

PUBLIC ACCOUNTS COMMITTEE

November 3, 1976

(Mr. Taylor in the Chair)

MR. CHAIRMAN: Gentlemen, it is now three minutes after ten so I'll declare the meeting open.

The first item is the minutes of the last meeting. Are there any comments, additions, or deletions? If not a motion to adopt would be in order.

Moved by Mr. Batiuk, seconded by Mr. Doan that the minutes as distributed be adopted.

(Motion carried)

MR. CHAIRMAN: The business this morning is to discuss the report of the Provincial Auditor on certain aspects of the Export Agency. To commence the meeting I'm going to ask Mr. Rogers if he has an opening statement.

MR. ROGERS: Thank you, Mr. Chairman. Mr. Chairman, gentlemen, any charge to report accepted by the a Legislative Auditor requires that the subject matter of such a report be investigated and verified as thoroughly as possible and that the ensuing report be impartial, precise, objective, give full disclosure and be accurate in accordance with the evidence examined. In order to clarify

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the net results of the investigation for the reader, it is essential that the Auditor state his opinion on all material things, measuring actions he has observed against the highest level of performance or ideal that should of existed to safeguard public funds and ensure the proper execution of government policy. Above all, the report must be fair to all persons who are mentioned therein.

Because of this important concept the reaction and comment which followed the release of my report on calf exports to Europe has been of considerable concern to me. The first page of the report defines and interprets the investigation in terms of reference, which are -- and I stress -- that the report shall be restricted only to those financial and procedural matters surrounding dealings between the Government of Alberta and Mr. Lung's project to export calves to Europe. The report is not and does not purport to be a review of the operating procedures or administrative policies of the Alberta Export Agency, except insofar as they relate to this one small project.

Viewed in the financial context of the numerous projects handled by the Export Agency, Mr. Lung's was indeed a relatively small venture and the report clearly states that the procedural irregularities noted were those which were discovered only in relation to this project.

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In addition, the report does not criticize the absence within the Export Agency of comprehensive and procedural regulations. But on the contrary states, when alluding to those guidelines which did exist and I quote:

Owing to the diverse and disparate nature of the Export Agency's scope of operations, they were of necessity only guidelines and not detailed and comprehensive procedural regulations.

The comments in this paragraph of the report were included to indicate the criteria used during the investigation in determining what constituted normal procedures with which to compare the series of events being examined.

When undertaking an investigation of such a specific nature as this one it is necessary to subject each related piece of evidence to a high degree of scrutiny, in effect putting it under a microscope. At all times, when considering the results of such scrutiny, together with conclusions drawn therefrom, it must be appreciated that they are reported strictly within the stated terms of reference. To take the results of such an examination and extrapolate them to cover the overall operations of the Export Agency certainly cannot be considered as being valid or indeed fair to those concerned.

The fact that this series of events was considered to be highly suspect by Mr. Presber in that it did not conform to

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normal practice, would indicate that normal practice did not involve the poor administrative and procedural discipline which was evident in this particular case.

It should be recalled that many serious allegations had been made before this committee and it was to determine the substance of the matter that I was asked to carry out this investigation. It was first necessary to determine whether Mr. Presber's allegations were made because of bitterness over the termination of his contract or because of a genuine concern. The investigation and the existence of documentary evidence strongly indicated the latter motive. Mr. Presber clearly believed that his allegations were well-founded. Yet no evidence was discovered during the course of the investigation to substantiate them.

It soon became apparent that the primary cause for his suspicions was that certain actions of management or lack thereof while relatively unimportant when considered in isolation, nevertheless created a situation which resulted in Mr. Presber coming to the conclusions he did. For this reason reference is made in the report to management shortcomings. But it is only in relation to those shortcomings which were found pertaining to the handling of the Lung project.

Mr. Chairman, thank you for allowing me to make that statement.

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MR. CHAIRMAN: Thank you, Mr. Rogers. Now we will proceed with the examination of the report and Mr. Notley had his hand up first.

MR. NOTLEY: Mr. Chairman, I wonder if we could move to page.

. . .

MR. CHAIRMAN: Mr. Notley, could I interrupt for just a moment. The secretary is having some difficulty catching some of the words of the hon. Member for Spirit River-Fairview and the hon. Member for Olds-Didsbury. I wonder if you could look this way when you are speaking or speak into the thing, just so we can catch it.

MR. NOTLEY: Thank you, Mr. Chairman. I'll try not to mumble and I'll try to speak up so that ...

MR. CLARK: Mr. Chairman, excuse me, just before the first question is asked, I wonder if there are just two questions I might ask. First of all, is it possible for all members of the committee to have a copy of Mr. Rogers' statement he just made this morning.

MR. CHAIRMAN: Yes, it will be in the minutes.

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MR. CLARK: My question, Mr. Chairman, is would it be possible for us to get copies right away, perhaps at the Clerk's office.

MR. CHAIRMAN: Right now?

MR. CLARK: Yes. So that members could have it to look at this morning.

MR. CHAIRMAN: I think so. You have no objection?

MR. ROGERS: Not at all.

MR. CLARK: Secondly, Mr. Chairman, I wonder if it would be possible or would the committee be agreeable to asking the Provincial Auditor to table with the committee the procedural guidelines that the Export Agency used in October, '74 and then in 1975 -- the guidelines and the documents that are alluded to in Mr. Rogers' report. I should say that my office contacted the Auditor's office and asked if we could have these guidelines. We were told that these were inhouse documents and that there was no way possible for the Auditor to make those available. So I have alerted the Auditor that we would be asking for these this morning. Also the job descriptions for the Alberta Market

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Commissioner and the International Trade Director -- if we could have the job descriptions in those two areas and the guidelines that I referred to earlier.

MR. CHAIRMAN: We'll endeavor to get copies of these made right away. If someone close to the door were to ask the Sergeant if he could come in he could probably make those copies for us. Thank you very much Mr. Harle.

All members would like a copy of Mr. Rogers' statement this morning. Okay those will be made immediately.

Now, the second point is on the procedural guidelines. I wonder if the Auditor could just tell us what the procedural guidelines actually consist of, what they're premised on. Could you give us a statement on those, Mr. Rogers?

MR. ROGERS: It's a communication from Mr. Clarke, Director General of the Export Agency to Alberta Export Agency staff and they are guidelines governing the way in which the agency would handle its work in effect. They are inhouse documents and I felt that it should really be up to the committee as to whether they should be tabled or not. It really comes under the rules of the committee in the House.

MR. CHAIRMAN: Are they interdepartmental memos?

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MR. ROGERS: I would say intradepartmental.

MR. CHAIRMAN: Well, what is the wish of the committee? We've had the request from the hon. Member, Mr. Clark.

AN HON. MEMBER: Mr. Chairman, I think it would be fair to hear from the minister responsible or ministers responsible for the Export Agency, as to whether or not this is an internal document that should or should not be made available to this committee.

MR. DOWLING: Mr. Chairman, I would suggest that would be a very logical subject for a motion for return to be presented to the Legislature. That kind of information has been presented to members of the opposition or otherwise, when similar motions are presented.

MR. NOTLEY: Mr. Chairman, I would hope that we would be able to obtain this information. Now, the minister is quite right that it could be put on the Order Paper as a Motion for Return, but let's look at the practical reality of the situation. We are dealing today with a very important report. Basic to that report, or at least I think what could be basic to that report, is the information that the hon. Leader of the Opposition has requested. While it's

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theoretically possible to put this on the Order Paper and it may be tabled sometime next spring, we won't be discussing this particular report in all likelihood next spring -- at least I surely hope we will have it resolved by that time. So in terms of dealing with the practicality of having an indepth discussion by this Public Accounts Committee, it would seem to me, Mr. Chairman, that any information that has relevant bearing on it should be tabled. Again, I think that if we recognize our responsibilities in this Public Accounts Committee to scrutinize, if the information does have a bearing, it should be tabled. I completely understand and appreciate Mr. Rogers' reluctance. It would be wrong for him, on his own, to release it, but it is clearly correct and proper for us as committee to request that it be released.

MR. CLARK: Mr. Chairman, I wonder if I might just make one very straightforward comment and that's this: in the Auditor's report or additional comments this morning, he went to considerable length, if I've made my notes properly, to say that the management shortcomings, were looked at from the Auditor's point of view, just as related to the case which the Auditor's been able to look at. Several times in the course of the report there are comments made about the management procedure itself. Now, certainly if the members

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of this Assembly are to be able to assess the seriousness of that, then I would hope the government is prepared to give us the documentation so that we can do a valid assessment of it.

I'm not asking to have documents within the either minister's department on an interdepartmental basis. We're not asking for a precedent to be established in any way, shape or form. But really we're asking that the members of this committee have the procedural information, the guidelines which are so important in viewing this report, so we can really see where these guidelines were at fault and where they weren't. So that we can get down to the bottom of things. I'm not laying any blame on the ministers at all, when I read this report for what happened. It seems to me that it's a matter of finding out where was the system short-circuited. We can't really see where the system was short-circuited, Mr. Chairman, unless we understand the administrative system. That's the reason for my request.

MR. CHAIRMAN: Before we proceed we should have a motion. I assume that your motion is that we -- did you make it in the form of a motion or would you. Yes. Moved by Mr. Clark, and second by Mr. Notley that the procedural guidelines be made available to the committee. Right? Okay, now we'll discuss that.

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MR. FARRAN: Mr. Chairman, I just don't quite understand why the Leader of the Opposition is thrashing this \$2,400 case to death. The situation really is that this committee has leaned over backwards to accommodate the requests of the hon. leader in that we have examined something that really pertains to 1976 and not 1975 as contained in the Public Accounts, which is really the duty of this committee. Anything pertaining to 1976 should come next year, when Public Accounts is printed and prepared.

We've had a very comprehensive report by the Provincial Auditor, into what really in comparative terms is a comparatively small matter. We've had a lengthy report. The Auditor has gone beyond the normal terms of reference of an Auditor, in that he has gone into procedures which have not been entirely related to accounting practice, when the whole thing was really concerning the possibility of misuse of some \$2,400 of government funds. It was to accommodate the Leader of the Opposition those words "procedures" were dropped into the motion for the auditor to report upon. He has gone into a very lengthy narrative in great detail and it's really beyond me to understand why the Leader of the Opposition doesn't get on with some other subject of importance in the Public Accounts and leave this one as read. We've had the Auditor's report that basically there was nothing wrong in the Lung case, that so far as he was

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concerned, there was no misuse of public funds. In his opinion there was some minor breaches of internal departmental procedures which were set by deputy minister himself, which were not rules of government, not rules of audit. They were procedures which the deputy minister had set and presumably the deputy minister had a perfect right overrule, since he was the one that drew up the rules. No rules can ever be so binding that they're not flexible enough to not deal with the odd case that doesn't conform to the norm.

I submit, Mr. Chairman, that this particular inquiry should be closed and we should move on to the next subject and not waste anymore time of the committee. I have sat here and listened to the harangues by disgruntled employees, by members of the opposition who try, to presumably fabricate some sort of a witch hunt out of a \$2,400 problem. I personally am getting tired of it and think we should move on to a more important subject.

MR. BUTLER: Mr. Chairman, I've sat and listened to the hassle on the report for some time and I've sat and listened very quietly. As a cattleman I'm really very concerned. There was an opportunity here to establish a market. I'm not sure whether this has been lost. It certainly has been delayed. We've no doubt lost the chance of marketing

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several hundred calves in Europe in the interim when this report was going on. We have a chance I think, of salvaging some of this market if we kill this report now and get on with the job.

It involved a very concerned Albertan that was trying to do something for the cattle market. He, I believe, knew what he was doing when he went over to Europe. I believe he still knows what he is doing. I think for the good of the cattle industry that it's time we pulled politics out of this thing and let the market go and let this market develop, because I think there is a market there. I think that as long as we continue to play politics with this thing, that we are doing a disservice to all of the cattlemen in Alberta and probably all of Canada.

MR. CHAIRMAN: Could we deal with the motion please.

MR. SPEAKER: Mr. Chairman, I want to support the motion before us. I think that we have to first of all, look at the question of whether we are just talking about a \$2,400 case or not. I think, Mr. Chairman, that if this deal or this agreement with regard to cash sales, would have reached conclusion, it would have been a multi-million dollar deal.

AN HON. MEMBER: That's right.

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MR. CLARK: On a long term.

MR. SPEAKER: We're talking about millions of dollars, hundreds of thousands of dollars. We're not just talking about the \$2,400 case. Relative to that plan that was going on, certain procedural things occurred that affected the outcome of that particular situation. So what we're talking about are the procedures used in the Export Agency relative to a large number of dollars if that argument is the one that is to be used to say that we can't have the procedures.

The second argument I want to replace before the committee is this: I really can't understand why the minister or other members of this committee cannot make that information available to us. Good procedures established in written form, presented for the employees of the Export Agency I believe would not hide anything. They should be public information.

AN HON. MEMBER: That's right.

MR. SPEAKER: I don't see anything secretive in it. Mr. Chairman, if there isn't anything like that, I just can't understand the attitude of the minister when he says we just can't present them at this time -- ask for them on a Motion for Return. If it was something about a person, a comment

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about a company that was dealing with the Agency, then we would have to have some concern. But these are objective guidelines established by a person in the managerial group in the Export Agency. I can't see anything wrong with that. So I can't see why we're as one of the ministers has said, wasting time debating this thing, because there really isn't an issue. I don't know what type of an issue or concern the government has at the present time. I certainly urge on the minister and other members of the committee that we just pass out the regulations and get on to some other questions because it's not that much of an issue.

AN HON. MEMBER: Agreed.

MR. FARRAN: A point of order, Mr. Chairman. Is it not the object of the Public Accounts Committee, to investigate the accounts of the Government of Alberta to make sure that there is a proper use of government funds. We've had a report from the Auditor that there has been no misuse of the \$2,400; that there has been a proper use of government funds; our duty has been accomplished. I don't see any point in going any further beyond the terms of reference of this committee. This committee deals with money, public accounts, it doesn't deal with procedures or policies of government. It deals with procedures that may relate to

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money to the proper use of money. There is no misuse of money. The Auditor has said so. He said that Mr. Lunq is entirely above reproach in this particular case. That he didn't receive any special benefit from the government to which he is not entitled as a citizen of Alberta. I believe the case should be closed and I so move.

MR. CHAIRMAN: Mr. Farran, we have a motion before us. We will have to deal with that before we go on to another motion. The motion is that the procedural guidelines be made available to the members of the committee. I wonder if we could discuss this motion and decide on it. Because the committee in my view, has the authority to order these documents if it wishes to do so.

MR. LYSONS: I'm very surprised this morning, that we have in my view, a personal attack on the Auditor. The minister has said that these documents that they require can be brought in in a normal procedure in the House. The Auditor has said that he has investigated and verified that the report is impartial, precise, objective and gives full disclosure and it's accurate. I just can't believe what's going on this morning. I've never seen an Auditor attacked in this manner.

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MR. CHAIRMAN: Could we speak to the motion please. Is there any further comment on the motion. Are you ready for the question.

MR. CLARK: Mr. Chairman, in concluding the debate, let me make it abundantly clear to the Auditor that in no way, shape, or form is my motion this morning meant to be a slur on the Provincial Auditor. Anyone who draws that conclusion is naive and simply ridiculous.

AN HON. MEMBER: Agreed.

MR. CLARK: Secondly, with regard to the comments made by the Solicitor General. I would refer all members to the first paragraph in the Auditor's statement this morning and I quote from the fifth line, half-way through that line.

It is essential that the Auditor state his opinion on all material things, measuring action he has observed against the highest level of performance or ideal that should be exercised to safeguard public funds and to ensure the proper execution of government policy.

AN HON. MEMBER: Agreed.

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MR. CLARK: I simply say to the members, Mr. Chairman, how can we as members of this committee do that measure if we're not privy to the procedural guidelines that the Export Agency is supposed to use. That's really what we're involved in here this morning.

MR. CHAIRMAN: The motion before the committee now, is that the procedural guidelines be made available to members of the committee. Are you ready for the question?

(Motion defeated)

MR. CLARK: Mr. Chairman, I'd like it to be in the minutes that every member of the government voted against the motion.

MR. FARRAN: I'd like it recorded in the minutes that every member of the opposition voted in favor of it.

MR. MOORE: Mr. Chairman, on a point of order, I don't believe that every member of the government who is in the Assembly did vote in fact. I saw at least two on that side that . . .

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MR. CHAIRMAN: Only members of the committee may vote of course, but no member is compelled to vote. We have the vote recorded. The motion is lost.

Mr. Clark, you raised a third point about job descriptions. Would you deal with that now?

MR. CLARK: Yes, Mr. Chairman. In the same discussion with the Auditor's office, I'd asked that the job descriptions dealing with the Agricultural Marketing Commissioner, International Trade Director, as of 1974 and 1975, that those job descriptions be made available to the members of the committee. I would move that.

MR. CHAIRMAN: It was moved that the job descriptions of the positions he mentioned be made available to the committee.

AN HON. MEMBER: They are just crazy.

MR. CHAIRMAN: Is there any discussion?

MR. ROGERS: I'd just like to make a comment. The duties of the international trade director are set out in the guidelines, so it's really a practical problem. We do not have a separate job description. We did not go searching files to see if such existed, simply because it was covered

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in the guidelines. I didn't foresee this split. It is not on any files that we have in our possession at the moment because we did look through those, but there may be such write up in existence but I'm not aware of it.

MR. CHAIRMAN: Could I ask Mr. Clark a question? Are you referring to the descriptions that are used when advertising for the position?

MR. CLARK: I'm really referring, Mr. Chairman, to the descriptions which were used within the Export Agency itself to the breakdown of the responsibilities, Mr. Chairman.

MR. CHAIRMAN: Thank you. Any further . . . MR. MCCRAE: Could I just speak for a moment, Mr. Chairman. That is to say the guidelines that are involved in the previous motion and the job description are surely matters that are determined within the department itself. They may well change. They may have changed by this time. It may be that Mr. Rogers has gone through the guidelines and the job descriptions and has told us where there was a departure, where there was a variance from that procedure that was laid out.

He has also, in response to a question, said that they were surely within the prerogative of management to change

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or depart from the guidelines as and when they may think appropriate. That's surely a management prerogative.

He also stated in response to a question that there's no financial shortcoming or disadvantage to the taxpayer or to the government as a result of the departure from the guidelines. To reiterate, the departures that there were have been fully documented, fully brought to light here in the report and to present them at the table now would surely be nothing more than an opportunity for the opposition here to get into a government department and . . .

AN HON. MEMBER: Why not?

MR. McCRAE: Well if you ever get to the government, you'll get that responsibility. Surely it is the responsibility of government, the management of every department, to lay down the guidelines as to how that particular department will or will not operate. And having laid down the guidelines, Mr. Chairman, it is surely again the prerogative of management in that particular department to say in a particular case that they will depart from them. The sole responsibility of this committee, as the hon. members have pointed out, is to see if there has been any financial mismanagement or wrongdoing. The report is clear that there wasn't. I suggest we vote in this matter, get the question of the

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guidelines and the job descriptions behind us and get on with some important business.

MR. NOTLEY: Mr. Chairman, first of all let me say on this motion unfortunately there probably isn't a great deal we can do about it, not because of the comments of the hon. Member for Calgary Foothills or the Solicitor General, but because the Auditor has pointed out that by unfortunately defeating the last motion, in fact there's no way we could turn around and pass this one.

But, Mr. Chairman, I'd just like to say first of all that some of the comments we've heard today about the scope of the Public Accounts Committee certainly is setting a new standard for the most narrow definition possible of the Public Accounts Committee. The whole concept of the Public Accounts Committee included, I might add, Mr. Chairman, the generally accepted practice that the Chairman of the Public Accounts Committee would be from the opposition is to make sure that there is the most in-depth scrutiny, not only as it relates to dollars and cents, but as dollars and cents relate to the proper and efficient government of whatever jurisdiction it may be. That is the historical position of public accounts. To suggest that somehow we are getting off the point by raising questions that relate to a report which was called for by this committee, which was quite properly

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drafted by the Provincial Auditor and which we now have an obligation to assess and review, to make that assertion, Mr. Chairman, is just so far off base when it comes to an understanding of our role that I just find it hard to believe.

MR. CHAIRMAN: Well, honorable members, I might say that we're discussing the matter of job description. The committee has made no motion in regard to the restriction of what the committee may do. Each member has his own opinion, but the committee has made no restriction in that regard.

We're now discussing this motion on job descriptions. Is there any further discussion?

MR. MOORE: Mr. Chairman, no one has suggested that the documentation that was asked for in the previous motion or this one would not be available or made available. On the other hand, no one has suggested it would be made available.

The confusion that has risen with respect to what documentation the job descriptions are contained in is the very reason why we have in the Legislature the process for motions for return where, in fact, that motion for return requesting information -- similar to Motion for Return Nos. 2A, 208, 214, 219, asking for information about the Alberta Export Agency -- is placed on the Order Paper. The

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government then has an opportunity to review that motion for return to see if, in fact, it's possible to supply the information in the manner in which it's asked for. It's pretty obvious on this particular motion that if a motion for return came forward asking for job descriptions, it may have to be amended when it comes to the House before we can accept it.

So, really, I think the matter is not one of whether the information might be supplied, but, Mr. Chairman, I respectfully submit, the manner in which it would most appropriately be supplied would be by way of a motion for return in the case of this motion and the previous one as well.

MR. R. SPEAKER: Mr. Chairman, I feel we should recognize some facts. Number one: most likely the legislative session will end in a couple of days. That's a fact. That means that a motion for return just will not . . .

DR. BUCK: Couldn't possibly get it passed.

MR. R. SPEAKER: We can't get it on the Order Paper. That's number one. Number two is, and the other thing that really concerns me is that we're starting a new type of style for public accounts. We're saying that anything that has to be

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raised here, any type of information that's requested, such as job descriptions that's before us right now, before we can get it it must go back to the cabinet for final approval.

DR. BUCK: That's right.

MR. R. SPEAKER: That means as a committee we're ham-strung. That means we haven't the freedom to gain information we want. I think that's an unfortunate precedent. I feel that ministers here have been hired or placed in positions, responsible positions, members of this committee have been placed in responsible positions to bring forward information and make decisions. At the present time, with the attitude that has gone on in this committee so far and the feeling that I get, the group that represents the government are not here and have the ability to make decisions. They've been told before they come here to say no to everything. By the time the spring session opens, everything's forgotten and we're back on our own merry way and not affected.

Well, Mr. Chairman, I don't think that's the effect because this type of attitude will carry out to the general public.

DR. BUCK: Agreed.

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MR. R. SPEAKER: Mr. Chairman, I feel we need the information on job descriptions. What an employee does should be public information. I see no reason why we can't make a decision. Maybe even reverse the first one.

MR. FARRAN: Hon. members, Mr. Chairman, I resent that accusation about the motives of the government members of this committee. If we're talking about motives, it's fairly obvious that the motives of the opposition are to thrash this small case to death and to make a mountain out of a mole hill. Out of a \$2,400 case where the Auditor reported, there was no misuse of government funds. So if we're talking about motivation, it's fairly obvious what the motivation is.

MR. CHAIRMAN: Honorable members, there are two comments I'd like to make. Number one, as I believe all hon. members know, that if the Legislature orders the government to give information to the Legislature prorogation does not stop that order. Dissolution does, but prorogation doesn't. It is of course true that it would not come out for some months.

The other point I would again like to emphasize is it is within the competence of this committee to decide whether

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this would be available or not. You have the authority to do it or not to do it as you each see fit.

MR. McCRAE: Mr. Chairman, I don't want to repeat myself, but I think it's important to say again briefly that there's no way that members of the opposition or any other member of government is entitled to get into individual departments and determine or analyze what their departmental procedures are. Nor should they, in this particular case, Mr. Chairman. What has happened here is the Provincial Auditor has gone in and done an inquiry into the dealings surrounding the cattle business of Mr. Lung, relative to the export opportunity. The Auditor has reviewed the guidelines that were determined by that particular department. He told us where there was a variance or departure from that so we have it before us right now. What the opposition are asking is an opportunity to get into a government department and have a look at internal procedures that they're not privy to. There's no way really in my submission connected to this particular report. They're asking for something that goes far beyond that. The Auditor has told us what procedures were departed from. If they've questions on that, by all means ask them. But don't ask for information on internal government matters that you should not and are not privy to.

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The suggestion that we're deferring this matter, delaying taking it back to the cabinet or the government caucus is just so ridiculous that it shouldn't need response. I'm surprised the hon. member would bring it up at a time like this.

AN HON. MEMBER: Hear, hear.

MR. NOTLEY: Mr. Chairman, first of all, I'm just incredulous that I hear the hon. Mr. McCrae because first of all when this issue was raised by the Leader of the Opposition, we had the Minister of Business Development and Tourism stand up in his place and say, why don't you put that on the Order Paper for a motion for return. Now we have Mr. McCrae saying, oh no, that's something that we shouldn't have, we're prying into the internal operations of the department.

But we had the minister indicate that it should be subject to a motion for return. Just a moment ago we had the Minister of Agriculture say, why don't you make it a motion for return. Mr. Chairman, quite frankly, if it is proper for a motion for return, you know and the members of this committee know -- perhaps Mr. McCrae doesn't know but the rest of us do know -- that it would be perfectly proper for us to put a motion like this forward. It's up to the committee whether it's passed. Mr. Chairman, it is clearly

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within our right as members of the committee to make the proposal. Both ministers have already indicated that the suggestion made by the Leader of the Opposition would be appropriate for a motion for return so therefore, with great respect to the hon. minister in charge of Calgary, I suggest he stay in charge of Calgary.

AN HON. MEMBER: Hear, hear.

MR. YOUNG: Mr. Chairman, I am a little bit nonplussed this morning at the speed with which the disagreement is brewing. I am particularly concerned about this motion. I'm having a bit of difficulty in my own mind and perhaps the mover of the motion could help me in this regard. I'm having difficulty sorting out how the information he's asking would differ from the information that would be supplied by the Public Service Commissioner in terms of the outline of jobs.

Now, maybe I'm offbase here, but I'd like to have clarified in my own mind what difference it would be and what positions might be available through this motion which wouldn't be available generally or which aren't available generally. I'm confused.

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MR. CHAIRMAN: Mr. Clark, do you want to answer that? Then I think we should have the vote on this. We've spent the whole morning on procedure.

MR. CLARK: Perhaps I might answer the question and then conclude the debate, Mr. Chairman.

Simply to the hon. Member for Edmonton Jasper Place, I think he raises a very legitimate question. It's one thing to look at the one-page job description when you're advertising publicly. But what we're attempting to get here is a breakdown within the agency which is in the agency available now of the relationships between the international trade director, the agricultural trade directors, who really is responsible for what actions in the agency. That's the kind of administrative breakdown that we really want.

I'd like to go on in concluding the debate, Mr. Chairman, to make just two very simple points. The minister responsible for Calgary, following his reasoning, I can see how Calgary has a restricted development area around it, because the comments the hon. minister raises about we have no right to know what's going on internally in the department. That is true if it's a private oil company. But this is public expenditure. This is the public business that this committee is charged to look at. We raised the first question of the administrative guidelines, because in

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the Export Agency in the last year this government, the cabinet the hon. minister is a member of have written off several hundreds of thousands of dollars of guaranteed loans that the taxpayers picked up. Now it isn't unreasonable for us to want to see those procedural guidelines which the Auditor refers to in his report here and is critical of. And the same procedural guidelines -- are they the reasons for the problems with KD and K, the St. Paul Auction Mart, and the outfit that was going to export holstein cattle to Mexico? That's the real nub of what we're looking at. That's what the members are turning down to us here this morning, that we can't have the information so we can see if that procedure was used in looking at these three areas within the last year. This government has called upon the taxpayers of this province to foot the bill. Now surely to God if anything is public information, that should be public information so we can make that assessment.

AN HON. MEMBER: Agreed.

MR. CHAIRMAN: Are you ready for the question?

MR. YOUNG: If I may make just one observation in response to the response which was given to me. As I understand it

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then, the information required goes fairly much beyond a job description. It's really part of the procedure.

MR. CHAIRMAN: We have a motion before the House that the job descriptions be made available to the committee. Are you ready for the question?

(The motion is defeated)

MR. CHAIRMAN: We now come down to the first hand I saw in regard to questions on the report.

MR. NOTLEY: Mr. Chairman, I'd like to begin if I could where we left off last week. In your conclusion, Mr. Rogers, you raised what I consider rather a troubling administrative point about the deliberate exclusion of Mr. Presber from the Lung transaction. I would like you to perhaps expand a little bit about that, and for the members of the committee, we're looking at the bottom of page 12 and the top of page 13. Perhaps I might just read a couple of lines:

Failure to utilize the services of a person so uniquely qualified would appear to be contrary to normal practices of the Export Agency or in fact of any organization. The deliberate exclusion of such a person from involvement in a type of transaction for which the

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person had been employed and for which the Export Agency had been created cannot be considered as a normal or reasonable action.

Now Mr. Chairman, to Mr. Rogers first and perhaps either one of the ministers would like to comment as well. Those are very strong words, Mr. Rogers, and I wonder if perhaps you could expand upon the reasons which you came to this conclusion.

MR. ROGERS: Thank you, Mr. Chairman. The guidelines did contain a statement which said:

A full-team approach between the agency international trade directors and the sales directors, trade coordinators, will be expected on all sales or development opportunities.

And also:

The international trade directors and sales directors will operate as teams on all projects.

In this particular case, Mr. Bowns was involved and Mr. Presber was not aware of the existence of the project until approximately one year after the first approach. I was looking at it from the point of view that in the operation of any office, it is normal practice to make use of the strengths of the various people that you have the responsibility to manage. It appeared very puzzling and I

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did not get a satisfactory explanation, despite repeated -- coming back to this point many times -- there was no satisfactory explanation as to why the qualities of Mr. Presber -- and I would note there was a form on the files that rated him extremely highly and I use that particular description of Mr. Presber from what I found on the files of the Export Agency in connection with Mr. Presber, the rating of him by his superiors. I also was told verbally by the management of the Export Agency that this man was tops in his field and yet they did not even consult him. It did not seem a reasonable action. I never did get a really satisfactory answer as to why that was the case. The answer was because of confidentiality.

Confidentiality I can appreciate when it comes to relating a confidential matter to parties outside the Export Agency, but it seems unreasonable to me that confidentiality would extend to the very people who are involved in this area -- the employees of the Export Agency. I think that really sums up my concern in that area.

MR. DOWLING: Thank you, Mr. Chairman. All hon. members should look at page 11 of the report, item 2 at the bottom which substantially answers the question of the Member for Spirit River-Fairview. However, there should be some additional explanation.

The Export Agency is not and was never constituted as an autonomous organization, but was established to react to the requirements of both the Departments of Industry and Commerce and Agriculture at its inception. That was changed to Business Development and Tourism in the ensuing months.

In addition to that, it was to react to the requests of the private sector. In doing the latter, it reacted to Mr. Lung's request -- it wasn't a request to exclude Mr. Presber, it was a request to maintain confidentiality as far as could be maintained and to limit the amount of contact with people in the Export Agency. There was no attempt to exclude Mr. Presber per se as a person even though he was the market director for Europe. That having been honored, it was the director general's position since Mr. Bowns had already had contact with Mr. Lung that it be maintained in that general area. The market director for a given sphere of influence in terms of Europe or Asia or whatever, his job was to stimulate sales of Alberta products in those areas where he had responsibility. It did not mean that if an opportunity came through a private entrepreneur to sell product, that that market individual would automatically be involved. It doesn't automatically say that.

There are other instances where the same thing occurred. One that comes to mind is an expedition from Morocco which came to Alberta and the market director for that particular

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area was never contacted with regard to that particular project because it was never requested, nor was it thought relevant or important by the director general and his staff.

So, it must be clearly understood that there was never an attempt by the director general or the staff to exclude Mr. Presber as a person. It was to exclude a marketing person because Mr. Lung requested that it be kept confidential.

It should also be understood clearly by all members of the committee that Mr. Lung felt himself very capable in the German areas, since he is in fact a German national, and it's been pointed out to us very clearly that he had some particular capability in that area. He was from Germany originally. He knew the market area so he felt it was in his best interest and the interests of the Alberta producers that he proceed on his own because he thought he could handle it best by himself.

I should say, too, in defence of Mr. Presber, there's no denying that he had extremely excellent qualities in terms of the job he was filling. He filled it very well but he should not automatically have been involved in every transaction.

AN HON. MEMBER: I like to ask some questions, Mr. Chairman, to Mr. Rogers.

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MR. CHAIRMAN: Could we finish Mr. Notley's questions? First supplementary, Mr. Notley.

MR. NOTLEY: I take it we are going on the three supplementaries?

MR. CHAIRMAN: Yes we are.

MR. NOTLEY: Fair enough. The first supplementary question I'd like to put to the minister then. Again looking at page 11, if I understood the minister's response, the reason for Mr. Presber being excluded was that Mr. Lung had knowledge in the area and that it was his concern over confidentiality. But, and this is the but that lingers in my mind, Mr. Lung stated that he had briefly met Mr. Presber approximately four years earlier, but that while his insistence on maximum confidentiality had prompted him to request that as few people as possible be involved in the project -- and this is the important operative phrase -- he never requested that Mr. Presber be excluded. I would like the minister's response to that because it seems to me, Mr. Chairman, that that's a pretty crucial question.

MR. DOWLING: I just answered the question, Mr. Chairman, by saying that Mr. Presber was not particularly asked to be

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excluded but the market director was not requested to be included. Whether it was Mr. Presber or Mr. Bowns or Mr. What-have-you, Mr. Lung specifically requested that confidentiality be maintained with the director general and Mr. Bowns -- and not specifically Mr. Bowns -- or those people who he already had contact with. He didn't want a market director because he thought he could handle it better himself.

MR. NOTLEY: Mr. Chairman, this probably gets us into the area of considerable debate because again I would go back to the comments of the Provincial Auditor that it was not reasonable. In that respect, Mr. Chairman, I certainly concur with the assessment of the Provincial Auditor.

I'd like to go on to just look for a moment, Mr. Chairman, at the documentation surrounding Interfleisch A.G. before the invitation was submitted and the details surrounding the invitation to Dr. Stehle to come over to Canada. There really are a couple of parts to this question: all the procedural problems which arose. The fact that the invitation had been sent before the minister had signed it; the fact that other people had signed in place of Mr. Presber; the Auditor's comment that not sufficient -- if I can get the exact quote here -- documentation had been obtained on this particular issue.

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I'd like to put to the minister the question relating to the administrative and procedural details leading up to and including the invitation to Interfleisch A.G. to come and visit the province of Alberta in 1975.

MR. DCWLING: I'll try to be brief, Mr. Chairman. First of all, with regard to any requests for assistance by a private entrepreneur to bring potential buyers into Alberta, the normal procedure is to check on the credibility of the potential buyer. We have maintained since its inception in the Alberta Export Agency a subscription to Dunn and Bradstreet which in fact in this particular instance was checked. It's called The Principal International Directory. It lists all major world businesses. We pay, as I say, an annual subscription to this organization. It's always checked prior to dealing with any international firm. It indicates their financial strength, sales, and employees. On that particular date that this one was examined, Interfleisch A.G. in Germany was listed as having \$219 billion in sales with a number of employees of 260. So it was in fact thoroughly checked. They are a fairly substantial international organization.

On the other matter, the procedural matter, as the hon. Member for Spirit River-Fairview would understand that every undertaking the minister is responsible, whether it be

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agriculture or business development, was obviously briefed and put in an area of understanding of what was being undertaken prior to anything being undertaken. In regard to this project, we had developed over a course of time a document that would provide both Mr. Moore and myself with an indication that the various people involved agreed with the project being undertaken. It was a sort of travel warrant almost. On the date it was -- it's Exhibit 15 if you'd like to look at it -- first undertaken, it was dated August 6. On the 12th of that same month, all of the required signatures were on it. Mr. Hargrave, who was then acting director general, and he was also a marketing commissioner at that time, so he signed in two capacities. It also contains the signatures of -- I don't recognize the third one -- the Deputy Minister of Agriculture, yes, the Deputy Minister of our department, and the financial director's signature appeared on it. That was the 12th. On the 13th, because of all those signatures appearing on it, Mr. Hargrave assumed that that project was going ahead because we had already discussed it and therefore sent a letter to the Interfleisch A.G. people inviting them over. It was dated the 13th. I'm sure all hon. members, including the Auditor, would appreciate the delays of the paper war that we all fight. That document was not signed by me until the 21st, although I had total knowledge of it and would in

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the normal course have signed it on the 12th had it been there on the top of the pile.

MR. NOTLEY: Just to follow that up. On page 13 of the report, Mr. Rogers says:

No tangible evidence has been found to indicate that adequate independent documentary evidence had been obtained to satisfactorily establish the reputedly and sound financial status of Interfleisch A.G. prior to granting approval to expend public funds in the German mission to Alberta.

My understanding is that the Dunn and Bradstreet report has not been found and was not possible for the Auditor to locate that report. I'd be interested in the minister's response on that.

Just dealing with the invitation, the part the minister answered but didn't really satisfy my query was Exhibit 15. We have the signing by Mr. Hargrave as marketing commissioner in place of Mr. Presber. Mr. Presber should have signed it. We have the director general, Mr. Clarke, was not there so Mr. Hargrave signed in his place. But was it not true that on that particular day Mr. Clarke wasn't back in Edmonton. He was testifying before the Purnell inquiry.

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The point I raise, Mr. Minister, is it would appear to me that the reasons you had these various people signing the applications was to make sure that different perspectives were brought upon the application so it wasn't just one person signing them so you in fact had some way of counter-checking, some way of making sure that there was a second look, if you like. I would assume that would be the reason for that kind of approach. What has happened here in Exhibit 15 is that Mr. Hargrave appears to have signed in the place of Mr. Clarke, even though Mr. Clarke was in Edmonton that day, and that he appears to have signed for Mr. Presber would ordinarily have signed and that's relevant because we know from the Auditor's report that Mr. Presber had very serious objections to the invitation being sent as it was.

MR. DOWLING: Yes I can answer, Mr. Chairman. First of all you will notice, if you examine Exhibit 6, which indicates that the first indication this proposal was being brought forward was May 5, 1975. It was actually consummated on August 6. So there was an indication that this thing was proceeding.

Mr. Presber was not a marketing commissioner. He was a marketing director for a given area. The commissioner was and is, Mr. Hargrave. Mr. Hargrave was appointed acting

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director general in the absence of Mr. Jim Clarke on his holidays. Mr. Jim Clarke was still on holidays when he was asked to come back and testify at the hearing that was undertaken. But he was on holidays and he came back to testify and then returned on holidays. Did I answer all the parts of the question?

MR. CHAIRMAN: You had a question on . . . ?

MR. DOWLING: Oh, Mr. Chairman, if I might. I'm sorry. If I might add one more thing. You will notice that the document Exhibit 15 does contain the signatures of Mr. Hargrave, as I indicated, twice and the Deputy Minister of Agriculture and obviously that means the staff of the Department of Agriculture, the people who advise him and tell him about the particular project. You also have the signature of the Deputy Minister of BD and T and the same thing applies.

The third part of that question, I neglected to indicate. I would hesitate to table a copy of the Principals of International Business Directory, but we do have it and have had it in the Export Agency since I've been involved. So it's there. It's made reference to in every application for assistance for involvement by an out-of-country or international firm.

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MR. FARRAN: I would like to put a question to Mr. Rogers, through the chair in relation to his remarks about 10 minutes ago. Mr. Rogers, I know from years of business experience that accountants are usually stronger on costs than on sales. But I would like to paint a scenario for you and get your opinion on propriety.

Suppose I'm general manager of a corporation. I have a network of salesmen in the field. In one of the salesmen's territories there may be an account which, for various reasons, perhaps the salesman is too emotionally involved to be objective. Perhaps there's a personality clash with a customer. Perhaps there's an overall (inaudible) for the corporation involved with implications far beyond the immediate sale. Do you mean to say that the manager should never negotiate direct, that by-passing the salesman on that particular account, a salesman who under normal circumstances would do an excellent job on most accounts, do you mean to say that that by-passing by the manager is improper? I fail to understand your remarks even though the chain of command would normally be through the salesman. Surely a manager has overall rights to act, even though it upsets the salesman's sensitivities. There's no other way that you could run a corporation. There must be big accounts that the manager himself feels he can handle better than the employee.

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MR. ROGERS: Mr. Chairman, in relation to the scenario. I think if any of those factors had been seen to exist, had been found, had been indicated to us, I think this would have been a mitigating circumstance if you like. There were no such circumstances indicated, in fact at all times, stated that Mr. Presber knew this area, this market area, better than anyone else in the Export Agency. It seems to be it is simply a matter of good management that you do maximize the use of the resources that you have available to you, because I believe he had more experience than anyone else who was involved.

MR. FARRAN: Yeh, but there was a circumstance was there not, Mr. Rogers, such as I've explained.

MR. CLARK: Mr. Chairman, on a point of order.

MR. FARRAN: Just a minute, it's my question.

MR. CHAIRMAN: Point of order.

MR. CLARK: Is this the hon. minister's turn to ask questions? I thought it was a question he put during Mr. Notley's questioning. Is he the next one on the questioning procedure? That's all I want to know.

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MR. FARRAN: Mine was a supplementary.

MR. CHAIRMAN: Yes it's his turn.

MR. FARRAN: The supplementary to Mr. Rogers is this: surely such a circumstance did exist. It existed because Mr. Lung who was the trigger for this whole exercise, was very sensitive about confidentiality. Mr. Presber had a policy notion at the back of his mind that any sale that was developed should be universal over the whole industry. Those two facts existed. They were something that would make the manager think that Mr. Presber, in this particular case, was not perhaps the right fellow to build up the sale.

MR. ROGERS: Mr. Chairman, at no time was that argument advanced. As I stated here, Mr. Lung certainly did not indicate he had any objection to Mr. Presber being involved and we did not get any indication from any of the parties concerned that Mr. Presber would have mishandled the case and was in fact brought in . . .

MR. FARRAN: (inaudible) didn't Mr. Presber testify before this committee that he disagreed on the protection of the confidentiality for Mr. Lung or that he thought the offer

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should have been made on a broadcast fashion to the entire industry.

MR. ROGERS: I believe that arose at a considerably later date. Long after Mr. Presber had been involved in the operation, he was brought in by Mr. Bowns at one point.

MR. FARRAN: But is it not possible that the Deputy Minister knew of this hangup with Mr. Presber?

MR. ROGERS: I'm afraid that would be surmise on my part. I can't answer that I'm afraid.

MR. DOWLING: All of the documentation that was provided by way of memos from Mr. Presber was made available to the director general, the marketing commissioner, the Deputy Minister of Business Development and Tourism, and the Deputy Minister of Agriculture. So, armed with that information, the decision still was to respect Mr. Lung's request and involve as few people as possible.

I should, Mr. Chairman, if you don't mind, clarify a point I made earlier, if that's okay. If you'll notice on Exhibit 15 again, the financial director fixes his signature to the document indicated when it's approved for action. You will also notice that my signature appearing eight days later is

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for accounting purposes only and simply indicates that I approve that the money may now change hands.

MR. CLARK: Mr. Chairman, now we can get back from never-never land to the real matter that is before the House here.

I'd like to refer to Exhibit 21 if I could. This is the memo from Mr. Dennis L. Glover, financial administrator, to Mr. Mathew. I raise this because I refer the hon. members back to the Public Accounts Committee when Mr. Clarke was at the Public Accounts Committee and we asked Mr. Clarke if there had been anyone else in the Export Agency staff who had raised any concern about this particular venture. At that time we were told by Mr. Clarke, the director general, that no other concerns had been raised by any employee in the Export Agency. I'd like to ask Mr. Rogers specifically with regard to paragraph 4 in this memo from Mr. Glover and I quote: "With regard to the other two questions, it would appear that there is a certain amount of mystery involved." This is the memo from the financial administrator in the Export Agency. This is at least the second person in the agency who raised a concern. Really the people in the Export Agency themselves who put their stamps on are Mr. Hargrave and Mr. Bowns, so really it was a two-two kind of situation.

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Then we have scribbled down in the corner: "The concerns of one individual cannot override the wish of the majority involved." I'd like to ask Mr. Rogers: Mr. Rogers, in the course of your investigation, did you see any indication of additional checking being done by Mr. Mathew, the director of finance and administration, after he received this memo from Mr. Glover? Was there any indication of any further checking done by anyone in the agency?

MR. ROGERS: Mr. Chairman, the answer is no I didn't.

MR. CLARK: So that there's no misunderstanding, there was actually no information the Auditor could turn up that following this memo from the financial administrator, during the time the Purnell inquiry was going on in Alberta -- this kind of memo went to Mr. Mathew -- talking about a certain amount of mystery involved. With two in the agency saying it's a good idea and one will sign the documentation twice. Two people in the agency saying no, it's not a good idea -- Mr. Presber and Mr. Glover -- and no further checking was done.

Now, Mr. Chairman, my second question. I'd like to go down to page 7 of the Auditor's report. It's that portion of the Auditor's report, Mr. Chairman . . . I'm sorry it's page 10 of the Auditor's report, item 7 where it talks here

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about in December, 1975 the Export Agency personnel undertook the preparation and accumulation of documents dealing with the financial responsibilities of Mr. Lung, who's in the gallery today, ended up with. This is directly pulled from the statement made by the Minister of Agriculture that it was the government's intention to make \$15,000 available to Mr. Lung in light of the financial shortcoming. I'd like to ask Mr. Rogers, in the last portion of your comment it says:

While the grant application appears to have had the sympathy of senior Export Agency Management and the Ministers and Deputy Ministers of both Agriculture and Business Development and Tourism, problems were experienced in providing the necessary supporting documentary evidence for its approval. This Office has been informed that payment of the grant has been deferred pending completion of this report.

Can you elaborate in that area, Mr. Rogers?

MR. ROGERS: Mr. Chairman, I really cannot elaborate to a very great extent except that I had seen the document and I believe the supplementary information is to be collected. But I have no actual information beyond that. There is an application for this amount, this grant, and that it is held pending the completion of the consideration of this report.

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The reason it's mentioned is because it was brought out in the testimony in the spring at the time this was initiated.

MR. MOORE: Mr. Chairman, perhaps if I might briefly respond to that question. As is indicated in the Auditor's report, the payment of the grant, or final decision to make payment, was deferred by pending completion and the tabling of this report. My intention in that has not yet occurred but it's my intention over the course of the next few weeks to have department staff confer with Mr. Lung as to the actual amount of loss involved in developing this market and to consider what, if any, grant might be paid to him. But it's not a matter that has been closed in terms of providing a grant. It is open and it will be discussed further with Mr. Lung.

MR. CLARK: Mr. Chairman, I'd like to direct my supplementary to the minister. Mr. Minister, when we met this spring, I think the last day of the session this spring -- if my memory is correct and please correct me if I'm not right -- I received the impression from yourself that day, Sir, that it was your intention to make financial assistance available to Mr. Lung in light of the financial shortfall. Are you telling us today, Mr. Minister, that you are now directing your staff to go back to Mr. Lung to satisfy your staff that

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there was in fact that shortfall? I say that in light of the comments in the Auditor's report here on this item 7 again where it says it appears for some reason already your colleague's department has decided that this should be paid. That's in the Auditor's report and I fail to understand how they would have documentation that would say it should be paid. I think the term is something like "have the sympathy of senior Export Agency Management and the Ministers and Deputy Ministers of both Agriculture and Business Development and Tourism". I get the impression the Export Agency are saying pay it, that your colleague's department is saying pay it. Are you telling us now, Mr. Minister, you're going back to have another look at it; that you're not satisfied that the decision you made earlier should be followed up in light of the fact that your international director in this case had not been involved at all?

MR. MOORE: Mr. Chairman, I'm not saying that at all. As a matter of fact, the situation is that after having made the statement we had under consideration the payment of a grant to Mr. Lung for this market development project, it was after having made that statement that the committee voted to have the Auditor do the report that's before us. Some time after that, and I'm not exactly sure of the dates, I was advised by the Deputy Minister of Agriculture that Mr. Lung

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-- who I might add was quite upset about he having somehow or other been brought into and involved in this inquiry when he started out with some very good intentions with respect to market development -- advised us that the matter of whether he received a grant would be something he would want as well to hold in abeyance until after this report and then discuss it. I haven't had that opportunity to discuss it with him.

My understanding as well is -- and there again I do not have the figures -- that the German firm which is referred to did pay part of the losses that were incurred, but I believe those were only the losses that were incurred in Germany. I'm not sure whether they in fact were the responsibility of Mr. Lung.

It's a matter of because of the whole inquiry, because of the shadow that was cast on Mr. Lung and so on, he wanted to defer any grant from the government to himself. I'll be discussing the matter with him further. As far as I'm concerned, the original commitment to consider that amount of money still holds providing all of the circumstances we discussed earlier are the same. I have no reason to believe that they are substantially different.

MR. CLARK: Mr. Chairman, I'd like to refer to document 39. This is the document that deals with slaughter and feeder

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calves for export to Germany and Greece. This is one of the documents that refers to the decision being made to send word to Greece to the Canadian Embassy that in fact there were no calves available in Alberta at this time. Once again I would refer hon. members to the fact that it wasn't very long before that that we had the NFU people out on the front steps of the Legislative Building on the cow-calf situation. I refer specifically to the telex in here from Greece that asks for general quotation on calves, not just the kind of calves Mr. Lung was attempting to get to Germany, but a broad general question about calves in very general terms. My question to Mr. Rogers: Mr. Rogers, in the course of your investigation, did you discuss with people in Agriculture or come across any evidence that would substantiate the decision to send a telex to Greece and also to the Canadian Embassy in Europe, Brussels I believe, that in fact there were no calves available in Alberta?

MR. ROGERS: Mr. Chairman, I think that is dealt with in the report and I think the series of events is followed through. It was necessary to include this because of the fact that there had been a problem with the testimony given in this area before this committee. I think it's covered on page 7. It appears that there was a memorandum dated February 26 from Mr. Hanna, the Assistant Deputy Minister of

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Agriculture, indicated to Mr. Lack the probability that sufficient calves were not available in Alberta to supply existing orders. This information was relayed by Mr. Lack to Mr. Presber, in a similarly worded memorandum. That's Exhibit 39. The first one is Exhibit 38, the next is 39. Acting upon these instructions, Mr. Presber prepared telexes for transmission to Canadian embassies in Bonn, Athens and Rome. The wording of the telex is given on page 7.

In discussion with Mr. Presber, he was deeply concerned about the implications. He indicated that he had been deeply concerned about the implications in sending these telexes and had checked back with his superiors, Messers Clarke and Lack, on February 27. He also, on March 3 spoke with Mr. Hanna and confirmed the required wording and the recipients of the telexes and suggested that the subject be reviewed with Dr. O'Donoghue and was assured that this had already been done and that the instructions had been issued with a full and detailed understanding of the deputy minister. There are indications too, in the letter Mr. Presber wrote to Mr. Clarke on the 9th of March on the same subject that this had been discussed with Mr. Bastounis, commercial officer at the Canadian Embassy, at Athens, Greece, who was travelling through Canada. This discussion had been before the sending of the telegrams. So I think

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that those are the relevant facts we found in the course of the investigation concerning the sending of the telegrams.

MR. R. SPEAKER: Mr. Chairman, I wanted to ask a question with regard to Exhibit 28 and relates to the Minister of Agriculture's remarks on payments to Mr. Lung. My question is: on the third page of that exhibit there is an indication that the farmers that made calves available, suffered a loss. I was wondering if there was a consideration being given by the government to also reimburse farmers. Is that considered along with the payment to Mr. Lung?

MR. MOORE: Mr. Chairman, at the beginning of this project in discussions between Mr. Lung and the deputy minister of agriculture, the deputy minister indicated to Mr. Lung that he felt it was appropriate that top prices be paid for calves going into this market. Insofar as I am aware that is the case. As a matter of fact I think the prices which were paid were in the neighborhood of 35¢, while the market price during that time for similar type calves in Alberta was somewhat less than that. The matter of farmers having lost money on this is an expression of opinion by a staff member, which so far as I'm concerned has not been substantiated. I'd certainly be happy to look into that matter. I doubt whether there was any actual loss in terms

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of selling calves to that market as opposed to domestic buyers in Alberta.

MR. R. SPEAKER: Mr. Chairman, the payment to Mr. Lung has no relationship then to any consideration to farmers that were involved in this transaction?

MR. MOORE: Well in a way, Mr. Chairman it does because what we were involved in here was a market development project that like other market development projects, we knew in initial stages there were not going to be any profits. For example, one of the difficult problems was air freight and what it was going to cost to get the cattle there. As a matter of fact, Mr. Lung made some very good progress in terms of getting air freight at a lesser rate than what had been originally quoted by Air Canada.

Indeed the whole project was based on the probability that there would be some costs incurred to someone over the course of the first few shipments and that it would ultimately develop, as other market development projects have, into a profitable situation. Therefore, I think one can conclude without any question, if we're able to carry this project through to some major sales that indeed our producers will benefit.

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The cost of getting a project like this off the ground and opening up a new market ultimately benefits the producer. In fact that's the main reason for getting involved in a number of market assistance grants and such things of this nature. We wouldn't be doing it, quite frankly, to assist importers or exporters. We're doing it to assist the primary producers in this project.

MR. YOUNG: Mr. Chairman, since Mr. Speaker has raised his question -- I presume it has reference to Exhibit 28. I am a little bit concerned that perhaps an impression or reading of that exhibit is different from what I read it. Mr. Chairman, on page 3 of that exhibit, under Value of the Program, halfway down, I quote:

The price receive for for those weights was certainly above current market prices. But \$100 for a 300-pound calf does not even cover cash expenses for keeping a cow all year.

My understanding of that statement would be that in fact the farmers did not lose money on this program because of the program. If they lost money it was because of the general state of the market. I think it should be quite clear before the committee here, that the allusion to the loss of money, as I understand it -- and I stand to be corrected -- is not due to the program and shouldn't in any way be

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related to the program or the Export Agency as such or Mr. Lung, but rather to the general market conditions. I wonder if I'm correct in that assumption.

MR. MOORE: Mr. Chairman, I've now had an opportunity to reread again the items referred by the hon. member and he is certainly correct. As is the case with most cattlemen in Alberta today, they are suffering a loss. There may have been a loss suffered on this particular project in terms of the cost of raising a calf, but it's obvious on page 3 of that Exhibit 28 that the loss was less than it might have been had they been sold in the market in Alberta.

MR. YOUNG: Mr. Chairman, the question I wanted to ask before the last questioner, is to the Auditor. Perhaps I could express it thus: on reading the report, much of it deals with the relationships within the agency as such. But the whole episode started off with a meeting, I understand it, between Mr. Bowns and Mr. Lung. Would it be correct to say that from that date in 1974, to the termination of the project that the understanding by Mr. Lung of what the agency could or could not do and what the Department of Agriculture could or could not do and in fact possibly even the whole approach of what Mr. Lung wanted to do, was not clarified? That it was in the process of evolution of

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trying to understand the function of the department of the agency, and as we move through the concepts of what might be possible have changed and Mr. Lung finally arrived at a specific proposal. But that originally this was not the case. Is that correct or is that what your discussions would indicate?

MR. ROGERS: Mr. Chairman, I think that is substantially a summing up of what is contained in the report. That initially -- this is our own interpretation perhaps -- Mr. Lung saw the agency in a somewhat different light and the constitution of the agency did not permit it to act in the way that I believe, Mr. Lung originally saw it functioning. Then as -- the word "evolution" was used -- I think that describes what really happened -- as the agency in effect, encouraged Mr. Lung to become more and more involved himself. That is what happened in the report.

MR. YOUNG: One of the intriguing elements of this -- this again to the Auditor -- which comes to me, is the exclusion of Mr. Presber and it has been discussed. One point I think has not been mentioned. It's shown in Exhibit 1. That is that Mr. Bowns at that first meeting with Mr. Lung returned from the meeting and made notes re the meeting and his notes indicate Mr. Lung emphasized the need to keep this matter

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on a very confidential basis, et cetera and suggested himself, Dr. Richter, Mr. Clarke and the writer. Now, I have no doubt that -- in fact I think that I would have acted, had I been with Mr. Lung's interest at that time with the rather uncertain information about what government could do -- I probably would have expressed the same type of concern. But this does not include Mr. Presber. Was there any indication that in fact, some of the exclusion of Mr. Presber may have originated from this set of notes and that in fact there may have been a failure of complete communication between Mr. Bawns and Mr. Lung on what is meant by confidentiality and perhaps again, the somewhat incomplete understanding of the agency. Mr. Presber may have been omitted from this list simply because he wasn't known to Mr. Lung. Is there any indication of that?

MR. ROGERS: Mr. Chairman, I think that it's a possibility. It gets to be rather difficult, after this lapse of time, to go back and decide exactly what the intentions were. But we gathered from Mr. Bawns, I believe it was, that he was instructed not to discuss this, if I recall correctly, by Mr. Clarke. He was instructed not to discuss this with Mr. Presber. That did come out in evidence given to us.

There is one thing I should say. We use the word "evidence". It isn't evidence in that it's under oath. It

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is simply the matter of questions and answers. The Auditor has no alternative but to act in that way.

MR. YOUNG: So it is possible then, to conclude from this that what in fact may have started out as an innocent and perfectly legitimate and acceptable attempt by all parties to confine the discussions at one point, had become misread or taken on a significance which it really should not have had, if we look at the way the agency was operating. What we have had here, is a failure at some point, perhaps way back when, to completely understand the scheme of the Export Agency. Is that a possibility. Was there any indication to indicate that that might not have been a possibility or could not have been a possibility.

MR. ROGERS: Certainly it's a possibility. The only thing is the evidence that we received again, the answers we received, seemed to indicate that there was a specific direction to exclude. That is the only thing I can go on.

MR. YOUNG: If I may for clarification. That's the question I'm asking. That specific direction may have originated from the original understanding that Mr. Lung had if in fact he gave this expression of concern about confidentiality, which has never been challenged. At that point in time,

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that was correct and you found no evidence or no indication of anything else?

MR. ROGERS: That is a possibility. It could have happened that way.

MR. CHAIRMAN: Honorable members we have passed the adjournment hour, but I have two names left on the list. Are you prepared to hear out the last two names on the list?

HON. MEMBERS: Agreed.

MR. NOTLEY: Mr. Chairman, just pursuing a point that Mr. Young raised about the question of excluding Mr. Presber. I'd like to refer Mr. Rogers to page 6 of his report. It's something that I must confess I found a little puzzling. Let's go down to the third paragraph. Now this concerns what happened after the requests or market opportunities from Greece and the other German firm were made known. As I understand it, Mr. Presber had tried to pursue this. I will just quote so that:

Mr. Clarke had informed him that the Department of Agriculture believed insufficient calves of the type required were available in Alberta at that time and that

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the inquiries were being held pending completion of a survey to establish the current supply situation. Now, the operative phrase is "pending completion of a survey to establish current supply situation". Then a little while down the line, Mr. Rogers, you say: "While it seems that no survey was being conducted at the time. Then you qualify that by saying: "it would appear that there weren't sufficient calves". My question relates to the understanding that Mr. Presber had that in fact this survey was being conducted and that he got that impression from Mr. Clarke and your assessment that in fact no survey was taking place at the time. I wonder if you could explain that?

MR. ROGERS: The statement is based on the fact that we did not find any evidence of the survey. We were unable to determine that any survey had taken place.

MR. NOTLEY: Then one could conclude that on this particular issue, then, Mr. Presber was being either misled or misinformed by Mr. Clarke on a very important question as to whether or not a survey was taking place.

A follow-up question that I would put to Mr. Rogers and it deals with the decision to send out the telexes that there were insufficient calves. If in fact there was no survey being taken, as Mr. Clarke had indicated to Mr. Presber, on

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what basis then, did the department in the light of the NFU demonstration and what have you, what did objective basis did they come to the conclusion that there were inadequate number of calves to meet the order?

MR. ROGERS: Mr. Chairman, I really can't go beyond the fact that this was a letter from the department advising the Export Agency of this. There were limits to how far we did go without getting too far away from the periphery of the terms of reference. I'm not able to answer that and I merely say that we had no evidence that there was a survey. There may have been, by some other employees of the department that gave this information to Mr. Hanna. I don't think we had any information. There was a survey done in November, but there was no indication of a later survey and that's all I can answer.

MR. CHAIRMAN: Mr. Notley, third supplementary.

MR. NOTLEY: I believe this is my second supplementary. If I'm correct, Mr. Chairman, I think that I've only asked two questions. (interjections) Okay.

You must remember too, that the requests from Greece and the other German firms were for any calves not just dairy calves.

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I would like to turn, if I could, Mr. Chairman, to Exhibit 33. This is a memo from Mr. Lack to Mr. Hanna concerning the Danhauer request from Munich, West Germany for a quotation on Canadian feeding calves. I would bring to your attention the writing on the bottom. This is Exhibit 33. This is Mr. Hanna's writing. He says, "discussed with W. Bawns, February 18. Wilf will contact H. Lung re calves. Will only forward price if Lung provides". Mr. Rogers I find that a little difficult to understand because one of the major concerns that I see running through this entire issue was that the export trade in total be notified. Yet we have this addendum to the memo that we'll only forward price if Mr. Lung provides. That seems to narrow the issue to Mr. Lung as opposed to what would appear to me to be the appropriate response of making this information available to the trade. I believe there was a register that the Export Agency had of people in the trade. It would occur to me that the proper approach would be to make that information available and then proceed from there. But the addendum to the memo -- the written addendum -- would lead me to the conclusion that no action was going to be taken until such time as Mr. Bawns had had an opportunity to discuss this matter with Mr. Lung.

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MR. ROGERS: Mr. Chairman, at the top of page 10, the second paragraph, Mr. Bawns informed this office that he had verbally advised the Alberta and Canada All Breeds Association and Mr. Lung of the existence Calitsus and Danhuber inquiries. Mr. Lung expressed no interest in them because of the difficulty being experienced in filling out their orders. That is the only comment that I can make, that we do say that these offers were not equitably distributed to the trade as was indicated in the guidelines or the regular practice of the Export Agency was to create a register and to equitably distribute them. But in these cases, because these functions had been transferred as of February 9, it seems that it fell down between the cracks so to speak, in the transfer. That's the only comment I have to make.

MR. NOTLEY: Just to clarify this. The only rational explanation for not following the guidelines in this case would be that things got bogged down in the administrative difficulties of transferring it from the Export Agency to the Department of Agriculture, which when one looks over the report, it appears in large measure, was done to contribute to the freezing of Mr. Presber out of the decision-making process. That's at least something that one could read into the sequence of events.

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The final question I'd like to put Mr. Chairman -- I'll just go back to page 8 of the report -- it goes back to this whole business of the assessment of the assessment of Interfleisch as company, the reliability of this firm. I'd like to put this to the minister. The second last paragraph, "In evidence the minister stated that it had been received" this is the information we are talking about on the company. The search report was the document produced by the Minister of Business Development and Tourism at the Public Accounts Committee meeting on May 19, 1976.

In evidence the minister stated that it had been received by the Export Agency on August 19, 1975 and that it was given to Mr. Presber on November 3, 1975 to indicate to him the sophistication of the organization which was to be brought to Alberta. In fact, November 3, 1975 was one month after the visit of the German mission. The August 19, 1975 date stamped at the foot of the last page of the search report is the date upon which it was issued by the reporting agents in Germany. It should also be noted that August 19, 1975 was six days after the invitation to visit Alberta was issued to Mr. Steele.

You then, just before that go into:

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Mr. Presber had apparently obtained the information himself but had not released it to the Export Agency until November.

Perhaps I could put that to the minister because I think there is some difference between at least the thrust of what I recall the testimony last spring. I wonder if he is in a position to reconcile the two.

MR. DOWLING: Mr. Chairman, the documents that I was dealing with at the time, when they were before me -- this matter was brought to my attention early on when I saw the report and I intended at the start of this Public Accounts hearing to clarify that situation. The documents referred to was in fact stamped November 3. I assumed incorrectly that that was the date it was received. In fact that November 3 date was the date it was filed in Mr. Presber's office in his files. So I made an incorrect statement, bearing in mind that the document was in fact stamped November 3, I assumed it was the date received. Since then I have determined that in fact he had it many days before that. So you're exactly correct.

MR. MCORE: Mr. Chairman, I wonder if I could make a brief statement with regard to the series of questions of the hon. Mr. Notley to the Provincial Auditor with regard to calf

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exports and the inquiries that were being received. Quite frankly, it was the view of the Department of Agriculture, at that time which was shared by Mr. Lung and apparently by the Alberta All Breeds Association as well, that the offers that were coming forward were coming forward on the basis of some information that had gone throughout the European economic community that you could buy calves in Alberta at a relatively cheap price and export them into some of those countries. The facts of the matter were that we had seen, or the interest that was shown, indicated quite clearly that in view of the problems we were having in getting competitive air freight rates and also of some difficulties we were incurring in the health of animals regulations in those countries, that there was no way that calves of that type and quality and weight could be assembled that could provide our producers anywhere near the return that as required in relation to our domestic market. So it wasn't felt that we should fly all over Alberta or Canada the offers that were coming forward with the full knowledge that there was no way that they could be filled.

MR. R. SPEAKER: Mr. Chairman, to the Mr. Rogers. I would like to relate my questions to pages 14 and 12. The conclusion to the report is that procedural irregularities were a result of poor administrative and procedural

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discipline within the Export Agency. I would like to relate my questions to that particular quote.

On page 12 we have a lack of clarification in the roles between the agency and Mr. Lung and then eventually those roles clarify themselves. In the opinion of the Auditor in his investigations, did you feel that this lack of clarification relates to a lack of communication of the procedures of the Export Agency to people that were working with them, to the general public?

MR. ROGERS: Mr. Chairman, if I understand the question that was just asked, it has to do with the inadequate communication?

MR. R. SPEAKER: Mr. Lung was not clear on the role of the agency. I'm making the point that if the administrative procedures the administrative guidelines, the purpose of the agency were made public or made clear to Mr. Lung this misunderstanding would not have occurred.

MR. ROGERS: Mr. Chairman, I think that throughout this -- and we are looking at only one series of transactions -- the fact that Mr. Presber made the allegations he did was that he had in effect, determined that there was a mystery. This was the same word that we had involved in Mr. Glover's

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letters. It appears this mystery was caused through a lack of communication through the staff who were involved with the transaction of the Export Agency. It did appear that that was the basic reason -- that and the fact it was agreed for instance, that approval of financial assistance was based on Mr. Presber's offer to visit Interfleisch in Germany and check them out before issuing an invitation. Then without any explanation to Mr. Presber this was changed. Now I'm not saying the change was wrong. But the fact that there was not adequate communication in areas where people were legitimately interested and in this case it was Mr. Presber, this was one of the root causes of the fact that Mr. Presber gave the evidence he did before this committee and made the allegations he did. He had these mysterious happenings for which there was no explanation -- no explanation was tendered -- and therefore he saw a set of circumstances that appeared to support a series of actions which he believed had taken place and led to the allegations. I think that is really the importance in this situation.

MR. R. SPEAKER: Mr. Chairman, to Mr. Rogers, because of that type of environment it is very possible then that Mr. Lung's misunderstanding was directly related to a lack of clarification within the Export Agency re their guidelines.

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MR. ROGERS: No, I was talking about Mr. Presber's misunderstanding.

MR. R. SPEAKER: What about Mr. Lung?

MR. ROGERS: Mr. Lung, at the very beginning. I'm afraid I can't answer that. I wouldn't know on what Mr. Lung based his understanding of what the Export Agency could do.

MR. R. SPEAKER: Mr. Chairman, on page 12, and it's referring to Mr. Lung, and I quote:

He became responsible for exporting the sole shipment at a considerable loss.

In your investigations, Mr. Rogers, was there any written evidence or verbal evidence within the Export Agency which made a commitment on behalf of the agency to pick up any financial loss for Mr. Lung?

MR. ROGERS: Mr. Chairman, there was no commitment.

MR. R. SPEAKER: Last supplementary to the Minister of Agriculture. Within the Department of Agriculture are there any written documents or verbal commitments committing the government to pick up any losses for Mr. Lung.

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MR. MOORE: I don't believe, Mr. Chairman, there were any commitments that would be provided period, but it was under consideration. Mr. Lung was that on the basis of information he had provided to us, that we would consider a grant that would be equal to 50 per cent of the costs that were incurred by him in this particular market development project. But there was not a final commitment.

MR. R. SPEAKER: Could the minister clarify how the initial policy decision was arrived at with regard to the 50 per cent?

MR. MOORE: Well, Mr. Chairman, that is a normal policy procedure of the Department of Agriculture, although it can vary with regard to a specific project. But in general, as with the All Breeds Association and more than 20 other cattle associations in Alberta, we've been in the practice of providing them with an amount that's equal to 50 per cent of the costs that they incur on projects of a similar nature or market development of another nature.

MR. CLARK: Mr. Chairman, really what I wanted to do was to move a motion rather than to ask a further question. But perhaps before I move that motion I might ask Mr. Moore just one further question. It relates to the last question, Mr.

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Moore, specifically when you said that it's a common practice to pick up half the losses with regard to you said 20 breed associations and so on. Has this practice been extended on a number of occasions to individuals?

MR. MOORE: Mr. Chairman, when we're involved in market development, indeed the practice of assisting by way of grants -- the costs of that market development -- it's my understanding that we've not only been involved with breed organizations, but with individuals and private companies as well.

MR. CLARK: Mr. Chairman, what I'd like to do is to make a couple of short comments and then move a motion. I suppose the first short comment I have to make really deals with a bit of a confession myself. I really see the auditor's report giving a pretty clean bill of health to Mr. Lung, also to Mr. Presber. I think I'd want that on record. I also would have to say that as I read the auditor's report, the problems that are outlined in the auditor's report don't point a finger in any way, shape or form at either of the two ministers here. I think that should be recorded also in the transcript of Public Accounts.

Let me say that initially when we started these hearings I expected to find more of the responsibility resting at the

ministerial level than basically we found. My feeling, as we conclude these hearings on the Export Agency, is that basically we have a situation, for whatever reason a member may want to put it there, to say that within the Export Agency itself, whether it's the administrative procedures or wherever it may be, that that's really where the problems have been, not at the minister's desks where I had initially thought that the responsibilities lie. It's really with that view in mind that I'd like to move a motion, and perhaps I might ask the secretary if she would be so kind as to pass them out. There are copies for the ministers and all the hon. members. Basically what the motion asks is that the auditor be asked to investigate and report to the Public Accounts Committee in the third session of the 18th Legislature on first of all the adequacy of standard procedures to investigate the financial standing and evaluation of security with respect to all companies for whom loan guarantees were being considered. Secondly, to ask the auditor to investigate whether standard procedures were adhered to in the cases of the guarantees for loans to Canadian Cane Equipment Ltd., St. Paul Livestock and Auction Mart Ltd., and Canadian Livestock Import and Export Ltd. We've included those three because it's those three guarantees that, within the course of the last year, the taxpayer of the province has been called upon to pay out the

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guarantees. The third request of the auditor is, the amount, readiness, and adequacy of authorization of expenses charged to the agency in respect to guarantees of these companies. Fourthly, to extend the adequacy of contract with a control over these companies after giving of the guarantees. We've included that because members will recall Mr. Matthew, when he appeared before the committee, indicated that he was, I believe, a member of the board of Canadian Cane. We asked how successful he'd been able to be in having an influence on Canadian Cane. I think he made the comment something like he hadn't been very successful in being a member of the board there. The fifth one, the adequacy of actions taken to minimize the loss under these guarantees. I would say, Mr. Chairman, that in essence what we're doing here is asking the auditor to look at the adequacy of the standards procedures to investigate the financial standing of the companies involved, to ask the auditor specifically to, from that point of view, look at the operation from the Export Agency's point of view as far as Canadian Cane is concerned, St. Paul Livestock and Canadian Livestock Import and Export Ltd., which in the course of the past few months the taxpayers of the province have had to pay the guarantees on. That's the motion I'd like to move at this time, Mr. Chairman.

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MR. FARRAN: Mr. Chairman, speaking on the motion, first of all I believe it's the duty of the Public Accounts Committee to examine the accounts of the Province of Alberta for the preceeding year. We should be dealing with the 1975 public accounts, not with matters that have taken place during 1976. I'll start with that observation.

The second point is that the provincial auditor is not an inquisitor, he's not a commissioner of inquiry. It's not proper to ask him to investigate in terms of anything other than the actual dollars and cents of the public accounts. The question of the adequacy of standard procedures is dealt with in the supplementary report on the question of calf exports to Europe, delivered to the chairman today. The auditor very clearly spells out that his obligation in regard to procedures are procedures in connection with specific dollar amounts and specific cases. The question of standard procedures and so on is a matter of government policy, laid down within the departments under the responsibility of each minister. The word investigate is used often in this particular motion, just as if this were another avenue to set up public inquiries and commissions of inquiry and so on. That's not really the function of this committee.

Canadian Cane, St. Paul Livestock, and I believe, Canadian Livestock, have all been the subject of debate and analysis

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by this committee over the past year. If such a motion was pertinent, it should have been raised at the time those particular subjects were under discussion. The amount of reasonableness in this motion -- the mover almost assumes that he has responsibility for government. Reasonableness is a matter for the people and the electors and the government of the day. So is the extent and adequacy of contact with and control over companies after the giving of a guarantee. These are all questions of policy which are far beyond the ambit of this committee and the provincial auditor himself.

It's quite clear to me that what had started as comparatively small matters, in the words of the auditor, viewed in the financial context of the numerous projects handled by the Export Agency, Mr. Lung's was indeed a relatively small venture. This is another attempt to expand small ventures into a general witch hunt.

I am therefore opposed to the motion, Mr. Chairman.

MR. McCRAE: Mr. Chairman, I would also like to speak to the motion. I would first of all like a clarification as to whether or not we, in this fall session, or the end of the 18th Legislature, can in fact impose an agenda on the committee for next spring. I'd like clarification on that, Mr. Chairman, before I get into my discussion.

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MR. CHAIRMAN: My ruling would be that none of us really know who will be on the committee in the next session because we have the habit of choosing the committees at the beginning of each sessions. Consequently, I would think there would be some question about us binding the next committee.

MR. McCRAE: Thank you, Mr. Chairman. I just wanted the qualification because that was my understanding as well.

MR. CLARK: Mr. Chairman, on a point of order. Might I simply point out to you, Mr. Chairman, that this motion does not instruction the committee to do anything.

AN HON. MEMBER: That's right.

MR. CLARK: All it does is ask the Provincial Auditor to investigate and report to the Public Accounts Committee. The committee at that time, whoever the members are can do whatever it wants with the report.

MR. McCRAE: Mr. Chairman, I'd like to make a few comments on the resolution. It's an extremely broad one. We've had a bit of grandstanding here today, Mr. Chairman. We've had a situation that the committee was trying to hamstring or curtail the investigation of the Public Accounts Committee.

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Mr. Chairman, The Financial Administration Act outlines the details of what the Provincial Auditor's function is. It's quite clear from that statute that his responsibility is a financial one. We've had the complaint over here, the grandstanding that the committee is being restricted. Mr. Chairman, the entire chronology or sequence of events relative to the Lung effort to export cattle relates to 1976. The public accounts that we have under review should in fact be the 1974-75 period so any suggestion that the committee is being restricted from the opposition to the questions they may ask is simply unfounded and in fact ridiculous. I'd suggest, Mr. Chairman, that we consider very much as a committee restricting ourselves in future discussion to the actual public accounts booklets or volumes under review and for this fall session it should be 1974-75.

I'd also like to say, Mr. Chairman, that in my view we have imposed on the task of the Provincial Auditor. I think frankly, as I said, that his responsibility is a financial one. We've asked him to get into a management assessment of how the procedures of the Export Agency were dealt with, whether or not there was a consistency in adhering to the policies or guidelines set out by the people in the Export Agency. We had the Auditor tell us that certainly it is a management prerogative to establish guidelines and in fact to depart from the guidelines at any appropriate moment. I

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think we've asked the Auditor to get into an area that is normally beyond the purvue of his office.

I think the responsibility of this committee is to restricts ourselves to financial matters. If we have a concern in any area, fine. Let's ask the Auditor the question. He will examine and report to us on the financial implications of the particular question. That's what Public Accounts is all about. That's what The Financial Administration Act is all about.

Mr. Chairman, I sat here in this House last week in amazement. It was the date the Japanese trade delegation was here. We had the Premier welcome to Alberta, stressing the importance -- to Alberta at a time when oil and gas revenues can in the foreseeable future be anticipated as reducing -- stressing the importance of gaining export markets in other areas, agricultural processing being one of them. We had the hon. Leader of the Opposition jump up and join in welcoming the Japanese delegation, stressing in view how important that same thing was, that is, creating markets. I ask you, Mr. Chairman, how are we going to create new export markets if we have a witch hunt, an investigation like this, every time someone gets out in the free enterprise system and tries through the Export Agency

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to develop a market. Surely Mr. Lung has been very unfairly dealt in this committee.

We have the hon. member jumping up now or stressing at the end of the hearings that he finds that the conduct of that particular gentleman was entirely above board and in fact, I suppose, meritorious. But that wasn't the tenor or feeling of this committee a few weeks back. There were innuendos -- I'm concerned that we take the reputations of public servants, people who are committed to the Export Agency in this particular case, dedicated to this government, dedicated to finding markets beyond the borders of this province -- and through innuendo and charges, reputations are damaged. I think that we have got to respect that these people who are working for us do their very best. Management occasionally makes judgments that perhaps the guidelines would better be departed from in a particular case. I think to ask another public servant, for whom we all have a great deal of respect and admiration, to conduct a managerial assessment of whether or not the departure from the guidelines in a particular case was or was not proper, I don't think is fair to the person we are asking to do the investigation or the people under review. If we are in fact concerned about expanding our export opportunities, then surely we better develop a little better sense of proportion

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of what is right and what is wrong in terms of the people's reputations which are at stake.

Mr. Lung, for instance, in an imaginative effort went out and tried to develop an export market for calves in Europe. Had it worked, it would have been a great thing for all cattle producers in Alberta. It didn't. He suffered a financial loss. In addition to that financial loss he's suffered a loss of reputation through the efforts of this particular committee.

The report of the Auditor, in my view, entirely exonerates Mr. Lung of anything but the best of intentions. Also in response to questions the Auditor admitted that there was no financial loss to the guidelines did not cause the government any disadvantage financially or otherwise. It was strictly a management decision as to whether or not a particular set of guidelines as determined by management, would be departed from by decision of the management.

I've said, Mr. Chairman, that I'm concerned about the way we treat the witnesses that come in here, the public servants and the other people. I really mean that. We have immunity in here and it's a great thing for us. Parliamentary immunity was accorded to legislators for a good purpose. But I think with immunity comes a bit of responsibility. I'm not sure that we have shown that responsibility. In a several week investigation of a matter

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of \$2,400 and some-odd cents, we finally get a report is much ado about nothing, a tempest in a teapot. It makes great news, but it is nothing in the way of a bad reflection, in my view, on the Export Agency people involved. It's simply a chronology of misunderstanding among people, of disgruntlement between certain employees, of decisions made by management as to how they will handle a particular export business.

Mr. Chairman, I think any extension of this inquiry is an imposition on the Auditor's function. It's far beyond his normal capacity. I don't think, with all due respect to the Auditor, that he perhaps -- maybe none of us have, maybe there's no one who -- has the ability to go into a particular group and say, this management decision was right. The way you made a decision was right or wrong. If you wanted a management review you would call in a management agency to carry out that review for you. Mr. Chairman, we should restrict ourselves in this inquiry to financial matters. We should restrict ourselves to the period under discussion. In this particular case it is the '74-'75 public accounts period.

I also would request or suggest to the committee that in dealing with public servants, those who are called in here as witnesses, that we deal with them a little more fairly, recognize that their careers and their reputations are

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important to them. If we have some reason to believe that there is financial wrong doing. Fine. Let's ask the questions. Let's get the financial answers. But let's not broadside them with distortions of what they may or may not have been doing.

Mr. Chairman, I think the resolution is a bad one and should be defeated.

MR. NOTLEY: Mr. Chairman. . .

MR. CHAIRMAN: Mr. Notley if one more member leaves the committee, I'm going to have to declare it adjourned for lack of a quorum.

MR. NOTLEY: Well, Mr. Chairman, in rising to take part in this particular debate, I would hope that members of this committee would stay until such time as we could resolve olve this matter by vote and not through lack of a quorum.

I first of all, don't accept the proposition that because we've had, I think, a thorough and excellent investigation of this question, that somehow this is a witch hunt, or that nat it was meant to be a witch hunt, or ever was. I think that at that sort of suggestion is just wrong. Having said that, I don't think there is any doubt, and I would just like to add my comments to the one stated by the Leader of the

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Opposition, that this report clears Mr. Lung of any suggestion of wrong doing. No question about that. Also, when one reads the report carefully, there is no evidence at all to suggest wrong doing on the part of either minister. What this report does show is that in terms of top level management of the Export Agency in this particular case -- we're not going any further -- there was a breakdown of administrative procedures and that guidelines, standards which were set by the director general of the agency himself, we're frequently not followed. Now, Mr. Chairman, I suggest that to assert that discussing this matter, that bringing this information to the attention of the people of Alberta is a witch hunt is absolute nonsense.

I also say, Mr. Chairman, in dealing with the arguments that we've heard from the Solicitor General and from the hon. minister without portfolio from Calgary, that somehow this is trespassing upon the Provincial Auditor. I think that we should remember that it was the Premier of this province who asked the Provincial Auditor in April or May of 1975 to look into allegations concerning the former deputy minister of agriculture. As a result of the report of the Provincial Auditor, a public inquiry was held. I think we should remember it was the Premier of the province, not the Public Accounts Committee, not the Opposition, that asked

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the Provincial Auditor to investigate the activity of the office of special programs.

Mr. Chairman, the fact of the matter is that it is clearly within our right as a public accounts committee to ask the Provincial Auditor to assess whether or not public money was wisely spent, invested or what have you in these particular cases. We have to keep in mind that we are dealing with money which was lost. Almost \$1.5 million in these three cases when one considers the principal and the interest. The suggestion can be made that we are dealing with public accounts for 1974-75. In each of these instances, the set of events, the sequence of events, which lead to the final writing-off the money as every member of this committee knows, began well before this particular year -- in some cases '73 in some cases '74. But within the ambit of any, I think, basic understanding of our role as a committee.

The Solicitor General defeats himself when he mentions that we have already discussed this matter in public accounts. If he is so concerned about it being discussed out of place -- he's a member of public accounts -- he should have raised objections at the time. If those objections had been upheld by the members of the committee then there would have been no discussion on these matters. But in view of the fact that the issue has been raised that doesn't mean that we are not in a position as a committee to

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decide what course should be followed to evaluate our concerns and to see whether or not further investigation, further study is required.

Mr. Chairman, as I look at the discussions of the last few months in Public Accounts Committee, last spring and the session last week and this one, I suggest that the Public Accounts Committee has a higher standing in the province than in many years. I suggest that we have a higher standing because we are meeting the obligations that historically have been met by public accounts committees, not just a narrow definition of the role, but an understanding that a public accounts committee is there to be a watchdog.

MR. FARRAN: Perhaps the hon. member would permit a question.

MR. NOTLEY: I'll gladly permit a question when I'm finished, d, hon. minister, but I'm making the point now that we have. .

MR. CHAIRMAN: We should confine the discussion to the motion.

MR. NOTLEY: We have begun a job. Part of that job this year, as we probed the Export Agency related to these issues

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as the Solicitor General himself has said. I suggest, Mr. Chairman, that to defeat this motion would leave the job half-done. We should pass the motion. We should ask the Provincial Auditor to do the follow-up.

I say to you in conclusion, the precedent is there. It's there because of a motion passed by this Public Accounts Committee. It's there because of precedents that this government itself already established in asking our well-respected Provincial Auditor to do the kind of thorough examination which he does.

So, Mr. Chairman, I say to the members of the committee, it would be I think a very serious error of judgment to vote down a motion like this. I think our responsibility is to make sure that the public business to the largest extent is done in public. We as watchdogs must have objective information to be able undertake our responsibilities properly. This kind of report would make that information available.

MR. FARFAN: Through the Chair, Mr. Notley, is your motives are so pure and you use the words assess and evaluate and objective after I've taken exception to the word investigate, why is it that you have never raised a question of the successful negotiation of the Japanese hog market by the Export Agency which has been recently been lauded in the

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press as saving the bacon of a number of hog producers who are suffering from the brunt of federal policy.

MR. NOTLEY: Mr. Chairman . . .

MR. CHAIRMAN: Could we have a short answer to this if possible. We are getting away from the motion.

MR. NOTLEY: Mr. Chairman, to the hon. Solicitor General. I really do hope he is a little more skilled in administering his department than in recollecting Public Accounts. Because last spring we did in fact raise a number of questions about the Japanese hog export contract. We discussed this matter when the minister was here. We discussed this matter when Mr. Clarke was here. We discussed this matter when Mr. Matthew was here and fully discussed it.

MR. FARRAN: Did you give them credit for a job well done? In you objective way I mean.

MR. NOTLEY: Mr. Chairman, if the minister wants to get into a debate, I'd gladly debate this matter all day. But the question was raised and it was discussed.

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MR. R. SPEAKER: Mr. Chairman, in support of the resolution, I would like to say that the points that have been raised here are very important specifically for clarification. In the early discussions in this House there were reflections on ministers, Mr. Lung and others. I think the report has clarified those and has done each and every one of them a favor. That is very important and I think that is our purpose. If there is reflection made on any individual then we also have the responsibility of clarifying those reflections to not only ourselves, but to the general public.

I think in this resolution I believe, we are again attempting to do just that. One, we talk about clarification of standard procedures. This is a further examination of what the Auditor has in his possession at the present time and in turn reflecting on those as good management procedure. We feel also that that should be related to the three cases which are listed in this resolution. We feel that the procedures that led to these companies being in the difficulty they are at the present time were procedures that started in 1974 and 1975, which some of the members make a case that that is the only thing we can study. But to my mind, we can start at that point and continue the study into whatever area is necessary to

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bring about the conclusions to a specific report for the committee and the Auditor.

On that basis, Mr. Chairman, I feel that the support for this resolution is most important. I feel that if the government members turn it down wholeheartedly and feel that no more of this nonsense or no more investigation, that they leave a number of questions, not only in our minds but in the minds of the general public. To me, I feel that we have not taken our responsibility if we do just that. As I indicated in my earlier opening statement, to clarify the matter brings about better understanding in the public and in turn clears anybody of any unfair criticism or unfair reflection.

MR. SHABEN: Mr. Chairman, I have enjoyed the Public Accounts and have not missed a meeting and have taken part in the session on the Export Agency for probably seven or eight weeks. During the period of the questioning by all of the members, we have covered quite a number of areas and topics. The questioning culminated in a request for a study or an investigation by the Auditor. This seemed to be the final result of seven or eight weeks of questioning. The Auditor's report clearly states that there has been no mismanagement of money. I believe that other matters related to the Export Agency have been raised in Motions for

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Return, for example, 219, 214, 208, to which all members have access. I think that Public Accounts also has the responsibility within the province to address itself to other departments. I believe this motion should be voted down and that next year if the Public Accounts Committee feels that in setting its agenda it should again look at the Export Agency, they are free to do so. But in view of the lot of time that has been spent on it and the amount of time spent on the Provincial Auditor, that this committee should vote down this motion.

MR. YOUNG: Mr. Chairman, a couple of responses to observations which were made in debate on this motion. The first in connection with a statement made by the hon. Member for Olds-Didsbury. He stated that to paraphrase "a clean bill of health" -- I think that was his expression -- had been given by this report to the ministers, to Mr. Lung, and to Mr. Presber. I would have to take issue with only one portion of his statement, depending upon how one interprets the expression "clean bill of health". My view on the findings of this report indicate that it is not consistent with some of the thoughts Presber which were related to us in this Chamber. I leave it there. I do not think we should, any of us, be under any illusions that some of the expressions of opinion that were given to the committee here

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were found to be valid. In fact they were not found to be valid by this investigation.

Mr. Chairman, I'm concerned with the nature of this motion. I would ask all hon. members to look closely at what the motion says and expressly, I want to draw attention to point No. 1. We are asking the Provincial Auditor to investigate and report the adequacy of the standard procedures. Now my understanding of the function of the Auditor is that he will prepare a report, normally once a year, which reflects upon the financial dealings and transactions of the government, which identifies when and if those dealings have been inadequately handled so that a loss is caused to the people of the province; whether in any way money has been misappropriated, has not been spent in the manner intended by the Assembly. Now that is something different than is being asked in this first point.

Further, my understanding of our system of audit in the province at the present time, we are under what is generally known as the pre-audit system. There has been debate in the Chamber here and we know that we are discussing a variation to that system -- but a pre-audit system. That in itself, as I understand it, requires the Auditor to make some determination before money is paid out, whether or not it should be paid out. So, we are asking in a sense, the

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Auditor to report upon his own work as I see it. I think that is a request which this committee should not put.

Mr. Chairman, in item No. 3 we are talking about the amount, reasonableness and adequacy of authorization of expenses. Now, the amount of expenses, I presume, is governed by regulation and guidelines. Surely that is something which if the expenses are found to be out of order, the Auditor is duty-bound to report to us in the course of his normal work and would. We have had no indication of that and in this special report we have had no indication of that. We are talking about reasonableness. What is reasonableness? Reasonableness is a value judgment. It's a judgment made by every last one of us, based upon our perspective of what the issue is, our values and our experiences. It is not something which I believe we should expect the Auditor to perform.

The extent and adequacy of contact with and control. Again, what are we talking about? We are talking about judgments -- judgments based on management philosophies and management strategies and just the whole discipline of management and administration. There is lots of room for difference of opinion in this kind of judgment. Again, I say that if that is to be the question then that is the question that the committee must answer and not the Auditor.

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I don't believe we should be asking the Auditor to make that kind of a review.

The adequacy of the action taken to minimize the losses. Again, we're into a question of judgment. Not a question of fact. Not a question of fact in No. 5, 4, 3 and in 1. Number 2 flows from No. 1. We're not talking about fact in the motion which is before us. We're talking about opinion, about judgment, about discretion. I'm not challenging that the Auditor's opinion isn't just as good as anybody else's opinion, but I respectfully submit that's not his function. His function is to deal with fact and that's not what this motion says.

You know, Mr. Chairman, the hon. Member for Spirit River-Fairview in one of his remarks, speaking to this motion, used the term "not whether wisely spent". It's not the Auditor's function to judge whether the money was wisely spent. That's for the members. The members of this Assembly may very well arrive at a decision when passing on the budget at the beginning of the year, to spend money in area on a project which the Auditor may consider to be somewhat less than wise. But it's not his function; it's not his responsibility; it's not his prerogative to examine that or to question that. His job is to determine that in fact the administration spends the money as the Legislature indicates.

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So, hon. members, I regret that I cannot support this motion. I think that it is passing to the Auditor many of the functions which should be performed by the committee. I think that we're going to get ourselves again, in the area where one can debate whether in fact a departure from regulations -- not regulations -- but a departure from procedure is in fact a management discretion, positive toward the achievement of the objective of the agency or whether it can be interpreted as being slackness of administration. Those are two fundamentally different conclusions and I don't believe that we should ask the Auditor or his staff to put themselves in the middle of that debate. So I ask hon. members to defeat the motion.

MR. BUTLER: Mr. Chairman, in my opinion this motion has been well-discussed. The area has been covered time and time again and therefore I move the question.

MR. TAYLOR: The question being called, Mr. Clark will close the debate.

MR. CLARK: Mr. Chairman, I'd like to make just five points, very, very quickly. First of all, I'd like to say to hon. members that if the members can't accept the first proviso in the resolution, we're really saying that it's all right

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for the Premier to ask the Auditor to look at the office of special programs and look at the procedures and make recommendations of changes which should be made -- look at the back of the Auditor's report -- that's okay for the Premier to do. But the members of this committee haven't got enough guts to do it for themselves.

Secondly, when we talk about new market development, I simply say to the members of this committee and anybody else, that if any business in this province is going to deal with the Alberta government then it has to expect that its business dealings must stand the light of public inspection. That has to be a basic understanding.

Thirdly, with regard to the comments that have been made about the treatment of public servants in this committee, I'd have to say in 16 years of being in the Legislature, I haven't found the kind of responses ever that we got this spring, when we asked specifically what was the financial liability that the province of Alberta under the pork contract to Japan? Do you know, Mr. Chairman? The minutes will bear me out. Not one member of the Export Agency could tell us. I finally had to move a motion to ask for the Auditor to bring the information back the next week. That cost us \$1.5 million.

When we asked Mr. Matthew of the Export Agency what was the position with regard to Canadian livestock import-

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exporters, do you remember the answer we got? That it was in a holding pattern? We asked what was a holding pattern. I think he indicated to us something like the books we're being kept in the fellows' house. Now, if that's honesty and straightforwardness, in getting answers from public servants, that's not my understanding of straightforwardness.

Let me give you one other example of this carryings-on in Public Accounts. We also asked Mr. Clarke, the head of the Export Agency, were there any concerns registered by other officials in the Export Agency with regard to this specific matter that Mr. Rogers has looked at. The point was made to us not to the best of his knowledge. Yet we find in the Auditor's report, that Mr. Glover, who sat in Public Accounts that day, had expressed a concern to Mr. Matthew in this famous scribbling by Mr. Matthew there that the majority must rule.

Now I say to you, Mr. Chairman, and to the members of Public Accounts, I don't think we got straight answers from the employees of the Export Agency.

AN HON. MEMBER: Mr. Chairman, I think that's very unfair. That kind of statement at this time.

MR. CLARK: Oh, sit down and keep quiet.

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MR. CHAIRMAN: Are you raising a point of order?

AN HON. MEMBER: Why didn't he ask more questions?

MR. CLARK: Now, Mr. Chairman, the fourth point that I want to make is that we are asking the members to ask the Auditor to look at these areas, albeit as the member from Slave Lake so rightly puts -- we've deal with this matter several weeks in Public Accounts. But we're asking to look at Canadian Cane, St. Paul Livestock, and Canadian Livestock Import and Export Limited. Since the spring session the government has written off approximately \$1.5 million. The questions that must be nagging at all members . . .

AN HON. MEMBER: Why

MR. CLARK: . . . has to be: is the same administrative procedure that we see in the affair the Auditor has investigated, the problems they had there where they didn't communicate. However that is the simplest interpretation I can put of it. There was no communication, a breakdown of administrative procedures. Was it the same kind of breakdown of administrative procedures that the Auditor has pointed out to us here that led to the taxpayers being asked to pick up the losses on Canada Cane and the other two

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groups. That's what we're really asking the Auditor to come back and report to us about.

I simply rest the case there. The motion is: are we prepared as members of this committee to ask the Auditor to look in depth at the Canadian Can write-off, the St. Paul Livestock and Auction Mart Limited, Canadian Livestock Import and Export Limited, or are we going to sweep it under the rug?

MR. MOORE: On a point of clarification. Did I hear the hon. Leader of the Opposition correctly, to say that in his view Mr. Matthew was dishonest before this committee?

MR. CLARK: I simply said that when we asked Mr. Matthew about the position of Canadian Livestock Import and Export Limited, he indicated to us that it was in a holding pattern. We asked what was the holding pattern and then after much more discussion he said, well the books are being kept in the persons house.

MR. MOORE: Mr. Chairman, I heard the word dishonest used in connection with that. I'd like to check the record afterwards.

MR. CHAIRMAN: Are we ready for the question?

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(Motion lost)

MR. CHAIRMAN: Before we adjourn, may I thank Mr. Salmon, Mr. Neufield, and Mr. Morgan for being in attendance today and advise that if there is Public Accounts meeting next Wednesday, I am on the understanding that we have the AGT commission present.

A motion to adjourn would be in order.

(Motion carried)