

8:31 a.m.

Wednesday, March 22, 1995

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: I'd like to call the meeting to order. The first item of business is approval of the agenda. There's a motion to approve the agenda. Moved by Sine. All in favour? Against? It's been carried unanimously.

Approval of the minutes of March 15, 1995. Any errors or omissions? If not, could I have a motion to accept? Peter. All in favour? Against? It's been carried unanimously.

It gives me a great deal of pleasure to welcome the Hon. Walter Paszkowski, Minister of Agriculture, Food and Rural Development, this morning. At this time, hon. minister, I'd ask you to introduce your staff and, if you'd like, make some opening comments.

Also, once again, our new Auditor General, Mr. Peter Valentine. If you'd like to introduce Mike to us.

MR. VALENTINE: Thank you, Madam Chairman. Mr. Mike Morgan, Assistant Auditor General, is with me today.

THE CHAIRMAN: Hon. minister.

MR. PASZKOWSKI: Thank you very much, and good morning everyone. It's nice to be with you again this year. I think it's just about a year since we last met at this same gathering. I see some different bodies across the way. We certainly welcome them and look forward to your questions.

First of all, I'll take the opportunity to introduce the staff we have. I'll start to my left with Barry Mehr, who is responsible for marketing and food production. We have Les Lyster; Dave Schurman from AFSC; Bob Splane, CEO at AFSC; my deputy, Mr. Doug Radke; Larry Lyseng; Mr. Moholity; Yilma Teklemariam, who is with our research institute. That's us.

I'll just give a brief overview of our year's activities, if that's permissible, Madam Chairman. I would like to allow as much time as we possibly can for questions and answers. As I look back over '93-94, it was certainly a year of significant change: changes in the way we planned, changes in the way we conducted our business, and changes that largely came about as a result of the Creating Tomorrow consultations that became the backbone of our three-year plan. On February 24, '94, it was my pleasure to release its details to the stakeholders of this province.

Madam Chairman, public accounts records before us indicate this ministry's budget at a total of \$448,844,000 in '93-94 and that \$443,702,000 was actually spent. The lapse of some \$5 million is an accumulation of funds, mainly in operating expenditures, and this is throughout all the departments. Downsizing and restructuring of regional services was effective April 1 of '94, but the majority of the payments to employees who opted for the early retirement option programs was expended in the year '93-94. A number of programs were terminated to reduce the year under review. Some programs of major importance were the beef stabilization program that ended on December 31 of '93, the veal stabilization program that also ended on December 31, '93, the lamb stabilization program that ended on February 28 of '94, and the Crow benefit offset that ended March 31, '94. The farm fuel distribution allowance was reduced 4 cents per litre in two stages during that fiscal year.

During the year legislation administered by this ministry was reviewed and resulted in 10 agricultural Acts being repealed and amendments made to five of the other Acts that we had in place. During the '93-94 year the ministry ended its involvement in Gainers Inc., the meat processing business, with the sale of most

of the operating assets of Pride of Alberta Meat Processors Company. In line with the government's goal to privatize government services that could be operated more efficiently by the private sector, the assets of the artificial insemination centre in Leduc were sold to Alberta Swine Genetics Corporation.

You have before you public accounts for the '93-94 year that provide separate financial statements for the former Alberta Agricultural Development Corporation, or ADC, as the acronym for it was, and the Alberta Hail and Crop Insurance Corporation. Effective April 1, '94, these two corporations were merged to form Agriculture Financial Services Corporation or AFSC. For the year '93-94 the provincial contribution for Hail and Crop was \$103,400,000, and for ADC it was \$54,600,000. Both corporations lived within the budget for the year.

In addition to the provincial contributions of \$130.4 million, Hail and Crop received a federal contribution of \$158.5 million and premium revenue of \$178.5 million from policyholders. The net revenue after rebates and reinsurance for the year was \$442.6 million, and Hail and Crop delivered all the insurance programs at a much lower cost of \$331 million in '93-94. This is a reduction of \$350 million from the previous year and \$227 million from the budget. The dramatic drop in indemnities was due to better weather and market conditions, and I don't think there was any magic. Certainly weather has a great deal to do with agriculture in general, and ultimately it has a lot to do with insurance programs and lending programs as well. However, there were significant savings in administration expenses, and this contributed to a lower cost of operations as a result of the access of revenue over expenditure of \$11.3 million.

The Agricultural Development Corporation also performed better from the budget and better than the previous year. The contribution of the province for ADC's operations in '93-94 was reduced to \$54.6 million from \$62.9 million in '92-93. Lower interest rates for borrowing and sustained improvement in the management of loan property portfolios and administrative efficiencies contributed in a very significant manner to the lower costs of these operations.

Madam Chairman, that concludes our opening statements, and we look forward to questions that will come forward.

THE CHAIRMAN: Thank you, hon. minister.

Sine Chadi.

MR. CHADI: Thank you, Madam Chairman, and good morning, Mr. Minister and everyone else. My first questions are going to revolve around what the Auditor General reported on pages 34 and 35. Particularly, on the top part of page 35, with respect to ADC it states:

Accordingly, the Corporation's operating results and deficit are properly stated in the financial statements, but interest revenue and doubtful accounts expense are overstated by equal amounts.

He goes on to say that "because both revenues and expenditures were overstated," he qualified his report on '93-94 "as required by generally accepted auditing standards."

That takes me to page 9 of volume 3 where we show the accrued interest in 1994 being \$37,165,000.

THE CHAIRMAN: Excuse me, Sine. What page are you on in volume 3?

MR. CHADI: Page 9.

THE CHAIRMAN: Page 9. Thank you.

MR. CHADI: We show accrued interest at \$37 million. Then just below it, we have less the allowance for doubtful accounts, \$39

million. My question to the minister is: can you give us an indication as to the amount of accrued interest that was deemed receivable that was placed in here on nonperforming loans?

8:41

MR. PASZKOWSKI: Larry, do you want to answer that?

MR. SCHURMAN: The \$39 million in the allowance for doubtful accounts of course covers all the allowances for all the items that are above that: the principal, the interest, and the accrued interest that are outstanding. It would be fair, I think, to do it by prorating and say that of the \$39 million in allowances, if the \$37 million worth of accrued interest represents about 3 percent of the portfolio, then about 3 percent of the \$39 million would also cover the allowances needed for that accrued interest. We've made some estimates on the accrued interest that would not be recognized and the allowance for doubtful accounts that wouldn't be required if we were on to our new system where we can account for loans both the way the contract with the borrower sets out and also with the general accounting principles. The difference in both numbers, the \$37 million and the \$39 million, would be reduced by something like \$3 million to \$4 million.

THE CHAIRMAN: Is it Mr. Lyster? For the benefit . . .

MR. SCHURMAN: Dave Schurman.

THE CHAIRMAN: Oh, Dave Schurman. Thank you.

MR. PASZKOWSKI: Whoever is speaking, if you could please identify yourself before so that . . .

THE CHAIRMAN: We'd really appreciate it, hon. minister.

MR. PASZKOWSKI: As you recognize – and we discussed this last year – there is a bit of difficulty with our accounting process that we're trying to work our way through. The Auditor General has identified that, and we are trying to work our way through. I think Mr. Schurman has just identified some of the issues there.

MR. CHADI: Okay. Basically what I was after – in my first question I asked: did we have nonperforming loans that we accrued interest on and showed it even though it was nonperforming, and then on the other hand we wrote it all in as doubtful accounts? That was my question, to sort of make the numbers look awfully big. Nonetheless, let's go on to page 11 of the public accounts, volume 3.

MR. PASZKOWSKI: Just to answer that, that's not the case.

MR. CHADI: Not the case. Thank you.

We show write-offs in 1993-94 just about dead centre of page 11. With respect to the write-offs, property for sale was \$13 million. Was that write-offs, or was that a gain on property? A total of \$18 million in 1993-94 is shown, and I question: what was the value of properties we sold to accumulate a \$13 million write-off?

MR. PASZKOWSKI: Well, as you may recall – and I'll ask Dave to supplement – we changed our strategy in that we decided that we were going to dispose of any property we had and we were going to dispose of it immediately. So this reflects some of that change in policy. Overall, it's not our intention to be in the land business. As a matter of fact, I think we're down to something

like 30-some quarters at the present time as far as ownership is concerned. This, of course, presents some problems when we're talking about changes to the method of payment whereby I think the federal government has indicated: well, you own a bunch of land; perhaps you can respond as far as the payout is concerned. Well, we only own 30 quarters of land as far as ADC is concerned, yet we're the major lending institution as far as land is concerned.

Dave, would you . . .

MR. SCHURMAN: Yeah, just a couple of comments on that. Dave Schurman speaking. The \$13 million that we wrote off in 1993 of course could represent properties we had had for some period of time if they were difficult ones to sell. So they aren't necessarily all ones we acquired during that particular year. The \$13 million is the write-off amount. I don't have the exact numbers here, but that would equate to something between \$30 million and \$40 million worth of properties, the original cost of those properties. That's not necessarily the full amount of the loans we had outstanding, because some of the assets that secured the loan could have been sold prior to us acquiring title to the properties. You'll notice that in the loans column there are also some write-offs. That would represent write-offs on loans where we had assets securing the loan other than property. We might have had chattels, for instance, either cattle or equipment that was sold, and then we would have a loss on the loan account rather than the property account.

THE CHAIRMAN: Final supplementary, Sine.

MR. CHADI: Right. I appreciate, Mr. Minister, that we ought not to be in the land business. I heard not long ago that the federal government across Canada owned a great portion of the farmland. There was a very high percentage, and it was actually quite alarming.

MR. PASZKOWSKI: FCC owns quite a bit of land in Saskatchewan. They're much bigger in the business in Saskatchewan than in Alberta.

THE CHAIRMAN: I'd like to try and cut us down from this backwards and forwards because it eats up time. So if you'll get to your question, please.

MR. CHADI: I'm sorry, Madam Chairman. My final supplementary. In property for sale – my understanding is real estate rather than things like certain chattels, equipment, this sort of thing – the other loans and loan guarantee implementation write-offs would be what? We lost almost \$3 million under loans that were secured by – did we have security on that, and if we did, did we actually sell those assets, and where would they be recorded if we only recorded the property for sale category as being real estate?

MR. PASZKOWSKI: Much of this, as I understand, would be the guarantees that indeed went bad. That's what would cover much of this.

Bob, do you want to talk?

MR. SPLANE: With respect to the guarantees, most of those loans and, in fact, all the guarantees are handled by the banks. They realize on the security, sell it, and then any shortfall we would write off. So all that would show up, then, on our books would be any write-off for the shortfall. Over the history of the

program I think it's – what? – \$11 million or \$12 million we're talking about there, so it's about .8 percent of our guarantees.

MR. CHADI: What about the loans? You spoke about the loan guarantees. I also asked about the loans.

MR. SCHURMAN: In the loans column you're talking about on the report? Dave Schurman speaking again. In the loans column the only things in the write-offs are things that are not related to real estate. It would be where a loan was secured by chattels of some description, either cattle or equipment.

THE CHAIRMAN: Thank you, Mr. Schurman and Mr. Splane. Gary Friedel.

MR. FRIEDEL: Yes, Madam Chairman. Also on the Auditor General's report, page 36, dealing with the Alberta Hail and Crop Insurance Corporation. Under recommendation 10, it would appear from the explanation leading up to the recommendation that the policy allows for a certain amount of possible manipulation by a claimant. I'm wondering if the minister could advise us what is being done to address the concerns in that recommendation.

MR. PASZKOWSKI: I'm not sure I totally understand the question.

THE CHAIRMAN: Do you want to try it once again, Gary?

MR. FRIEDEL: I don't want to read through the whole preamble there, but in the background the Auditor's report shows leading up to recommendation 10, it would appear that the way claims can be made, the dates and such, there is a potential for manipulation by a claimant. The recommendation says:

It is recommended that the Agriculture Financial Services Corporation avoid paying incorrect claims by ensuring that its operating practices are consistent with the terms . . . of the . . . contract.

MR. PASZKOWSKI: This, as I understand, you're relating to the actual date of the investigation or the measurements relative to the actual marketing of the product. Is this correct?

MR. FRIEDEL: Yes.

MR. PASZKOWSKI: Our internal procedures, of course, are being carried out as if the omitted clause was in the contract. What we're going to try and do is bring it back to where we were before with the omitted clause. So there are some adjustments being made.

Maybe, Bob, if you want to just . . .

8:51

MR. SPLANE: Yeah. I think that related primarily to adjustments of crop insurance claims that occurred early in the year, primarily prior to July 1. The corporation assesses claims based on the date the farmers report the loss, not the date of the event that caused the loss. I think between those two dates there was some problem, and there was a clause that had been inadvertently omitted from the contract. We continued to administer it as if the clause were there, and the clause will be back in the contract this year.

MR. FRIEDEL: Going on to the next page, the Auditor General has also expressed concern that the corporation is planning to reduce the level of adjustment activities by about 50 percent, but

he goes on to say that it's unclear as to what cost reductions will be offset by possible increases in claims due to abuse or noncompliance. My question is: will that cost-benefit analysis be done before cutting the service to ensure that in fact it will be a financially positive move rather than potentially costing money rather than saving money?

MR. PASZKOWSKI: What we're looking at is doing a random audit to start with. Is that not correct, Bob? That's the initial thrust we're considering. Then, of course, we'll have to assess the auditing process and procedure and take it the next step.

MR. SPLANE: Bob Splane, Madam Chairman. The whole process of adjusting changed when GRIP was introduced in 1991 in that all production was measured. It's a very costly program, but I think it was necessary during those first three years to establish what the level of production was and where our coverage should be. It was what you would think of as almost 100 percent audit in terms of actually checking bins and measuring bins and so on. From the point of view of the customer, this takes up a lot of their time and is viewed, I think, by the taxpayers as a lot of administration.

Having been through those first years, we were looking at reducing it substantially, and we had a recommendation coming through the national GRIP committee that we could use a random sample of as low as 4 percent and still be accurate. I guess that's really where we get into the debate and the question coming from the Auditor: is that low a sample going to be representative, and will it lead to moral hazard? We've grappled with that. I think in 1991 or '92 in terms of the actual return, if you like, on these costs of adjusting, we've had at least a hundred percent return. By that I mean that uninsured causes that can be assigned by an adjuster because there are either weed problems or other management related, nonweather problems which should not be insurable have been assigned. We've reduced our claims by at least the amount of the salary package that we've had to pay to our adjusters. There was one year where they actually assessed uninsured causes that were twice what our salary costs were. Now we're at about a break-even point. We'd like to take that down, and we'd like to end up only adjusting those farmers who make claims and a certain percentage of those that don't make claims on a random basis. We think that would be fair; it would help to keep the signal out there that would avoid any moral hazard in the program. We at present have an accounting firm doing a report for us on this whole adjusting area, and I hope we'll be able to satisfy the Auditor General in our approach to it in the next year.

MR. PASZKOWSKI: We're also looking at historical records and those that have been relatively close to their actual production when they make their year-end report, within 5 percent. They'll probably be considered different than those that are way off the map in their estimates. So we can perhaps more clearly identify those that really we have to focus on more.

It's expensive administratively, and any way we can perhaps cut the corners administratively are areas we're looking at.

THE CHAIRMAN: Thank you, hon. minister and Mr. Splane. Gary, your final supplementary.

MR. FRIEDEL: Yes. I can certainly see that there's got to be some kind of balance between, you know, being fair to the farmer and providing the support the insurance is intended for and avoiding some certain amount of abuse, I guess.

Going on to page 38, the next recommendation. In the background it's indicated that the adjusters don't always measure

according to corporation policy and that retained evidence is quite often inadequate. This would suggest that perhaps there's some discrepancy in the procedure. I suspect it will be relatively similar to answers to the first two questions, but I'm wondering if you'd care to comment on that recommendation and if there is any action being taken in that regard.

MR. PASZKOWSKI: We're trying to. This is a difficult area as well, and I think you appreciate the difficulties involved here. What we're trying to do is basically do adjusting regarding plant counts, for example, as a source of information. If indeed there are low appraisals, all low appraisals will be reviewed again by a supervisor if they seem to be out of focus. So we're trying to find ways to accommodate this particular area. Again, there is no magic to being one hundred percent accurate, but I think we're getting closer to a process that's going to be useful and functional.

THE CHAIRMAN: Thank you, hon. minister. Thank you, Gary. Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Auditor General, Mr. Minister, I'd like to raise questions related to Northern Lite Canola, volume 3, pages 219 to 223. My first question relates to note 3 on page 222. The issue there is deferred hedging losses and gains. I'm just struck by the fact that in 1992 hedging yielded a profit of a million dollars, in '93 evidently a loss of \$900,000. Those are large numbers in light of the volume of sales. I wonder if the minister could explain. I know the company is no longer a Crown entity; it has been transferred. Are these numbers realistic in light of the magnitude of transactions and the risk that the firm faced?

MR. PASZKOWSKI: Well, you understand the hedging business as well as anyone, and I think you can appreciate the numbers that get involved when you're involved in hedging, rightly or wrongly. These are the actual numbers. There was a change in policy in that as far as hedging was concerned, this was corrected before the company was disposed of. But for me to comment on whether it's realistic or not – you know the hedging business and I know the hedging business. Numbers can be pretty awesome very quickly in that business if you happen to get caught on the wrong side of the market.

MR. SPLANE: Bob Splane. In terms of the volume, the number of dollars that have gone out to purchase canola in the company, we're probably looking at 1 percent, something like that. It could swing either way at most for that kind of thing. In order to build up enough seed to crush in a given year, there are different ways they can be hedged. They certainly can't be perfectly hedged in the Canadian market. We just don't have that kind of volume capability on the Winnipeg Commodity Exchange. So they have to use some oil or seed equivalent, usually soybean, in the Chicago market to do it. It's a very difficult one, and I know all crushers have similar problems. They have to purchase that seed at the beginning of the year in order to ensure that they have a volume of crush throughout the year. Usually they do better on the seed that they purchased at the beginning, but they can only purchase so much, and then they tend to lose on their hedges in the latter part of the crushing season.

9:01

MR. PASZKOWSKI: It also depends on how extensive their hedging is, whether they're covering the oil, the meal, the seed. The dollar itself can be a major factor. So it does vary as to how extensive their hedging is.

DR. PERCY: Thank you.

My other questions relate to the various contingencies and commitments that were made by Northern Lite Canola and the extent to which they remained either with the province or with the new entity after the transfer of ownership. For example, I note with regard to the guarantees – it's note 5 on page 222 – that there was a guarantee from the province of Alberta. It runs through bank indebtedness. Could you tell us what remains with the province now in light of the transfer of that company to a new entity? What are our liabilities?

MR. PASZKOWSKI: There's nothing with the province now; the transfer was complete. As I recall, the plant had an operating debt of, I think, in the area of \$4 million or something that was covered as well, but the province assumed no indebtedness whatsoever.

DR. PERCY: This supplementary would relate to the other contingencies and commitments for '94-95 that are noted in 6(a), (b), and (c). All of those, then, were assumed by the new entity, and none of those contingencies remain on the books of the provincial government.

MR. PASZKOWSKI: We didn't assume any of the contingencies whatsoever. The sale was final. It was a clean sale, and it was a final sale.

THE CHAIRMAN: David Coutts.

MR. COUTTS: Thank you, Madam Chairman. Good morning, gentlemen and Mr. Minister. I'd like to deal with page 49, volume 2 of the public accounts record. I'll give you a moment to get that page. That's page 49 of volume 2. In reference 3.4.2 and 3.4.5 I notice an overexpenditure in the processing services in agri-food development and also the accompanying vote, the Canada/Alberta agreements on processing and marketing. I'm wondering what those overexpenditures are, if you can account for that.

MR. PASZKOWSKI: Thank you, Mr. Coutts. Regarding the overexpenditure, there were several payments to employees under the early voluntary option program or early retirement. There was also the winding down of the Canada/Alberta agreement. I think it's important to note that in both instances the overexpenditures were offset by underexpenditures of other subprograms. Though there were some overages, the final line was positive.

MR. COUTTS: Thank you for that.

Then for my own information, could you explain the difference between those two budgets in the processing services in agri-food development and the Canada/Alberta agreement on processing? They appear to be fairly similar. I wonder if there is any duplication in the services that are provided there. Particularly, we're looking at a \$400,000 budgeted amount in 3.4.5. I'm just wondering if there's any duplication in those two.

MR. PASZKOWSKI: Well, I'll let Mr. Mehr complete the response on this one. This is a five-year federal/provincial initiative to enhance the competitiveness of the processing industry. Of course, we are now in a situation where we feel that our major opportunity as far as agricultural food development is concerned is in the processing sector. We're looking at achieving \$20 billion by the year 2000, and this is obviously going to take a lot of initiative as far as the development of the processing industry is concerned. So this is part of that program, the APM program, basically.

The \$400,000. Barry, do you want to . . .

MR. MEHR: Yes. Barry Mehr. The difference between the two is that the program the minister has just addressed, which has terminated and been replaced by a new program administered by AFSC, is the Canada/Alberta agreement. That was the winding down of the program, some payments that were involved in the winding down of the program. The agri-food development is our ongoing program in support of new investment, new product development, new label development, new package development in the department. It's a focus on service. It's mainly the skills of the people who are involved in that shop. So one is a service; the other was a formal program.

THE CHAIRMAN: Final supplementary, David.

MR. COUTTS: Thank you. Then on vote 3.4.6 there obviously would be recipients of that \$9,247,000. Could you give me an idea of some of the recipients of that?

MR. PASZKOWSKI: This was our commitment to the meat industry in Alberta. As you know, the meat industry is now something like 50 percent of our overall production as far as revenue is concerned, so it's very significant. As far as the \$9,247,000 is concerned, this was paid to Gainers to support the working capital requirements of Gainers at the time in order to meet needs and keep the bank from foreclosing on Gainers. So it was a one-shot payment.

THE CHAIRMAN: Thank you, hon. minister.
Nick Taylor.

MR. N. TAYLOR: Thank you, Madam Chairman. Auditor General, Mr. Minister, and assistants, mine are easy. The first one is 2.1.4, the Alberta Grain Commission. Mind you, it's only a small overexpenditure, but would the minister explain why you keep this old guy?

THE CHAIRMAN: At 2.1.4 . . .

MR. N. TAYLOR: Vote 2 in planning and development. You really don't need to know the facts; you can wing this one. I was just wondering why you would keep around an old dinosaur like the Alberta Grain Commission when you're talking about a revolution. Isn't it a relic of the '30s? Couldn't you get rid of it and save the taxpayers quite a chunk of money?

9:11

MR. PASZKOWSKI: Well, I think that's a good question and one that you have asked before. I respect you for asking it, quite frankly.

MR. N. TAYLOR: I thought you had assistants here, so maybe we could get an intelligent answer.

THE CHAIRMAN: Could we let the minister answer.

MR. PASZKOWSKI: We're looking at a situation where the grains and oilseeds industry really was dominant through the years in the province of Alberta. That's changing now in that 50 percent of our income generated in the agricultural community is now through the meat sector. But remember what's happening with the grains and oilseeds industry. We're in very dynamic and changing times, very competitive times as well. When we're looking at where world subsidies have focused on, they've really focused on the grains and oilseeds industry when we're talking about agricul-

tural production and agricultural products. It seems to me that in order to make a good transition and a thorough transition and a successful transition, we need some expert advice and some expert direction in this particular area. From my perspective, I honestly feel that the activities of the Grain Commission are probably more essential today than they've ever been in the history of the Grain Commission, simply because of changes to the method of payment, for example – direction there. Safety net development. Those types of issues are ongoing and are probably more critical to the grains and oilseeds sector than they are to the meat sector.

We want to maintain a balance, and we want to continue a successful grains and oilseeds sector, because without that we really can't carry on with a successful meat sector. So at least from my perspective, I honestly feel that the need for the Grain Commission is greater today than it's ever been in the past because of changing times, because of changes in things like GATT, for example, NAFTA. They provide expert advice as to how to handle those types of commodities.

MR. N. TAYLOR: I think you give an excellent answer why you should get rid of it. You've got all the other advisers. You're moving the commission into advisory rather than marketing.

Anyhow, you mentioned one thing about the federal Crow payout. I notice you've complained some. I think you're going to expect that, because the prairie provinces, Saskatchewan and Manitoba, maybe dominate where the political power is coming from in Ottawa, so you're going to get an acreage-based payout for the federal Crow. Are you thinking at all in the department about funds to offset the productivity versus acreage formula that may well come out of Ottawa?

THE CHAIRMAN: Could you tie your question to the public accounts, please, Nick?

MR. N. TAYLOR: Well, I think it is, because it goes into agricultural development lending assistance, vote 8.

MR. PASZKOWSKI: Well, I appreciate the question. You know, we can talk about public accounts and we can talk about the issues of the past, but we've got something that's very current and very critical and very important to the agricultural industry today. The results of this dialogue and the discussions and this change, as I mentioned yesterday, will probably have greater ramifications than any other single activity in the grains and oilseeds industry in the last century, and that's historic, because our grains and oilseeds industry in Alberta is less than a century old. So it's going to have a very, very dominant effect in our transition, and it's critical. What we want to do is sit down with the federal government – this is what we'd really like to be able to do – and discuss the issues that I identified yesterday.

The whole area of historical average, for example: 1994 is only one year, yet we're considering it as an historical average. That really affects Alberta in a very negative way, because it puts us down to 25 percent. Using a 10-year historical average, we're something like 31 percent of the payout. That's very significant. We produce something like 51 percent of the forage in Canada. We're not paid for forage, yet summer fallow is paid for. Somewhere there's room for discussion, I feel, and I'd like to be able to do that because I think it's critical for the future of the industry. Irrigation: we have the majority of irrigation in Canada, and we're affected by this more than any other region. There are programs that affect eastern Canada in a very different nature than those that are affecting Alberta. So what we really would like to do – and perhaps we could solicit your support – is arrange a

meeting whereby we can sit down and actually become involved in a thorough discussion, because this is a once in a lifetime occurrence and one that's very critical and very key. I appreciate the question.

THE CHAIRMAN: Final supplementary, Nick.

MR. N. TAYLOR: Yeah. I was hoping for transition funds, but I hope the minister thanks me for giving him a platform.

The next one is on vote 8.0.1, Agricultural Development Corporation. It costs us about \$54 million a year to run this. We've seen the type of progressive thinking in postsecondary education that got the government out of the loan business and let private banking take over. Is there any real reason – Mr. Splane's got as much as gray hair as I have, so he'll be getting ready to retire anyhow – why we should keep this going? Why don't we do it as we did with student loans, privatize it and get the government out of being in business?

MR. PASZKOWSKI: Well, again, a good question and something that's very close to my heart, and that is the whole area of loans to beginning farmers. This is an area we have spent a lot of time on and made a sincere and genuine effort to try and remove ourselves from. I agree with you. Theoretically, what you're saying is dead on, and that's the policy we would like to be able to incorporate. As a result of this, we've been meeting with the banks. We've basically laid it on the line: here's the situation we have; if you will be prepared to give us some guarantee that you will assume responsibility for the beginning farmers and for that whole area of funding, we will withdraw. Unfortunately, we can't get that commitment from the banks. Until we can get that sort of commitment from the banks, I don't know how we can responsibly remove ourselves from that process. That's the key, the key element. We have to have someone there who's going to assume that responsibility.

You know the banking business. You know they assume a certain percentage of the portfolio to agriculture, a certain percentage to real estate, a certain percentage to industry, and on and on. The banks, of course, have indicated they're not going to change their process. So what we have to do is find some way of accommodating needs to keep the industry alive and regenerating. Until we can come forward with some sort of commitment from the institutions themselves, there really is no other funding agency to allow that except for the wealthy godfathers, and unfortunately we're a little short on those. We'd need a few more of those.

Bob, did you want to make . . .

MR. SPLANE: Madam Chairman, I know that my wife would appreciate Mr. Taylor's comments about getting me retired, so I'll pass those on to her.

MR. N. TAYLOR: Doesn't Arizona look good now?

MR. SPLANE: Well, the farm looks good.

The whole difficulty in this area has to do with risk, the amount of risk that financial institutions are prepared to take on, particularly when those financial institutions are primarily run – the board seats are 3,000 miles away, whatever. That's the problem we've had historically in this province and why we have Treasury Branches, why we have a stronger credit union movement, and why we need something like ADC was and AFSC now is. We've debated that one, and I've certainly looked at it from the point of view of the CEO. We are working with the banks

closely on our guarantee program, and they like to have us there. They like to have us there as the lender in those higher risk loans.

We're there more than just as a lender. We're there with people who have expertise and can take those initial business plans and help them out. I know from my own personal experience, financing a farming operation, that I get absolutely no assistance from my banker in helping me make decisions in running my business. He sets foot on the farm once a year and gets a little bit of doo-doo on his shoes, and that's as close as he gets to agriculture lending. So I think that's really the dilemma: is the expertise there? I would say not.

9:21

THE CHAIRMAN: Moving on to Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Good morning, Mr. Minister. One of the many successes of the Alberta heritage savings trust fund was the construction of the Food Processing Development Centre in Leduc. I believe the operating cost of that centre is referenced on page 49, vote 3.4.3, volume 2 in the public accounts. I wonder if the minister could indicate the kinds of activities that were carried out at that centre in 1993 and '94.

MR. PASZKOWSKI: Well, thanks, Moe. I'll start the answer and defer to Mr. Mehr, because this has sort of been his little baby as far as value adding and food processing is concerned. We now have a true success story that we're quite proud to talk about. There was a 10th anniversary held in Leduc a week ago Friday, and there were something like 150 customers and 250 people that came through the facility. What's happening here is that suddenly with the focus on value added, with the opportunities there as far as value adding is concerned, we've got a tremendous growth industry. This is an industry that's coming on like gangbusters and one that we have to work with very closely. Leduc gives us a tremendous advantage over our competitors in that it allows a person to take an idea and develop that idea into a final product without the huge capital commitment that normally would be required in order to utilize a facility to develop the product. Not every product is successful. There are winners and there are losers, and sometimes ideas don't come to fruition. This allows the person to develop that idea without investing in huge capitalization that would sort of be a test mechanization.

To answer your question, we had 15 companies utilize the pilot plant for 224 days of actual operation time in this past year. Four of these companies ultimately started new production lines, started whole new production facilities. That in itself is very successful.

Barry, if you would care to comment, please.

MR. MEHR: Yes. Barry Mehr. Obviously, other companies have established new product lines also. Overall, 113 Alberta companies utilized the centre for access to information on technology for process development, label development, sensory evaluations, and product development, which are all the business of the centre. Forty new product introductions ranging from beef jerky, which was tailored specifically for the Japanese market, and other processed meats to energy foods, flavoured water, ice cream cones, and fresh pasta were achieved. Technical support for research projects funded through agriculture and agri-food Canada and AARI and CASA agreements was provided by the centre's staff. That's the type of activity they get involved in, which includes investigations on intermediate-moisture meats, flexible pouch retort products, hull-less barley in swine rations, cheese yield studies, and a variety of meat-related projects. It's our largest manufacturing industry in the province. If you divide the energy sector into its

three components, the food processing industry is larger in terms of both numbers employed in the industry and value of output. This centre is fundamental in support of not just the small- and medium-sized firms but also the larger firms, and it develops products that get introduced as far away as Japan.

MR. AMERY: Thank you, Mr. Minister. With respect to fees for services that should be received by the centre, I refer to the revenue statement on page 54. It's not clearly designated, although I do notice revenue for analytical services to food processors in the amount of \$82,000. Is this revenue received by the food processing centre?

MR. PASZKOWSKI: The \$82,000 listed under the analytical services refers to the revenue generated by the food quality branch. The revenue generated by the Food Processing Development Centre totaled \$61,000 in '93-94, and it's part of the \$472,000 listed as other revenues. As this revenue was generated before the policy was adopted to dedicate revenue, the funds went directly into general revenue, and that's where they were ultimately directed to.

MR. AMERY: Also, Mr. Minister, on page 54, the livestock water program received an increase in revenue of \$57,000 over 1993 revenue. Do we anticipate any other increases in the future?

MR. PASZKOWSKI: This was a result of the relatively general year in '93-94, particularly in the northeast region of the province. That was an area that had been dry for up to six years and required an awful lot of water pumping. So there was more revenue generated that particular year because of the dry conditions. Things aren't exactly full of snow and water right now this year, but it's our hope that that revenue stays as low as possible simply because that is an indicator that there is a need for things like water pumping. So no, we're not anticipating increased revenues in that particular area, but again, that's not all negative either.

THE CHAIRMAN: Thank you, hon. minister. Thank you, Moe. Peter Sekulic.

MR. SEKULIC: Thank you, Madam Chairman. Mr. Minister, I'll be referring to the area of vote 8.0.1, the Agricultural Development Corporation. I'll start my first question on the Auditor General's '93-94 report, page 35, where there's reference to "loans with significant concessionary terms," and I'll read from the second paragraph:

These are loans with interest rates significantly below the lender's average cost of borrowing at the date the loans were made.

It goes on . . .

THE CHAIRMAN: Excuse me for a minute. Could you give your actual reference point? What page is it?

MR. SEKULIC: I believe I did, but I will repeat it. It's page 35 of the Auditor General's report, paragraph 2. That paragraph goes on to conclude with the statement: "In effect, the benefit conferred by the reduced interest rate is treated as a grant from the lender to the borrower." My question. I understand that many of these concessionary loans or these grants go to beginning farmers. I'd like to know how many such grants have been made, and what's the average amount of such a grant?

MR. SCHURMAN: The concessionary loans that we're dealing with at ADC in the 1994 financial statements: we're talking about

the index deferral plan which was started in 1988 and ended in 1993, but loans are carrying on in that program and those were interest-free deferrals of parts of the loan. We're also talking about the southeastern disaster program, the drought assistance loans that were made down there. Those were zero interest rate loans, so the concessionary terms are the difference between the 9 percent we normally lend at under the beginning farmer program and the interest-free. So those loans have been discounted. The discounts show up in the financial statements of the corporation, and you can see that in the income statement.

On the beginning farmer program, which was mentioned, the concessionary terms there are the difference between the 9 percent loan interest rate and the 6 percent net rate after the incentive. The incentives show up as an annual expense because they have to be earned annually. The various farmers that participate in the beginning farmer program have to provide evidence that they've complied with all the terms and conditions of the loan on an annual basis in order to qualify for the incentive annually. So it's not a concessionary loan in that you know up front that they're going to get all five years' worth of the incentives; they have to qualify annually for those incentives. So those are not considered concessionary loans.

9:31

One of the concerns the Auditor General did express, though, in his report was that if interest rates get significantly above 9 percent in the marketplace, if we carry on lending money at 9 percent, then the beginning farmer loans would be considered concessionary loans. But at this point in time we're still within our small range of long-term rates being around that 9 percent level. They aren't really considered concessionary at this point in time.

THE CHAIRMAN: Supplementary, Peter.

MR. SEKULIC: Yes. My specific question was with regard to that last sentence in the second paragraph, that "the benefit conferred by the reduced interest rate is treated as a grant from the lender to the borrower." The specific question was: how many grants of this nature, and what was the average? I'm just trying to get a feel for the numbers we're dealing with.

MR. SPLANE: If I could respond to the indexed deferral portion, we have approximately 8,500 individuals and close to 12,000 accounts who are beginning farmers. Of those beginning farmers, about 40 percent today would be involved in the indexed deferral program. I don't know what percentage of their loans would be concessionary.

MR. SCHURMAN: It's a very small percentage of the loans. The amount of the deferral outstanding has ranged between \$30 million and \$40 million over the life of that indexed deferral program, and the total portfolio we would be talking about is somewhere in the \$800 million range for all beginning farmers. So it's about 5 percent of the loans that have been outstanding at any point in time.

MR. SEKULIC: The final question I have is found on page 35 of the Auditor General's report as well. It's the last two paragraphs where the Auditor General has indicated that departures from generally accepted accounting principles are not mere technicalities of accounting. They result in management information being distorted.

It goes on to say:

The Corporation reported last year that it intends to replace the loan accounting system in 1997.

I have a concern here. What happens in the interim until 1997, given that the Auditor General has indicated there's a distortion of information currently in place?

MR. SCHURMAN: In an earlier question we talked about the accrued interest and the amounts for doubtful accounts, both of which are overstated probably around \$4 million. What our new accounting system would do would be to identify on a loan-by-loan basis what makes up that \$4 million on individual accounts. We can do estimates now, which is where I got my \$4 million number, but our system needs to be changed in order to provide that information on an auditable, detailed account-by-account basis. We are actually going to have this loan accounting system replaced in 1996, so this is the last year we're going to be involved with this particular problem.

THE CHAIRMAN: Thank you very much.
Pearl Calahasen.

MS CALAHASEN: Thank you very much. Good morning, Mr. Minister and staff and Auditor General. I have a question on something that has been on again and off again, and I'm really happy to see that we still have it. That's the farm fuel distribution allowance on page 50 of volume 2, and it's reference 5.2.5. There's been an overexpenditure of \$4.8 million when \$53.6 million was budgeted. I think some people don't understand what that's all about. Could you tell us about the program and maybe explain why there would be this overexpenditure?

MR. PASZKOWSKI: Thank you. Dealing with the overexpenditure first, of course it was the result of a wet year, above-average moisture. It was a result of above-average straw accumulation. Consequently harvesting costs, costs of tilling the soil, were considerably higher than the average. What we were doing was using long-term average costs in our estimates. This particular year was well above average and consequently there was additional fuel usage, which of course reflects additional expenditure as far as the farm fuel rebate and the tax exemption are concerned. So that's where this came about.

As far as the purpose of the program, it's basically to help farmers reduce their fuel costs. I think the tax exemption portion of the benefit allows farmers to purchase their gas and diesel without paying the 9 cents per litre provincial fuel tax, and then we also have the Alberta farm fuel distribution allowance which provides a reduction of an additional 6 cents per litre. This has been dropping, and we're now to the point where only the diesel type of fuel is eligible because that's the major one that's used in the agricultural community. Overall the overexpenditure came about as a result of – which is really good news, because it meant that there was greater income generated in the agricultural community and ultimately we recapture that through income taxes and those forms of taxation.

THE CHAIRMAN: Supplementary, Pearl.

MS CALAHASEN: Thank you. I just want to know: do you know the number of farmers that would have benefited from this program, like in that last year?

MR. PASZKOWSKI: Yeah, we can actually come very close on that one, because in order to be eligible you have to register. You're issued a registry number in order to qualify for the exemption. It's very, very close to 60,000 farmers that were eligible for this exemption, which is a significant number.

MS CALAHASEN: I think it's absolutely marvelous to know that we still have this program. Could you tell me what kind of future we have for this program, the outlook for this program.

MR. PASZKOWSKI: Well, it's still in our three-year business plan. We feel that this is a responsible program. Certainly in our discussions, when we had our focus groups and had our open discussions throughout the province a year ago, this was a program the agricultural community identified as one they really felt was worth while and one they did not want dropped at all. So it's obviously a program the agricultural community is very strongly in support of.

We fixed an amount in our three-year plan of approximately \$30.3 million. That sort of identifies what we anticipate the cost of the program will be in the long term.

THE CHAIRMAN: Thank you, hon. minister.
Terry Kirkland.

MR. KIRKLAND: Thank you, Madam Chairman. Good morning, Mr. Minister. I take you back to vote 3.4.3 that Mr. Amery directed your attention to. That was the Leduc food processing plant. I was fortunate to have the opportunity to visit the open house, and that's the fifth year I've been there. I tell you I was excited to see that the centre has finally arrived in a state that appears to be very successful. The director, whose name escapes me today, was very generous with his time and explained the matter to me. I would like to take you to the revenue that was generated, that \$61,000. That's some \$16,000 less than anticipated or projected to have been arrived at in last year's estimates. And I'm pleased to see we've got 40 new product developments. If that's '93-94, that's probably more than they've produced in the previous nine years. My question is: what is the facility charging on a per hour basis, and is there a philosophy to move more to a cost recovery? We're looking there, generally speaking, at about a 10 percent recovery of the yearly operation.

MR. PASZKOWSKI: I'll let Mr. Mehr supplement. Ron Pettitt is the person in charge of the Leduc centre and, from our perspective, is doing an excellent job.

Yes, we are moving towards cost recovery. As a matter of fact, we have just readjusted our rates here. I wish I had known you were going to ask the question. I certainly can get you that information. We've done a review of the whole costing and just very recently made the adjustment. So we do have the adjustments made. We're not at full cost recovery. At this stage we're moving towards that, but we haven't made the commitment that we're going to go to full cost-recovery at this stage.

9:41

MR. RADKE: Madam Chairman, I can give some recent information. It won't relate to the '93-94 fiscal year. For example, in '95-96 technical consultations and engineering services will be at the rate of \$200 per day. Nutritional labeling will be \$25 per day; postprocessing cleaning per person hour, \$10. Monthly equipment leasing – and that's usually on a percentage of capital cost – will vary from 4 to 5 percent. Interim processing, again on a per day basis, varies according to the product and the equipment and the staff time it uses and so on and will vary from \$300 to \$1,000 a day. Sensory evaluations, the taste panels, are charged out at \$120 per day; product laboratory development, \$100 per day. That pretty well summarizes the fee schedule for '95-96.

I should add, even though we're not supposed to talk about anything other than the '93-94 fiscal year, that '94-95 was the first

fiscal year we were able to implement vote netting within the government, and the Leduc centre was one business centre in which we in fact implemented vote netting. Our revenues this year – and Mr. Mehr will correct me if I'm wrong – will approximate \$200,000 because of the increased business, which usually demands increased expenditure. Of course, we've had to expend extra money to meet the demands of that business. The vote netting system has allowed us to use some of that additional revenue to meet additional expenses in meeting the demand, so it has worked very well for us.

MR. KIRKLAND: Well, my compliments to the department for capturing its potential that I always thought was there.

Moving along to votes 3.2 and 3.3 on page 49, I would take the minister back to an earlier comment he made, that 50 percent of the activity associated with agriculture generally speaking is with the beef or the meat industry. I'm having difficulty justifying that in my mind as I look at these two specific votes. If that's the case, why are we looking at more dollars expended in the plant industry as opposed to the animal industry?

MR. PASZKOWSKI: What were the numbers again?

MR. KIRKLAND: Vote 3.2 and the following 3.3. It really speaks to the expenditures of animal industry and plant industry. Your comments earlier were that 50 percent of the activity in agriculture is now associated with the meat industry.

MR. PASZKOWSKI: Well, we have to realize that the animal industry isn't just all meat. Half the animal industry is forage and feed and the types of products that produce the animal; consequently, that has to fall into this category. So obviously, even though it's not budgeted directly to the industry, a good portion of the meat industry still revolves around grains and oilseeds or the forage industry. There's always going to have to be a balance there. That's part of the process, and it isn't likely to change. The needs of the meat industry reflect some of the grains industry, because really it's grains and forages that the meat industry thrives on.

MR. KIRKLAND: An issue I've chatted with the minister on previously is the Farmers' Advocate. He explained that that in essence is a mediation service. It's not a large cost item, \$313 million, vote 1.0.4. on page 48. Again, are we moving . . .

MR. PASZKOWSKI: That's thousand.

MR. KIRKLAND: I'm sorry?

MR. PASZKOWSKI: Thousand.

MR. KIRKLAND: Three hundred and thirteen thousand.

MR. PASZKOWSKI: Yeah.

MR. KIRKLAND: Are we moving again more to a cost recovery on this basis? I'm basing that question on your previous comments that this is really a mediation service more often than not and whether it will be a user-pay system that you implement.

MR. PASZKOWSKI: The new Farmers' Advocate – and we do have a new Farmers' Advocate that was just put in place last June or July – is basically looking at trying to downsize his workload. The more he can downsize his workload, the less requirements for

a budget there will be. What he's looking at is trying to dedicate more of his efforts to education, dedicate more of his efforts to things like publications and an information base which, indeed, can be made cost recoverable. So the long-term objective is to try and make it as cost recoverable as possible. Now, again, as far as the actions of the Farmers' Advocate, some of these are fairly difficult to identify, as to who's responsible for the action. So it becomes fairly difficult to identify who should be paying it. Ultimately, I don't know that we can ever move to a full cost recovery in that particular area, but what we're trying to do is limit the activities of the Farmers' Advocate through the communications process, through the education process as much as possible. I don't know if I've answered your question as clearly as you would like. I doubt if we can ever achieve total cost recovery in that particular area, but we're working towards it with our efforts.

THE CHAIRMAN: Thank you, hon. minister.
Julius Yankowsky.

MR. YANKOWSKI: Thank you, Madam Chairman. Good morning, hon. minister and your support staff. All of my questions are found on pages 48 and 49 of public accounts, volume 2. On page 48 the program reference is 2.2.4, which has to do with production economics. There we see an overexpenditure of \$44,000. My question is: what is the purpose of production economics, and why was there this overexpenditure?

MR. PASZKOWSKI: Well, thank you, and a good question again. Production economics does economic analysis and research in support of government agricultural policies and programs and activities as such. It basically involves itself in economic efficiencies and long-term profitability for individual farms as well as the industry as a whole. So it covers a very, very broad gamut as far as activities are concerned. Now, my understanding of the expenditure difference you're alluding to and asking about is that there was a position moved into this area from another branch, market analysis and statistics. But it's still within the division. That's where the difference comes about.

THE CHAIRMAN: Supplementary, Julius.

MR. YANKOWSKI: Thank you, Madam Chairman. My supplemental is also found on page 48. There are more overexpenditures shown there under program references 2.3.2, 2.3.3, and 2.3.4. These in fact total nearly \$150,000. Could the minister please explain why land evaluation and reclamation, irrigation, and conservation and development had these overexpenditures?

MR. PASZKOWSKI: Yes. This is a result of our long-term goal in restructuring. Through the process of restructuring there were some voluntary retirements that came about. The actual number involved in this was, I think, \$141,000. This is a direct result of our restructuring and a direct result of the early retirements that were taken. I think seven live bodies were actually involved in this. That's a fairly significant number and fairly significant downsizing as far as employment is concerned.

THE CHAIRMAN: Final supplementary, Julius.

MR. YANKOWSKI: Yes, thank you, Madam Chairman, and thank you, Mr. Minister, for those answers.

On page 49, under program references 3.3.4 and 3.3.5, both the tree nursery and horticultural research centre and the special crops and horticultural research centre again show overexpenditures.

Could the minister please explain the workings of these two centres and the reasons for their overexpenditures?

9:51

MR. PASZKOWSKI: Again, we go back to restructuring, and again we go back to our FTEs, the full-time employees. The two centres that were involved here: the Oliver nursery basically develops trees, shrubs, and those types of activities that are used throughout the province for shelterbelts, for a high-quality type of wind erosion prevention, whereas the Brooks centre is a horticultural research centre. As you know, one of our objectives is to enhance and increase our role as far as horticultural production is concerned. I've been a very strong advocate that we can better utilize our irrigation and our irrigation facilities through higher production of horticultural activities. So the Brooks centre is very important, very critical to that whole area. Certainly in our travels to Asia this past year there was a clear identification – and this was surprising to me; I really wasn't expecting this – that there are opportunities of actually marketing fresh products to the Asian market. Certainly that's an area that can continue to grow and continue to develop.

As far as the overage is concerned, we had two employees at Brooks that received a severance of \$67,000 and one employee at Oliver that received \$25,000.

THE CHAIRMAN: Barry McFarland.

MR. McFARLAND: Thank you. Good morning, Mr. Minister and especially the one fellow there that probably would rather have been here two weeks ago today to celebrate a significant milestone in his lifetime. I noticed he had to crank down the chair to get his knees underneath.

Madam Chairman, am I allowed to ask a question of the Auditor General?

THE CHAIRMAN: Certainly. That's why the Auditor General is here.

MR. McFARLAND: Thank you. Page 38 of your report, and don't take this personally . . .

AN HON. MEMBER: He's been waiting all morning.

MR. McFARLAND: Yeah, I have. I noticed him looking around.

There are maybe four of us that actually farm, and I think the Auditor General's department made some not misleading but erroneous statements. I don't want to read the entire paragraph at the bottom of the page, which finishes up in two lines on the top of page 39, but from a commonsense point of view you've made the assumption that either the department of agriculture through hail and crop insurance or the farmers are possibly to blame for inaccurate accounts. You talk about:

Second counts indicated significant reductions in the yields that were initially determined. For example, in another field, a second plant count was performed one week after the first plant count.

Now, with respect, we're dealing with a 1992 crop that was snowed down. Snowfalls varied from field to field, and the ability of the plant to stand up depended on the type of crop you planted. Plant counts were taken on heads standing up, and a week later you could have had anything from wind to heavy frost that knocked the plant further down. It doesn't take a lot of common sense to figure out why you have discrepancies, but for the life of me I don't know how people in the department could be expected to bring in evidence that plants have either gone further into the ground . . .

The second point is that a lot of the farmers could have had their crops written off. With respect, the question is . . .

THE CHAIRMAN: Excuse me, but you're making statements, and I'm having some difficulty with your using the word "erroneous" in referring to the Auditor General's report. I will allow you that question, but certainly as the chair I'm having great difficulty with your statements.

MR. McFARLAND: Okay. Could the Auditor General then tell me if they understood or gave credit to the farmers who, rather than have a crop plowed down, went out and purchased specialized equipment called lift fingers to raise the crop so they could harvest as much as they could?

THE CHAIRMAN: Peter Valentine, if you wish to answer the question, that's your prerogative. But if you wish not to, I'll certainly recognize that as well.

MR. VALENTINE: Through the chair. The issue here is whether or not the entity on which we are reporting has appropriate evidence to support management decisions being made. We're not in the position of making the management decision.

My colleague may wish to expand on the issue.

THE CHAIRMAN: Mr. Morgan.

MR. MORGAN: Thank you, Madam Chairman. In looking at the procedures and the methods used by the corporation to examine crops, et cetera, and to come to conclusions as to what the yields were for the purpose of claim or otherwise, we examined and talked to a number of the people who did this. It seemed to us that there were occasions when the company's normal method wasn't used and in some cases with justification. The year we're talking about here is mainly 1993, which was not the year of the snow, I believe, and for the most part these were just examples given where there seemed to have been a very large change over a short period of time. Now, of course, that can happen, and we were very much aware that that could happen. As part of our inquiries, we did endeavour to find out or to seek evidence in the records that those sorts of questions had been asked. It was because there was an absence of that sort of information that we made the comments we did. The main thrust of our concern here was: are these assessments, for want of a better word, being done consistently and properly? Because we had concerns that in a few cases or in some cases they weren't, we used these examples. But in response to the questioner's main concern, indeed we were aware and our staff were aware that things can change remarkably quickly in some circumstances.

THE CHAIRMAN: Thank you, Mr. Morgan and Mr. Valentine.

Hon. minister, because of the hour, is there anything you'd like to add at this time?

MR. PASZKOWSKI: Well, I just want to thank the group for their questions. I really appreciated the positiveness and the direction of the questions. I think they were all very objective and very meaningful, and I want to thank each and every one of those who participated. Again, we look forward to working closely with you.

We feel that we've got the major industry in this province; we've got the major future industry in this province. This is a renewable resource that keeps coming back every year. I've said before and I keep saying that I really feel agriculture is Alberta's

future and will continue to be so. I think with the opportunities coming about in agriculture now, it's no longer just a rural opportunity, because with the value added, so much of this could be done in urban communities such as Edmonton, Calgary, Grande Prairie, Medicine Hat, and right down to the smallest communities that exist like Bawlf and Blackie. I think by working together we can really make this happen, and I look forward to a good year. I look forward to input from my colleagues as well as members of the opposition, because ultimately it's to our benefit, all our benefits, to see that this is a successful industry.

Thank you very much, Madam Chairman.

THE CHAIRMAN: Thank you to the hon. minister and his staff and also to Mr. Valentine and Mr. Morgan.

Because of the hour, just quickly: March 29, the Minister of Community Development, Gary Mar.

Our time has run out. Could we have a motion for adjournment please? Peter. All in favour? Thank you.

[The committee adjourned at 9:59 a.m.]

