees the guidelines for aircraft being operated in Canada. My role basically is to oversee what Transportation and Works does with their aircraft following the guidelines, following the rules, and then Transport Canada that make the rules to ensure that we are following them when it comes to the operation of the aircraft, training of the crews, maintenance of the aircraft, and those sorts of things.

The water bomber aircraft, as you know, we do the work on behalf of the Department of Natural Resources. Basically, the season for those aircraft runs from April 1 to September 30. The three air ambulance airplanes, of course, work twenty-four seven, 365 days of the year.

The majority of the work is within the Province. On occasion there are trips to the mainland with

patients for further work, transplants, and those types of things. Probably, percentagewise, I would say about 80 per cent or 90 per cent of the work is done within the Province. The remainder being medevacs, bringing patients to further care outside the Province and also occasionally returning people back.

That is basically, in a nutshell, what Air Services is all about.

MR. GOSSE: As the Assistant Deputy Minister, Air Services falls under the purview of my branch in the department. In reporting structure, I would appear at the top of the organizational chart, with Ben reporting directly under me.

MR. SMITH: Effectively, our branch provides support to the other lines and business within the department, primarily from a financial administrative and policy perspective. Specifically, we help out with any controls, procedures, administration, accounting type controls, et cetera, that are implemented within the branches.

In addition to that, our branch also deals with the Human Resources Secretariat on behalf of the department with respect to human resource type issues relating to, again, all lines of business within the department.

CHAIR: Thank you.

We can begin with Mr. Osborne.

MR. OSBORNE: Thank you.

I wanted to start off with the hangar space and the fact that it was used for personal storage of items. How long was that practice going on?

MR. MEADE: I am not sure how long that was ongoing. How long would we have had Hangar 21, because that was the hangar that was –?

MR. FARRELL: I am not exactly sure. I think we moved into Hangar 22 in the year 2000. Then we leased extra space with the other aircraft after that point, but I am not exactly certain of the date.

MR. MEADE: I am not certain, Mr. Osborne, what the length of time would have been. The only thing I can advise you is that upon receipt of the draft report from the AG, we immediately directed staff to remove personal items. We reminded them of the Conflict of Interest Act. We did that not only for the Air Services branch; we did that throughout the department.

The reality is as a department we manage over 800 buildings, at almost 400 sites throughout the Province. We have a large footprint, and we felt it was incumbent upon us to remind staff that the use of government space for any type of personal use or utilization was inappropriate. It was contrary to the Conflict of Interest Act and we reminded them of that. So items were asked to be immediately removed.

MR. OSBORNE: Okay.

Is there an excessive storage or a hangar space now? Is there more than what government requires?

MR. MEADE: No, I would not think there is excess. Hangars in and of themselves are extremely large. We do have, right now, the need for both 21 and 22. Could 21 – I always get the two of them confused, 21 is the cold space, right – be smaller and still meet our needs? It could be, but that is the reality of it. It is adjacent to 22 and it does meet our needs, so that is the case.

I would not suggest to you we do not have excess hangar space in what we are releasing. We are releasing what we feel is appropriate and what is available to us at the site in Gander.

MR. OSBORNE: The management of aircraft costs, the tracking and maintenance costs by aircraft, I am just wondering how that could go without proper tracking of costs per aircraft.

MR. MEADE: To date, our tracking has been by the type of aircrafts, which we will regroup the aircrafts. So the King Airs and the water bombers would have been grouped in terms of type of aircraft.

As the AG did point out, the WinAir system does allow you to do it to the particular aircraft, whereas our previous costing and controls were

around the type of aircraft. Our intention is, on a go-forward basis, to now do it by the particular aircraft, the registration of the particular aircraft.

The AG does make a very valid point in his findings. That we should be monitoring, ideally by registration, by particular aircraft, particularly given the age differential on some of the aircraft. So it does enable us to monitor then by aircraft exactly the level of maintenance and costing that is associated with that. That is our intention.

The recommendation was that when air training should occur for staff, it has. Now we are in the process of moving forward to use the WinAir system on a per aircraft basis. That is the intention of the department on a go-forward basis.

MR. OSBORNE: Okay.

Has it been the case or have there been cases of one of the aircrafts departing for a location and somebody hitching a ride, so to speak, on any of the aircraft?

MR. MEADE: Do you speak of any of those aircraft or do you speak of aircraft that would have been procured through a charter or standing offer?

MR. OSBORNE: Well, I guess any government aircraft that is operated through your department or overseen through your department.

MR. MEADE: We would not be aware of hitching rides. Again, as per the procedures manual, departments make the request to the departments. They would state the purpose, those who would be going, and the destinations and all of that type of information.

Whether people are hitching rides, to be quite honest with you, we would be unaware of a lot of the activity because once we procure the service, that service then is between the department and the vendor, the aircraft supplier. We would not be aware of that practice. I would suggest to you that if we were, we would certainly flag that as contrary to the procedures that are in place for aircraft procurement and aircraft charter and use.

MR. OSBORNE: Okay.

I am just wondering, on the third question that the committee had presented and the responses back, do you have that with you, Brent?

MR. MEADE: Yes.

MR. OSBORNE: Okay.

The reviewing of aircraft invoices, what kind of dollars are we talking about on an annual basis for aircraft invoices?

CHAIR: Mr. Osborne, for our record it might be helpful to read out the question. If you read out the question it may put it in better context for the answer. We know the question but –

MR. OSBORNE: Yes, certainly.

Is the department now reviewing invoices to ensure that all necessary information is provided before they are approved for payment? The department's response was that the FSB has directed staff that reviewing aircraft invoices remain a priority before final processing to ensure information on the AFAs and AFRs is complete and consistent with all documentation.

MR. MEADE: Unfortunately, I am unable to find the question or the response you are referring to. Just for clarification, the Public Accounts Committee did write us with a series of questions.

MR. OSBORNE: Yes.

MR. MEADE: What question would that have been?

MR. OSBORNE: Question 3.

MR. MEADE: The third question according to the documentation I have was: Can the department provide the Committee with any documents they have drafted in response to the recommendations of the Auditor General?

CHAIR: Mr. Paddon has a question or an observation.

MR. PADDON: Mr. Osborne is referring – this is a letter that was sent to the Minister of Natural Resources, not the Minister of Transportation and Works.

MR. OSBORNE: Oh sorry.

MR. PADDON: The order of the questions was a little different. Brent would not necessarily a copy of that one.

MR. OSBORNE: Okay.

MR. MEADE: No, this is the one I have. This is the one that was written to the department. This question would have been written to the office of the minister, Department of Natural Resources. The question would have been asked of the Department of Natural Resources. Is the Department of Natural Resources now reviewing invoices to ensure all necessary information is provided before they are approved for payment?

The response, as I understand from the Forestry Services, would have been the FSB has directed staff that reviewing aircraft invoices remain a priority before final processing to ensure information on the AFAs and AFRs is complete and consistent in all documents. Where any errors are found, invoices are to be returned for corrections.

I cannot speak for the Department of Natural Resources. What I can say to you is that upon receipt of the AG's report, we did enter into discussions with departments that utilize Air Services to remind them of the procedures manual, to remind them that we were seeking their adherence to it.

The reality of it is that this is a tripartite responsibility here. We have the Air Services division, which is responsible for managing the procurement of air services, the departments that request that service, and then you have vendors or aircraft providers that provide the service.

Clearly what the AG outlined is that the policies and procedures manual were not being strictly adhered to in all cases. All three of those parties have a role and responsibility in that. What the AG observed is that there are cases where Air Services did not cross all its t's and dot all its i's, there are cases where departments did not dot all its i's and cross all its t's, and there are cases where vendors, who have a responsibility to supply the flight reports, also failed to provide all full information in all cases.

So clearly, in that tripartite responsibility, we have communicated, upon receipt of the AG's report, that we as an Air Services division will now only process these requests if all of the information is provided. In other words, we need to get back to ensuring that the policies and procedures manual is strictly adhered to. In our conversations with departments – and I would ask if any of the ADMs would wish to add to that – we would remind them of that. We, in some cases, had to make them aware of the procedures manual again. In some cases we did have to resend the procedures manual to them, to the individuals in the department to remind them of the process. We are confident that departments are now following that.

So, that would be the answer to that; in terms of what FSB and Natural Resources responded, we believe that is indeed the case, that they are now ensuring that invoices are properly being crosschecked with the flight reports, AFAs, POs, et cetera, and that all of that is being adhered to. This may give me an opportunity to make you aware – so that was something we did immediately upon receipt of the AG's report, we have been back to departments. It was our view, in our interpretation, that the AG's report did not necessarily say your policies and procedures are improper or not effective; it basically said you are not following them in all cases.

What we did is we went back and updated the policies and procedures manual, but it is not materially different than what we would have had before. In updating it – and it is still a draft – we have concluded that we do need to bring more clarity to the procedures manual; we do need to bring simpler ways of communicating the procedures. We have talked about the use of flowcharting the decision matrix to one-page sheets that could be circulated to clerical staff in departments and those who have the authority to make decisions.

We understand we need to clarify the process, we need to communicate and orient staff in departments and in vendors, and within our own Air Services much better; and we most importantly need to know not only do we communicate what the procedures and policies are, but that we ensure there is strict adherence to it and that we, in playing our role and responsibility, say we will not process these

requests, we will not do A, B, or C unless all of this information is provided. That is really the position that we have taken as a department.

We do have now – and it is nearing completion; I would expect it within the next couple of weeks we would have the updated Air Services division procedures manual and the updated dispatch manual finalized. In which case, we will go back to departments and more formally now communicate the updated manual; but more importantly, I think, from our perspective, put in place ways and means to better communicate the procedures manual to ensure that it is strictly adhered to. So that is the process that we have undertaken.

CHAIR: Mr. Parsons.

MR. K. PARSONS: Good morning, everyone. It is nice to be here today on this beautiful day again.

I guess being part of Public Accounts and just getting used to the political side of everything, I have to commend the AG and his department first of all this morning, because this is our last hearing that we are going to have – and we are after having six – and it is important to see the role that the Auditor General's department plays with different departments of government and how it is eye-opening for some departments. You just mentioned about the manuals and updating the manuals and how important it is, and sometimes it takes someone to go into the department and have a look at things to realize that things need to be done.

So, first of all this morning, the AG, you are doing a fantastic job. With all the reports that we did here this week and last week, we can see a lot of changes being made in different departments and different parts of government.

I just want you to go through all the changes that you made, if you can, just give us an update because you just gave us one on the manuals and stuff like that. I am sure you know the AG's report came out and a lot of it was to do with documentation and verification of flights and reports different from what was in the log than was actually reported and stuff like this.

I know, looking at your responses that you gave to the AG, that there were a lot of changes and you have made a lot of changes since his report, but I would just like for you to go over the changes that you have made since the AG's report came out.

MR. MEADE: Just for a point of clarification, Mr. Parsons, on all of the recommendations?

MR. K. PARSONS: Yes, just give us an oversight of what changes have been made in the department, and in this particular area of the department, since the AG's report came out.

MR. MEADE: I will set some context and I will certainly invite, Ben Farrell, the Manager of Air Services, to provide more detail.

The first thing I would say is that Ben Farrell is a new Manager of Air Services. He has been with us since last November of 2013. When Ben was appointed, we asked for Ben, in particular, to look at the overall administration and management of Air Services. We had an acting position there previously. We had long-time managers before that, so we felt it was a good opportunity for Ben to come in with a set of fresh eyes, quite frankly, to oversee this division and to provide some insight into how we could strengthen the business processes with it and the policies and procedures.

It was not long after Ben's arrival that the AG's report did come forward, and I would echo for you that the department certainly welcomed the report. I mean, the reality of it is it is an operational department; we are down in the weeds every day. As an operational department, as you know, on the Works side and on the Transportation and Roads side, on the Marine side and on the Air Services side, we are on the trenches of the front line every day.

To be quite honest with you, it can sometimes mean that you lose sight of some of the overall systemic challenges you may have in a department or structural challenges or administrative challenges. What the AG allows us to do is he allows us to reflect on how we are doing business and to improve upon that, so we certainly welcome that.

As I have already outlined, the immediate thing that we did when this came in was to enter into discussions with departments right away. Obviously in the responses to the AG's report, you will see that a number of departments did respond. In doing so, we immediately engaged in dialogue with them and we reminded them of the policies and procedures manual and the need for strict adherence.

We would have done that with the departments, we would have done that with the vendors, and we would have done that within Air Services. I can certainly ask Ben to speak to that of his own role in working with dispatch who is a critical player in this – that is where our big role and responsibility is – and where there was some issues identified, for us within our own division, our own staff, to ensure adherence to it. So, that was undertaken.

The next thing we would have done then is begin the process of updating the procedures manual, as I have outlined, and updating the dispatch manual. Again, they are not materially different, but what it has enabled us to do is to identify areas where we could see how, over time, departments would have lost a sense of a full understanding of the procedures, how we would have strayed from the best practice here. Really, what our observation is, in particular, is that purchase orders, POs, began to drive the authorization process versus the aircraft approval process through the AFAs.

The POs became the way of directing the procurement and the process, and obviously POs did not have the level of information that we required. That was really where we needed to get this back in order, where the AFA needs to be the driving authority, because the AFA contains all the information that is needed to procure and authorize the service. The PO becomes a supporting process to that, obviously, by giving it the financial authority to procure the service.

That is the first thing we would have done there from a procedural point of view is no longer allowed POs to become the way that we would have triggered the procurement. We had to get this back where the order here is that AFAs are the way we do this, then the POs. That would

have been one thing we would have done immediately.

As I have stated already, we would have reminded departments that strict adherence is important and that we would not be processing any of these requirements unless that was done. We will now formalize that with the adoption of the updated procedures manual and dispatch manual, and then communications and orientation will do a round of that with departments.

That, I think, provides a very robust response to the recommendations that were made by the AG related to the procedures and the communications around that, around the flight authorizations, and around the need for more care around the dispatch log. I think we have met that and we will continue to meet that through the finalization of the procedures manual and dispatch manual.

The second thing was around the use of space. As I have already indicated in response to Mr. Osborne, we did immediately ask for the removal of that equipment. We remind staff of the Conflict of Interest Act not only within Air Services, but across the department.

The reality of it is with the footprint that we have – and I will be forthright in saying to Public Accounts there have been other instances in the department where we have come across this where people have stored materials, personal belongings in government space. As we become aware of it, we immediately act upon it.

We have reminded management, senior management, and management of the department who are responsible for these spaces that this is an unacceptable practice and must be dealt with quickly and effectively. We feel confident that communication has led to any of those things being dealt with.

I do not think there is any ill intent or malice from staff in doing this. From time to time people will – in having that large footprint in the Province – see space and say: I see no harm in just sticking my bike there for a while. It is unacceptable. It is really about educating the public service at large around conflict of

interest, in this case the utilization of the assets of the Department of Transportation and Works. We feel we have done that.

The other recommendation was related to the planning of hangar space. We continue to plan for a new hangar in Gander. We are in the design phase now and we are working through that. The AG did note the need for heated space, and noted that we may have run a risk in having an aircraft, a water bomber – one of our new 415s – in the hangar space in September and October of that fall. Now, we did differ on that opinion. We do not feel the plane was at risk, because temperatures were still quite high; but that said, the point is, I think, that you need to plan for the proper storage for your water bombers. We are continuing to do that for the new hangar that will accommodate the five 415s.

So just to explain to Public Accounts, we have now reached an agreement with the Forestry and Agrifoods Agency and particularly with the fire suppression division of that group in Natural Resources that a five-plane configuration is an appropriate configuration for the water bomber fleet. We have had up to six at some points, that would have included 215s; but the analysis that we have done with the forest fire suppression unit now is that five 415s, which would be five modern water bomber aircraft, is a sufficient, adequate, appropriate configuration to have for forest fire suppression in Newfoundland and Labrador.

The fifth 415 will come in the fall of 2015, and that will replace the final 215 – and 215s, as you may know, are very expensive to run. They have essentially run, in many ways, their useful life, in particular the one we have left. They utilize avgas, which is a difficult gas to procure; it is much more expensive to maintain the 215. I believe the AG's report may have, in fact, highlighted that our analysis is the 215s are much more expensive to maintain than the 415s. So by the fall of 2015 we will have a five-plane configuration, all of 415s for the water bomber fleet. We will work towards a hangar space to accommodate that.

I will also be forthright in saying to you that we may or may not reach that goal of having that hangar constructed by that time. If we do not,

the existing hangar space allows us to accommodate four 415s. We have a number of options in front of us. If the hangar is not completed by the fall of 2015 when the fifth 415 arrive, we will either need to lease further warmed space either in Gander, or in Goose Bay, or in St. John's even, potentially. Or the other option we would have is that we would remove avionics from one of the 415s and place it in cold storage. It is not the preferred option, but it is an option. We would play that as we move through the design and then construction phase of the hangar, but our aim is still to have that hangar constructed by the fall of 2015 so that we will house five 415s. That is the way we have dealt with that recommendation of hangar space.

The other recommendations were related to the WinAir system and the way we monitor, and our maintenance costs and operating costs. As I have already noted to you, we are now moving to an aircraft specific maintenance system. Where we would have done it by groups of aircraft previously or types of aircraft, we will now do it by aircraft specific. That is what we are intending to do. Staff have been trained in WinAir, and we are now moving towards that process. I think that is the way we will do that.

The final recommendation was reviewing the hourly charge out rates for air ambulance in order to recover costs associated with issues. The AG had noted that it has been quite some time since we reviewed that. That is a very valid observation, and we are now in the process of reviewing our charge out rates.

That would include a process where we would look at: How were the hourly charge out rates determined in the first place? If we do need to modify those, what is the basis of the market forces that we will do that? That analysis is under way now. Once that is concluded, we will determine whether we do need to change our hourly charge out rates.

It is a long response, Mr. Parsons, but I hope it does address what we have done as a department. As I did note earlier, we felt all recommendations have been acted upon. We feel, as a department, we have very adequately and effectively responded to the AG's recommendations.

I will ask if Ben Farrell has anything further to add to that. Ben?

MR. FARRELL: I can just explain, and add a little bit to what Brent has said.

Partially, the reason why they changed from a six aircraft configuration to a five, the 215 aircraft is quite a bit slower. It carries roughly two-thirds of the water that the 415 can carry. Making the 415 a much more capable aircraft, quicker to respond, better once it is on scene for the amount of water that it can drop on a fire and that type of thing.

Also, even from a maintenance perspective, our maintenance department has given me a rough figure. For one hour that the 415 flies, there is basically about an hour of maintenance when the aircraft returns to get it ready for its next mission. The 215 on the other hand is somewhere in the vicinity of six to eight hours of maintenance work required. It is considerably more, and considerably more expensive. The aircraft is no longer in production.

The one that we are flying right now is based in St. John's, is forty-three years old. It is an old airplane, and getting parts for it are next to impossible at this point. We have a significant amount of parts and supplies for it, but, of course, Murphy's Law always is that the very thing you need is the one thing you do not have in a lot of cases. That, combined with the avgas scenario, the aviation gasoline is almost impossible to get. Just this past week, the supply in the Province basically was used up.

Shell, at St. John's, provides the fuel for the aircraft here. In order to get a truckload in it would have to be brought in from Montreal, just to get one tractor-trailer load of fuel. It has been quite a challenge to operate the aircraft. Of course, in doing so, we need to have it near one of our maintenance bases just because of the maintenance required on it. It is not the ideal airplane to have now in Deer Lake or in Wabush, where we just have a seasonally-based airplane.

To move on to the WinAir system. What the WinAir system is, it is a maintenance planning and tracking system designed specifically for

aircraft maintenance. What the system does is each aircraft, and component on each aircraft, is programmed into the system.

Just to give you a quick example. A starter generator, for example, would start an engine on an aircraft and become a generator. Once the engine is started, it converts to a generator and powers the electrical system on the aircraft. That is normally on an aircraft for 1,000 hours of use, 1,000 flight hours. Every component that is on the airplane has a limit of how long it can be on the aircraft.

The WinAir system basically takes all of these parts that we have on all of our aircraft and tracks them from the time it went on the aircraft, the number of hours that are being accumulated daily or weekly, or whatever the case. This system is constantly being maintained. There were a number of people at Air Services who were quite familiar and had been trained with the WinAir system. What we are doing now is expanding it from the point where it not only tracks the aircraft and is used for maintenance planning; now we are going to also use it for cost and cost out.

What we have done in the past is we grouped the King Airls, the 215, and the 415 into three individual groups. That is how we determined what our maintenance costs, our fuel costs, and all the related costs are for the three different types. With the WinAir system and the new people trained, it gives us an opportunity to break the aircraft down by registration. Now we can put the nine aircraft that we have into their own individual category. If we need a set of tires for this one over here, we can charge off tires to that one, or if we need a battery for this one and so on. It gives us a much better understanding as to which aircraft is costing us money.

I guess what it will boil down to and what it will probably show us in the long term is that the newest airplane that we acquired this year will probably have a very small maintenance budget this year, I would assume, or hope. Whereas one that we probably had in – the first 215 we had come was in 2010. So the airplane now would have been into its fourth season, probably getting to a point where things like starter generators and those sorts of things are coming

up to be removed and to be overhauled and that sort of stuff. We will be able to get a better idea of what the maintenance is even as the aircraft ages because we will have a new one to compare it to and then older ones accordingly.

That is kind of how the WinAir system works. It does a bunch of other things. I know the maintenance department has all of their maintenance engineers – we have a profile set up for each individual person because of course they all have licences to maintain, medicals to acquire, and endorsements for their licence that they need to maintain on an annual basis. That is set up.

All our maintenance people are in there now. Now we are started with our pilots as well throughout the system from the air ambulance to the water bomber crews so that all of their endorsements and licences, medicals and that type of thing are also tracked within the WinAir system. What it does then, the person who supervises that system on a daily basis will get reminders saying okay, this aircraft here needs a starter generator; this pilot over here needs a medical. It gives us a greater idea of what we are doing daily and much better forecasting for maintenance and that type of thing.

When it comes to the maintenance part of the operation, seeing it is involved with the WinAir, the water bomber aircraft of course are out at their bases from April 1 until the end of September. On summers, and thankfully this is one of them, that it is fairly quiet in the fire department, they probably fly somewhere in the vicinity of 100 hours to 200 hours in an entire season.

The majority of the maintenance on these aircraft is done during the winter months. We bring them in at the end of September. We take them one at a time, and we go through the aircraft as per the manufacturer's recommendations. We do all the different things that are required of the aircraft, all the different checks, from flight controls to all the systems and functions of the systems on the aircraft. So that when it goes out to its base in the summertime, basically we are down to, almost like you would with your vehicle, just an occasional oil change and the usual daily routine maintenance.

The air ambulance airplanes on the other part are working seven days a week, 365 days of the year. Those aircraft are a little harder to schedule for maintenance just because of the nature of the business. Both are emergency services, but we do have the off-season in the water bomber fleet, whereas the air ambulance season is an on-season all year. Those aircraft are a little harder when it comes to scheduling maintenance. Like we just did a landing gear change on the one in Goose Bay, it involved a two or three day down time, and so it becomes a bit of a juggle to make sure that we have coverage for the Province and that type of thing. It is never a good time to be down but, unfortunately, you always have to be – there is always an amount of down time, and then there is always the unforeseen.

One thing that the WinAir program will allow us to do is to keep better track of the types and the quantities of different parts that we are using on these aircrafts. You will be able to set a minimum quantity. So if you want to have starter generators in stock and we know that we are using on average five a year, well it will alert you when you can get down – you can set the quantity that you would like to have and a minimum quantity that is acceptable to have. It allows you to do all those things as well.

It is a new program to Air Services. I believe it has only been like two or three years since the program has been in there. We have just hired a new position now to actually be the quality assurance manager, who would basically be the person who would administer that program for the entire fleet of aircraft.

I think in the future we will have a much better handle on the costs associated and the maintenance requirements of the aircraft and those sorts of things. It will certainly make us more efficient. It seems to be the program of choice out in the industry for other companies. I really see it as being a positive step in the future for keeping our fleet serviceable and safe and operating economically.

CHAIR: Mr. Murphy.

MR. MURPHY: Thank you, Mr. Chair.

Good morning. I guess I will start off by asking a couple of general questions. I guess first to you, Mr. Farrell. You have taken on a pretty important job. Do you have a background with air services handling, controlling of fleets, that sort of thing or?

MR. FARRELL: As a matter of fact, I do. I am a pilot by trade. I have flown the air ambulance airplanes in the Province for the past twenty-six years, so I have criss-crossed the Province just a couple of times. I basically started out in St. Anthony in 1988 flying the aircraft that was operated at that point by Grenfell Regional Health Services; later it became Labrador-Grenfell Health.

In 2009 the aircraft in St. Anthony – I guess to back up a little bit – was operated by either GRHS or Labrador-Grenfell Health in conjunction with the Province. There was the airplane that was based in St. John's. There was the one that was based in St. Anthony. I guess they were both funded by the Province, but just operated by two different entities.

The Government of Newfoundland and Labrador operated the one in St. John's, Labrador-Grenfell Health operated the one in St. Anthony, and in Transport Canada's eyes it was two different operations, there were two different commercial licences, and they were as different as Air Canada and WestJet are to Transport Canada. As a result, the operation for government had to have an operations manager, chief pilot, and a crew of maintenance and pilots and personnel to operate their aircraft, the same as Labrador-Grenfell Health did.

Once the aircraft was replaced in 2009, the older aircraft was sold and a King Air aircraft was bought to match up with the aircraft, fleet-wise, that was operated at St. John's. In 2010, that airplane then was transferred and relocated to Goose Bay. So I actually moved to Goose Bay with the aircraft and flew it from there until the middle of November past. During the time that I worked for Labrador-Grenfell Health, not only was their senior captain there, I was their chief pilot. I did that for thirteen years, chief pilot responsibility, which above and beyond flying the aircraft it also covers training of all the other crew on an annual basis and all those sorts of

responsibilities, scheduling, and all that sort of stuff.

While I was in St. Anthony, our operations manager there retired and I was approached by the organization to see if I would also take on the role of operations manager. At the time, I agreed to do it. At the time, there were three people in Canada who were actually an operations manager and a chief pilot, and I was one of them. I was the only person in the Province that ever held that designation, and I did that until April of 2011 when government decided then at that point to combine the two services under Air Services and Transportation and Works. At that point then, we were back to a situation where one organization owned all the aircraft and there was no need for a second operations manager and chief pilot, obviously.

MR. MURPHY: Okay.

I want to come back and touch on the Canada Transportation Regulations –

MR. FARRELL: Right.

MR. MURPHY: – the Aeronautics Act and everything, and how your department works with the Aeronautics Act. The reason why I touched on that is because there are some things in here that I feel have been affected, or are not being done basically under the Aeronautics Act. I guess that would be subject to interpretation, but in some areas, for example, when it came to maintenance, it sounds like the Auditor General was talking about that there was some weakness there.

In your opinion, from what the Auditor General said, do you feel that there were any violations of the Aeronautics Act here when it came to records keeping, for example, for airplanes? I know that the department has come out with a WinAir system now, but the regulations there are quite stringent. What was happening before that was not being done that you feel might have been contrary to the act, to the federal regulations? Was there anything there that was not being done with regard to maintenance?

MR. FARRELL: No, I can assure you that the aircraft at no point were not maintained as per Transport Canada regulations. As well, there are

also the manufacturer's requirements for maintenance on specific types of aircraft.

Prior to the WinAir system – I am not exactly sure when the Air Services acquired the WinAir system; it was at least three or four years ago. Prior to that, everything was done in manual data entry. There was a book for the propeller to log all the maintenance that was required on propellers; engines had their own special books, airframe. That has all been done, and there are certainly no questions as per Canadian air regulations.

On top of that, Transport Canada also visits the organization on a regular basis to do audits of operations and maintenance. We have had one since I have moved into Gander into this job. The second week I was in Gander, Transport Canada came through with five inspectors. They spent a full week in Air Services reviewing maintenance, procedures, documentation, and operational procedures from the pilot's perspective, from flight planning, all those sorts of things. We had a clean slate.

MR. MURPHY: Your emergency management plan and everything is all in order? Your dispatch manual, in this particular case, you would have guidelines in there. There are guidelines of course in your dispatch manual I would imagine when it comes to the handling of passengers too.

What is the government regulation? What do they say in the government manual as regards the handling of passengers? I think that under the 700 section of the Aeronautics Act they have a requirement for the retention, if you will, of paperwork for at least two years.

MR. FARRELL: That is right.

MR. MURPHY: Is the provincial government following that regulation? After two years, what do they do with it? Do they still maintain their records?

MR. FARRELL: Yes, we have all of them. We have quite an extensive collection of records out there.

Yes, it boils right down to the requirements of the individual aircraft. If you are going to

charter an aircraft or fly a government aircraft, or a medevac aircraft for whatever reason, part of the calculation of the aircraft's gross takeoff weight is the number and the weight of the passengers and baggage and everything else that is associated with the trip. That has to be calculated and computed.

MR. MURPHY: Right.

MR. FARRELL: Part of the legal requirements are that you have a passenger manifest. I know from my twenty-six years of flying the aircraft, every day at the end of the day you had your operational flight plan which detailed all the trips the aircraft made from A to B, how many people were on board, the weather associated with that trip, what the weight of the aircraft was. The weight and balance documentation of the aircraft had to be computed.

There are two weight and balances actually, one for takeoff, one for landing. The airplane burns, say coming from Goose to St. John's, 1,000 pounds of fuel. So the airplane is 1,000 pounds lighter on landing than it was on takeoff, so the center of gravity moves.

All those documentations are not only kept on file; at the end of each day it is the pilot in command's responsibility to have all those documentations signed and to verify that on each individual trip the aircraft met its limitation requirements and paperwork requirements as well. All of those are kept. We have a file of all that. I know Transport Canada audited those as well and did not have any issues with the –

MR. MURPHY: All your passenger manifests, they would only be kept for possibly two years, but in some cases you have them for further back than that.

MR. FARRELL: Yes.

MR. MURPHY: The names of any passengers or anything like that would be available to anybody?

MR. FARRELL: Sure.

MR. MURPHY: Okay, so you would still have them on record and everything.

The maintenance you feel is all good under the act and everything. I say that as background. When it comes to –

CHAIR: Mr. Murphy, the Auditor General is indicating that he wants to respond to part of your –

MR. MURPHY: Sure.

CHAIR: But nobody stopped talking, even for a second.

MR. MURPHY: Sorry.

CHAIR: It might be timely for him to respond when the subject matter is – instead of going back and forth.

MR. PADDON: I just wanted to provide a point of clarification. Our report is not suggesting that there was inadequate maintenance of the aircraft.

MR. MURPHY: No.

MR. PADDON: What we are pointing out is that the WinAir system, which is a fairly sophisticated tracking system, may not have been used to its fullest extent. So there was an opportunity to gather additional information out of the system that the department was not currently doing. Just to be clear, we were not suggesting that aircraft were not being maintained.

MR. MURPHY: No, no, understood.

I asked the question as a background because, of course, it falls under Transport Canada regulations that they would have to maintain records for individual aircraft; my understanding is for individual aircraft that would be operating. I guess in this particular case on a charter or commercial base, I said that as background. I wanted to bring that up as background for anybody who is –

MR. GOSSE: If I may, Mr. Murphy, I will just add.

This is the reality of the Air Services, but it is also the reality of our Marine Services Division. From time to time the AG has come in and looked at our business processes, the way we do

business. These are heavily regulated industries by Transport Canada. So concurrent to the AG coming in and filing a report, as he has, we would be, on a daily basis, working in a regulatory environment. We have to meet those regulations, obviously.

MR. MURPHY: Yes.

MR. GOSSE: That is what we would be doing. We have positions in the organization that are required, from a regulatory perspective, to obviously then the business processes, and some of which Ben has outlined.

MR. MURPHY: Okay, thanks for that.

I want to come back to the choice of water bombers that government made. They chose the CL-415. How far back did they choose that aircraft? Initially, I guess, when the plane came out on the market.

They obviously had good results with the 215. They were the cat's meow when they came out, when they were replacing the old water bombers that we did have, the Cansos, the old clippers, I guess to some people. What was the reasoning for government going with the 415? Did they look at other aircraft that were out there on the market besides that?

MR. MEADE: It is my understanding – this would have been 2009. In 2009 would have been when we would have first purchased the first 415s. It was my understanding at that time, that that analysis and assessment was undertaken. We would have had a Bombardier product, you are right, at the time in the 215s.

At the time the analysis, and based on what was out on the market, was the Bombardier 415 was really the workhorse that was out there. There are others in the market, as I understand, but the Bombardier 415 was the preferred. I would think it would have been along the lines of – we already would have had, because of the 215, our own staff and maintenance trained in many of the components of Bombardier and the water bomber fleet. So we would have had some synergies there.

It was a Canadian company, the aircraft being built in Canada. As you may know, at the time

of the negotiation of the first 415s, and then subsequent to the purchase of the other two, we also were able to secure an industrial benefits agreements where there was a commitment made by Bombardier to work with the local industry in ensuring that those companies could get in the supply chain of Bombardier and that work could be completed here. The benefactors of that have included everything from – PAL has done some work there, and other companies have, including the companies in Central Newfoundland.

That would have been the base of the decision at that time. That would have been what precipitated the purchase of the first four. It obviously made sense to us, if we then had a fleet of four – then we lost one of them, of course, in the crash in Lab West – and then we were to go back and purchase another two to get us to a configuration of five, it would make sense that we would then complete the fleet as a whole. That you would have synchronicity in your system and you would create a family of 415s. Obviously, that creates a much more economical operating and maintenance system, from the training of pilots to the maintenance of the aircraft. That is how the 415 was chosen.

Again, as I understand it, if you were to look at globally where the 415 stands, it does stand as the workhorse of water bombers around the world.

MR. MURPHY: I am a bit of an aeronautics nut and I usually follow that sort of thing. Yes, it is a good aircraft.

CHAIR: Mr. Murphy, we should go on to Mr. Cross probably.

MR. MURPHY: Sure.

MR. CROSS: Thank you, Mr. Chair.

I certainly appreciate the responses that we have gotten so far. A lot of the questions that I had indicated, I guess some of the more general questions covered quite a bit of it. I have been making some notes of little areas of certain things and certain responses. I might want to dig a little bit to get a little more out. It is probably a little bit of a repeat but not

necessarily a repeat. It is just probably some extra information.

In one of the answers you were talking about earlier, about hangar space and adequate space for heated versus unheated facilities. In that area, mostly you talked about the water bombers. What about the rest of the fleet, because water bombers compose about half of the fleet there? How are they stored? Is the new space going to address some of that or do they have to be stored in different communities?

MR. MEADE: The new space is focused on the water bombers in Gander, but I will ask Ben Farrell to answer the question, Mr. Cross, around the other aircraft, where they are placed and how they are stored.

MR. CROSS: Okay.

MR. FARRELL: For the fleet of water bombers, they will be accommodated in a new hangar, as you said. The spotter aircraft, or the bird dog aircraft, that Natural Resources uses and we operate for them will also be housed in a hangar in Gander. Due to the sheer size of the 415, this one just, kind of, fits underneath the wing. So it is a small aircraft. There is no issue with storage of that one.

The other three aircraft in the fleet are the King Air 350 air ambulance airplanes. One of them is based at Goose Bay. We actually lease hangar space in Goose Bay from Woodward Aviation. So we have a brand new state-of-the-art hangar that we store the aircraft in there. The other two are operated out of St. John's and are housed at our hangar at the airport here. The maintenance and the parts and supplies for all the aircraft are based at those locations.

MR. CROSS: Okay.

To somewhat of a totally different question, two of you elaborated quite a bit on the WinAir system and the ability now to use that program to input quite a bit of information. Sometimes input is still done by humans and there are still people required to do that.

Is that system powerful enough to pick up something like the Auditor General referred to when the AFRs and the AFAs – so the

authorizations of the flights versus the reports of the flights, the two should match, but in a couple of cases it was mentioned the approval was given for four stops. We come back and the report says there was touchdown in six places.

In the new system, how is that monitored – I am trying to say: Is the computer system or the WinAir system going to do that, or it is still going to be human reviews?

MR. FARRELL: Just to be clear, the WinAir system really will not be used for that purpose at all. WinAir is just really maintenance, planning, and tracking of the aircraft.

MR. CROSS: Okay, that was one of my next questions.

MR. FARRELL: With regard to the invoicing, I think there are enough people involved in each of the departments that are using the aircraft to see that the checks and balances kind of add up. Our dispatch department are the front-line people who are involved – let's say the Department of Justice needs a helicopter, for example, on a particular day. They will contact Air Services. They will complete an AFA, the Aircraft Flight Authorization. To be clear on what that is, it basically is the authorization for that department to actually acquire the use of an aircraft.

One of the issues was that the AFA was not being completed in its entirety. That will be done from now on. Our dispatch will ensure that it is and if they receive one that is not completed, they have been instructed now to send it back to the department to make sure that names, dates, routing, signatures, all of those things are included.

From there then the purchase order gets produced by the department that is going to be using the aircraft. That will also contain information that is required. Dispatch will also receive a copy of that and at that point they will authorize the use of the aircraft and they will go to the contractor and to the supplier to get the aircraft arranged for the time and dates.

When it comes to the people who are travelling on the aircraft, I think that is solely going to be the responsibility of the department that are

using the aircraft. Because in a lot of cases our dispatch will organize it, but they will never see the aircraft. They will never see the people boarding it and offloading from it. The responsibility really then is going to be between the department using the aircraft and the contractor providing the service.

The aircraft company would also fill out an Aircraft Flight Report which is completed by the pilot, which being a pilot, I know exactly what that means. It means that he has to be responsible for how many people are boarding the aircraft for weight reasons, and for safety reasons.

I think there is a concern there above and beyond even stuff that is missing. If stuff is missing like names in particular, and we are not certain as to how many stops they are making and we are not certain as to how many people are travelling, the biggest concern for me is that if there were an incident where do we go looking and how many people are we going to find? How many people are we looking for? That is a big concern of mine.

I am going to do everything in my power to ensure that our dispatch make sure that the AFA is completed, and that the purchase order process is completed. Basically, the AFA is giving the department the authorization to charter an aircraft. The purchase order will give the vendor the permission to go ahead with the flight. Once all two of those are completed the flight will take place.

From there then the pilot and the organization that owns the aircraft will send in a flight report at the end of the trip. It has to include even the signature of somebody representing government. Somebody who was on board who works for government has to sign it to say this trip actually took place, these people actually did travel on this aircraft.

When all that comes in then it goes to our accounts department at Air Services. She will review it; she will make sure that everything is in place. If it is not, we are going to send it back either to the vendor or to the department. Whatever the case is at any point if we see something that is not completed, we are going to send it back. At that point then once all three

pieces come together and the invoice is received, then it will be sent to the department for the payment of it.

I think it will involve a lot of people having to take the procedures and to read them again and to be certain. As Brent elaborated there, we are going to do like a flowchart or a checklist type of procedure so that – the manual is fairly detailed; it is probably fifteen pages or so. If you get a department that is only using a helicopter or chartering an aircraft once or twice a year, yes, the procedure is not going to be all that clear.

I think if we had a check list type thing that we could use, steps A to Z it would make it much easier. It would make it much more efficient to fill it out and a lot less likely that they are going to leave something off that should be included.

MR. CROSS: Okay.

The next question is very simple; it is just a yes or no or a nod almost. In some of the reading you talked about the fleet was ten and you have referred to a fleet of nine in your earlier part this morning. Is that just a change in the number of water bombers?

MR. FARRELL: Yes, we actually have one other water bomber that sits in a hangar that we have decommissioned, so I guess that is where the ten aircraft –

MR. CROSS: That is the one that is dropped (inaudible) –

MR. FARRELL: Yes, we just do not use it any more.

MR. CROSS: Okay.

The other question – I do not know if this is into what the Auditor General's report would entail, but I just want to ask the question for informational purposes, I guess. I know government is staffing or buying equipment like the air fleet, the same as the ferry system. The busiest day might be Christmas Day. You do not buy a ferry big enough to handle every day the traffic of Christmas Day; you put on extra runs and things like that.

Where you have a fleet of nine, what is the procedure, or is there an emergency procedure in place that you do when you need more than what you have in your fleet? How is that done and is that following the guidelines, or is that already a policy or just haphazardly when it happens?

MR. FARRELL: Yes, you are exactly right. It seems that there are days on the air ambulance side of it, that I know best, when neither of the aircraft will fly. You get a perfect day when no one in the Province is sick; then tomorrow everybody is sick and we need all of the airplanes that we have, we need all of the crews that we have available to us, and we still cannot meet the demand.

What we do, as a government, we have charter companies in the Province that – examples are Provincial Airlines, EVAS airlines in Gander, Air Labrador in Goose Bay, and there are others outside of the Province that we avail of if the need be, as far away as even Toronto that we will charter an aircraft. If there are none available here to take a patient to Toronto, then we can charter a company out of Toronto to come here and pick up the patient and bring them back to Toronto. It is still the same distance, still the same hours of flying, and basically the same cost.

We do rely heavily on the charter industry out there for backup service to both services really. Back in July of 2013 when we had the aircraft incident in Lab City, we were short an aircraft so we availed of the services of a company from Fredericton, New Brunswick that came and provided an aircraft here and based an aircraft here at St. John's.

That is part of the contingency plan. Not only do we use that, but on occasion we use the Search and Rescue Squadron out of Gander as well. You will get times when weather conditions, the nighttime particularly in small communities and that sort of thing, that the search and rescue helicopter, the Cormorant out of Gander, will be tasked to pick up a patient, a medevac patient for us, somewhere in the Province, particularly out of remote locations.

The last one I remember was a guy on the West Coast, up in Blow Me Down Mountains, in a skidoo accident, and we had to get them, to go

and pick him up, and those types of things. There are even occasions when we have had to avail of the services of Cougar Helicopters out of St. John's, which also has a search and rescue division set up in St. John's. So they have the Sikorsky 76 helicopter that, on a very rare occasion, we have called into action as well to help out when the demand was such that our own aircraft and own capabilities were more than what we could handle.

MR. CROSS: Okay.

I guess the biggest thing when we look at the report that comes back from the Auditor General is we look at the finding that are there and some of the comments. Through most of the questions this morning, I think the reactions that were provided and written and most of the answers this morning seem to be quite a positive move. I guess I would just like to commend that activity.

Anything that is necessary to be put in place – in lots of cases, it was a matter of documentation as opposed to actual procedures and policies maybe, and it looks like the other things are put in place. Other than something else that might come up later on, I would just like to thank you for your responses. I am covered right now for what I have, but I may need something later on that might come up with some other commentary.

CHAIR: Mr. Osborne, would you prefer to go now or immediately after the break?

MR. OSBORNE: I think I can conclude relatively quickly.

CHAIR: Okay.

Please go ahead,

MR. OSBORNE: I am just wondering, the forest fire management staff was supposed to receive some training and procedures prior to the 2014 fire season; did that happen?

MR. FARRELL: Yes, it did. We actually completely overhauled our training program for our fire services this year. It always included a ground school and procedures training on the aircraft, simulator training. It was normally done in Montreal. This year we moved to

Toronto to a much better, much more sophisticated simulator, that type of thing, but we have added a number of different things.

I know a few years ago some of the pilots received training out with the Marine Institute on the water egress training similar to people flying offshore would receive. This year we have made it so that everybody had access to that training. We have changed an incredible amount of things, added even simple things – it seemed like to be simple things to me, as a novice coming into the water bomber side of it, that in the aircraft, for example, these guys land and do up to seventy and eighty water pickups a day depending on the size of the fire and the duration of it, that type of thing.

Even life vests and those types of things, they are always carried on board the aircraft but they were in pouches, just in the cockpit kind of thing. Now we have all our crews outfitted with proper life vests that they actually wear. Even just simple things like that made a huge change to the operation, so we have certainly gone above and beyond this year on the training of our crews. I feel that we are much better and much safer as a result of it really.

MR. OSBORNE: Mr. Chair, I believe that is everything from my perspective. I just wanted to ask the Auditor General: Is there anything that the Committee has missed that maybe we should have asked or focused on?

MR. PADDON: No, I do not think, Mr. Osborne, that there is anything missing. It is really the comprehensiveness of the response from the witnesses that covered off the substance of our report.

We were really focused on a couple of areas; one was obviously the process around the authorization and subsequent follow-up. That, based on what I have heard, seems to be well in hand. I am fairly satisfied that those things hopefully will be or have been addressed.

Then there is the sort of – I would not call it a minor issue, but issues around the optimization of the systems that they have in place. Based on what I have heard, that seems to be looked at as well.

When I look through the report and I look through the substance of the recommendations, I think the questions and the answers have probably covered off most if not all that is there.

MR. OSBORNE: From my perspective, I just want to thank the witnesses. I know that everybody is busy, to take the time out to come. You did provide very detailed responses, so I appreciate that.

Thank you.

CHAIR: Mr. Parsons.

MR. K. PARSONS: I would just like to say the same. The answers here this morning obviously shows that the AG report, you have taken it very seriously and addressed nearly all the recommendations that are there. I am very pleased with the responses that I heard here today. That is all I can say.

CHAIR: Mr. Murphy.

MR. MURPHY: No, I think I am good. If the Auditor General is happy, I guess I am happy.

Anyway, good luck with your job. I know, Mr. Farrell, you have a big piece of the pie in front of you that you are handling with this. I can see where the department, for example, can straighten things out.

The information on passengers, for example, if it is within the last two years, we can attain that information. The Department of Transportation and Works at the end of the day, when it comes to billing, can still find out who those passengers are within at least two years anyway for sure under Transport Canada rules. I just wanted to put that thought out there.

You have a big job on your hands. Handling nine aircraft cannot be easy, not to mention charter helicopter flights and everything. I know there are particular regulations when it comes to helicopter usage. Change of flight plans, for example, could be caused by something as easy as weather. Some of these questions I had down here were explained in further research and everything.

I wish you the best in your job. Like I said for the job that you have to do with dispatching, I would certainly love to have a look at the dispatch manual out of curiosity. I do not know if you can supply that to the Committee as a background piece, for example, of what the government is actually dealing with when it comes to the dispatch of aircraft. It would be nice to see for sure.

Thank you for your time.

MR. FARRELL: Thank you very much.

CHAIR: I have a few questions. Normally, we would take a break but it seems more practical for me to clean up the questions that I have instead of going away for fifteen minutes and coming back for five. It is better that we should stay at ten – with the manual if there is anything there which has privacy issues, then feel free to have it redacted. I am not sure what would be on the manual, but you can use your own discretion there. It probably would be useful to have as part of the official record.

What is a vendor? You keep referring to a vendor.

MR. MEADE: A vendor or supplier – a vendor would be Provincial Airlines, EVAS, supplier of the good or service.

CHAIR: Okay.

How many pilots are employed by this division?

MR. FARRELL: There are sixteen water bomber pilots and fourteen air ambulance pilots. There are thirty all together.

CHAIR: Mechanics?

MR. FARRELL: Mechanics, I do not know the exact number. There are five in St. John's, four in Goose Bay, and approximately twelve or thirteen in Gander. There are probably around twenty-five in total of mechanics.

CHAIR: How many other personnel?

MR. FARRELL: There are eighty-one people in total, including me.

CHAIR: How does the Aircraft Flight Authorization work?

MR. FARRELL: How does it work?

CHAIR: Yes. Assume I know nothing – and you will be pretty accurate – explain to me how an AFA works.

MR. FARRELL: Basically if any department in government decided they needed an aircraft for any particular reason, they would contact Air Services. What we hope to do is provide each of them – we have the AFA book printed and we have them at our store's department in Gander. What we would hope – say the Department of Justice, I will use them as an example again, if they needed a helicopter, they could actually call us at the beginning of each year and have a booklet or two sent to them for the AFA process.

Basically, the form is there; you take it and you fill it out. You contact Air Services dispatch and tell them that you need to book a helicopter for a particular day to take X number of people to wherever you are planning on going. You complete the form and get it signed by a person in the department with the authority to sign those sorts of documents. You would send it to our dispatch.

From there they would go out and look – if we are going to do a helicopter charter for you, we have a contract currently with Universal Helicopters so we would see if the helicopter on the contract is available. There are two in Goose, one in Pasadena, one in Gander, and one in St. John's. We would see if one of those aircraft is available just because it is a better rate. If it is a time when Natural Resources or somebody else does not have the aircraft booked, we would offer that to the department requesting the service.

From there if it was not, we would go out to one of the charter companies, it could be Canadian or one of the other companies to see if they could provide a helicopter for those dates. We would get the price and the cost associated based on an estimate of the time involved, the routing, and that type of thing. That would go back through the requesting department.

From there, it would be approved. They would cut a purchase order to basically ensure that the funds were available to pay for their service. That purchase order number would go into our dispatch office once again. Once that happens then our dispatch person would issue a dispatch number that we use then to track. It is a sequential list of numbers that we use for tracking purposes of each flight.

The booking would go ahead and once it started, basically the people who are operating the aircraft then would fill out the Aircraft Flight Report. Once the trip is completed and signed, it all comes back to us as an invoice. Then it is all reviewed and goes back to the individual department then for payment as per the purchase order.

CHAIR: That is why when the auditor pointed out that it seemed like flights were just being let out or whatever on POs, you would lose your control mechanism whether you are being adequately priced or whatever. That would be a really significant concern that the AG would have. If you are not going through all the AFA processes, then you do not have the control that you really should have.

MR. FARRELL: Well, exactly. The purchase order basically is the okay for the company, the supplier of the aircraft, to go ahead with the trip. It does not detail routing, stops, the number of people on board; none of that information is captured. A purchase order in government is a standard format. Whether you are buying a chair or a box of pens or you are chartering a helicopter, you use the same type of purchase order.

That is where a lot of the information was not being captured in the purchase order that should have been captured by the AFA. Over the years I think, from what I can gather from my short time there, is that the AFA process kind of fell by the wayside because the purchase order seemed to come to be more important for some reason, when really one document supported the other.

Our focus now is to agree with what the Auditor General said. It should have never happened that way, and we need to get the train put back on the tracks. One piece of documentation

supports the other so that when the invoice comes not only do you have the invoice stating the purchase order number on it, but also we have the documentation from the AFA to say if the invoice says the helicopter left St. John's and stopped in two locations and returned to St. John's, well then we have some way of going back to the Aircraft Flight Report and to the initial authorization form to say okay, it was only supposed to have stopped twice; if it stopped a third time, why did it?

Otherwise, with just a purchase order, we have no way of knowing how many stops it was supposed to have made, how many stops it did make. It does really conclude the process by having all the documentation completed properly.

CHAIR: Do you match up the AFA with the log after the flight is completed?

MR. FARRELL: Yes.

CHAIR: You know someone did not just go off fishing on the Gander River or wherever when they said they needed it for whatever.

MR. MURPHY: (Inaudible) chief pilot or the passenger manifest attached to that.

MR. MEADE: Well, what it would be is the flight report. The flight report, Mr. Murphy, would be what would do that. You have the AFA, your flight report, and then your PO. All of that has to line up in terms of the dates, the times, the locations, and all of that.

I guess, Ben, the most important thing for us is the flight reports certainly need to match up with the AFA back to your point of if they said three stops and they end up making four, well why the fourth stop. What the procedures manual says is that would be sent back to the department to explain the variance. We will not process any further until the variance is explained.

Without a doubt, sometimes people will make decisions for some reasons, but it will clearly need departments to explain any variances from the time that they procured it through the AFA to what actually occurred that would be documented in the flight report. That is a

critical matching up that we need to ensure happens.

MR. MURPHY: There are some cases where I think he is probably going to have his hands full. I think sometimes when you are talking helicopter use, for example, by the movement of biologists on the moose count or a caribou count or something like that, caribou surveys with many touchdowns and takeoffs, if you will, and transferring of biologists and everything I can see where you would have your hands full there.

MR. FARRELL: There is another side to it too that we have not really mentioned actually is the emergency services that are provided that do not allow for time to have AFAs completed and POs cut. It could be on a weekend, it could be a missing boater, or it could be a medevac of someone hurt on a snowmobile accident like I mentioned earlier.

Those things happen and they seem to happen at the weirdest hours on a day when everybody is off or on a weekend or whatever the case. There is a procedure in the manual as well to address that. If those types of events happen, obviously you need to go and rescue the person, and you deal with the paperwork afterwards. Still the process has to be completed and whichever department is responsible for that.

In our case, a lot of those are to do with medevac type services. They are people who are injured, moose hunters and things out in the boonies. What happens is that most of those trips, the majority of them, are by our own department anyway. It is much easier, then, for us to have all the paperwork completed and all the checks and balances put in place to make sure that everything is done. It is a very rare occasion when there is an emergency outside the normal hours that you cannot plan.

One of the things that the AFA and then the flight report does co-ordinate is that if you guys were to book a helicopter today to go from here to Carbonear and back, you may book it today for four people, but in a month from now when the date was scheduled to go you may have the destination changed, you may have the people who were travelling change. There is also a section on the AFA that if you are going to make changes to the actual routing or stops or the

people who are travelling, that has to be completed and it also has to be authorized as well.

It is a great process if everybody jumps on board and does what needs to be done. It will take care of itself in the long term.

MR. MURPHY: Agreed.

CHAIR: Do you fly ministers, minister's staff generally, say, non-commercial if they need to get someplace?

MR. FARRELL: No. I guess that probably happens on a very rare occasion. I do not think it has happened since I have been in Air Services. We do not do anything like that. Most of it is departmental use, emergency services, and air ambulance work.

MR. MEADE: It is a good question, Mr. Chair, and it is one I have asked, like how often do you think we would be doing that? In my experience it would be very rare and it would be cases of where there was actually some assessment that by chartering a flight we actually create better economies – it was a better value than using sked.

For example, there is a group of ministers and officials who need to get to a particular part of the Province for some particular reason and there is a short window to do so. You may look at a charter as a more feasible way of doing that, but it is, from my experience, very rarely used for that purpose. What we are seeing processed through Air Services is really the ongoing business of departments in the carrying out of their mandates. It is very, very rare that you would see ministerial or Executive Council travel for that purpose.

CHAIR: So, if it is done by way of charter, is it done through this division?

MR. MEADE: Yes.

CHAIR: Is there any rule in place that not more than a certain number of ministers can be on one flight?

MR. MEADE: No, we would leave that to the discretion of departments. We have no policies around that.

CHAIR: Some provinces have it that you cannot have more than, say, three ministers on a flight – if the wrong plane goes down and you lose three-quarters of the Cabinet, you have a big problem.

MR. MEADE: I am not aware of us having any security or similar type of policies here. I am not familiar with them. We certainly would not have them within Transportation and Works.

MR. MURPHY: I will never have to worry about that problem.

CHAIR: How many hours per year are the water bombers logging?

MR. FARRELL: Dependent on, of course, the demand for them, we have had seasons when the aircraft have flown 200 or 300 hours, each aircraft, on real busy seasons, particularly like last summer with the large fires in Labrador West, and then the previous year with the ones around the Goose Bay area we were flying continuously.

There are seasons now like this year when if things keep going the way they are going, I doubt either aircraft will fly 100 hours, which is relatively low when it comes to – I know the air ambulance airplanes, as a comparison, are flying 1,200 hours a year. So they are flying about 100 hours a month or more, dependent on the demand as well, but on average about 100 hours a month as opposed to 100 a year for the bombers.

CHAIR: I think water bomber season is around six months of the year or whatever?

MR. FARRELL: Yes, the actual fire season is a little shorter. We bring our crews on board on April 1 for training. This year it took the entire month of April due to the extra things that we added to our training program this year. Normally it is about a two-and-a-half, three-week process. We were delayed a little bit this year as well, with the weather this spring, in getting the crews, in getting their flight tests done, and that sort of thing.

Basically the first month of April is the training month, then in May normally the airplanes in St. John's, Gander, and Deer Lake – usually the Island-based aircraft are the first ones to leave Gander and go to their summer bases, just basically due to the fact that the snow goes quicker here, the ponds are open earlier, that type of thing. The aircraft in Labrador, this year, were delayed quite a bit just due to the ice in the lakes up there and stuff. The snow was gone, but there was just nowhere to pick up water.

The season normally in Labrador then would run probably somewhere early in June until up around the end of August early into September, but by the end of September all of the aircraft are back at the base in Gander for their winter maintenance program.

CHAIR: Do we help out other jurisdictions when they have a higher demand for water bombers and we are fortunate that we do not have any demand for water bombers? I think I saw that in the news last year or the year before; we were helping someone maybe in the Territories or Quebec.

MR. FARRELL: Yes, we actually have done that in the past. It has not been done for the last couple of summers, just because we are busy enough in our own Province. We need our own aircraft for our own demands. We probably would not entertain the idea this year either due to the fire index being what it is where it has been so dry, but on occasion we have gone to New Brunswick and Quebec and different places providing assistance. We actually even have a permit that allows the aircraft to go into the United States, if one of the New England States needed an aircraft and we were able to free it up.

The decision for that does not really rest with Transportation and Works, though; Natural Resources will be the one who would decide. We just operate the aircraft. They call the shots on where they want them based, if they want them moved around within the Province due to the fire index or if they would go outside the Province for assistance elsewhere.

CHAIR: Is that done on a cost recovery?

MR. FARRELL: Yes.

CHAIR: Like an hourly rate or something?

MR. FARRELL: It is done on a cost recovery. Like I said, it has been a couple of years; I have not even seen an example of it myself personally as to what kind of rates we are charging and that sort of thing.

CHAIR: Do you know if there has ever been any inquiry or review done to determine if we could lease our water bombers to Southern countries for the off-season instead of storing them at all, lease them to Argentina or Brazil or Australia, for that matter, so we would not even have them here for the six months and we might get some compensation for them?

MR. FARRELL: I am not aware of it. I do not know if Brent –

MR. MEADE: I am not aware of us entertaining that. I think back to the point that was being made earlier by Ben. It is the off-season when we actually do the significant majority of the maintenance on these. So that would be something that we would have to clearly analyze whether it would be in our best interest to do so. Again, we kind of prime these things up so that they are ready to run and have a busy season and you just do normal maintenance, oil changes and stuff like that; but it is in your off-season that you would do a lot of your regulatory maintenance and checkups because, again, Transport Canada would have a large number of checks and balances on that as well.

CHAIR: Yes.

MR. MEADE: That is when we would mainly do those. We would have to look awful hard at whether we would ever consider that, to be honest with you, Mr. Chair.

CHAIR: Is there any storage now being used by anybody for private storage, to your knowledge?

MR. MEADE: There is no private storage in our hangars right now, no. Not that we are aware of. I mean the directive was clearly sent and a reminder was – those items removed and we communicated clearly the conflict of interest and how we interpret that throughout the

department as I have noted earlier. I am not aware right now, no.

MR. GOSSE: I can assure you, I walked through both hangars in Gander yesterday morning. There was no private storage in there.

CHAIR: In addition to communicating the conflict of interest concerns, was there any concern communicated with respect to liability? If somebody was storing something there and all of a sudden the place burned down, they lost their boat and taxpayers had to pay for or got caught in a lawsuit?

MR. MEADE: No, that is fair. I think that was one of the points that the AG made as well. It created a risk and vulnerability for our other assets in there that if something was to occur with those things that were stored. That is all part of what we would have communicated. Having items that do not belong to the Crown being stored in Crown assets and buildings, not only is it a conflict of interest issue, it does create a risk to the building, to the occupants and to the other assets we have there. That would be part of it.

There have been, again, I noted earlier there are other cases where we have had things stored and that is one of the things we pointed out that it may seem like – because for a lot of people it seems quite innocent; that is not bothering anybody. The reality of it is that there is a risk created by that, apart from the conflict of interest clearly. That was part of the communication around that, yes.

CHAIR: I would ask if any of the Committee members have any other questions.

MR. MURPHY: I just have one more question around the 415s. We are going to have the fleet of five. Do we have enough heated storage for them now when the last 415 comes in?

MR. MEADE: As of today, we do not, no. As I noted earlier, we are in a design phase right now for a new hangar that will accommodate the five of them in Gander. The fifth one arrives in the fall of 2015. It is slated to arrive in September of 2015.

If the hangar is not completed by the fall of 2015, we will need to look at where we would store the fifth water bomber. The options available to us would be to secure heated space elsewhere in Gander or at another location: Goose Bay, St. John's, or elsewhere.

It is our preference to keep these water bombers in a heated space. That is what we would want to do.

MR. MURPHY: Because of the avionics that are in the 415.

MR. MEADE: Yes.

It is the protection of the avionics and obviously, as we have noted earlier and Ben has outlined, it is in the winter season, if you will, from your October to March period, that we do the maintenance on these. Obviously, you would want maintenance to be occurring in a heated space. That is why we prefer that.

MR. MURPHY: You just mentioned lease. Is there any advantage for government to actually construct its own hangar in Gander, or to lease out a facility from a private entity?

MR. MEADE: That is what we are doing. We are in the design phase for the construction of our own hangar, which would get us out of the leased space in Gander.

MR. MURPHY: Good, okay.

MR. MEADE: That is the intention.

MR. FARRELL: Also, the problem with the leased space in Gander right now is that physically we have lots of room to put all the aircraft in; we only have enough room for four of them in a heated space, and there is no other hangar space in Gander that can accommodate the aircraft that size. We have the two big hangars that are there and we physically have loads of room, but we just do not have enough heated room that is the problem.

MR. MURPHY: Okay. The option is either to build another hangar there or move it to St. John's at a heated hangar or one of the other airports that might have heated space somewhere?

MR. FARRELL: Yes.

MR. MURPHY: Okay, good.

CHAIR: Mr. Paddon, are there any areas that you think we should cover, you or your auditor?

MR. PADDON: No, I am good. Thanks, Mr. Chair.

CHAIR: I think we have some minutes of the last session, so I am going to ask for a motion to adopt the minutes from yesterday's session.

Moved by Mr. Parsons; seconded by Mr. Murphy.

All in favour?

SOME HON. MEMBERS: Aye.

On motion, minutes adopted as circulated.

CHAIR: I will ask Mr. Meade or Mr. Farrell if they would like to say anything because we are done and we are ready to wrap up.

Thank you for coming.

MR. MEADE: Pardon?

CHAIR: Is there anything that you would like to –

MR. MEADE: No, I would just wish to thank you. Your questions were insightful and you certainly asked the ones we expected. I do just want to say as the deputy minister, we always welcome the AG and we felt that in this particular case it was a very fair and balanced analysis. As we have noted, we have acted fully upon those recommendations and we feel, at the end of the day, it ensures that we have a more effective and efficient system for the management of Air Services.

I thank the Auditor General but I also thank Public Accounts for continuing to keep fire to our feet in terms of making sure that we do follow up on the AG's report and ensure that we administer the best public services that we can. I just want to thank the Public Accounts for your time as well on a very beautiful summer day.

CHAIR: Mr. Parsons.

MR. K. PARSONS: Seeing this is our last of six hearings that we have had over the last couple of weeks, I would like to thank the AG's department and all officials in the Auditor General's department for the great job that you do. It is a very important role that you play, and I think people, like us guys on Public Accounts, really see the job that you do and the effect that the job has on departments. While you are out there examining all the departments, it is nice to know that there is someone who has oversight in these departments to look and see what is being done and to make the recommendations and improvements that need to be done. So I just want to thank you for all the hard work that you guys do.

CHAIR: We are adjourned.

On motion, the Committee adjourned *sine die*.