

Title: Wednesday, November 7, 2007 Public Accounts Committee

Date: 07/11/07

Time: 8:30 a.m.

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call the Standing Committee on Public Accounts to order, please. On behalf of the committee members I would like to welcome everyone in attendance. Perhaps we can start with the hon. Member for Lacombe-Ponoka and quickly go around and introduce ourselves.

Mr. Prins: Good morning. My name is Ray Prins from Lacombe-Ponoka.

Dr. Massolin: Good morning. Philip Massolin. I'm the committee research co-ordinator for the Legislative Assembly Office.

Mr. Eggen: Good morning. My name is David Eggen from Edmonton-Calder.

Mr. R. Miller: Good morning, ladies and gentlemen. Rick Miller, MLA, Edmonton-Rutherford.

Mr. Chase: Good morning. Harry Chase, Calgary-Varsity.

Mr. Donner: Good morning. John Donner, Agriculture and Food.

Mr. Klak: Good morning. Brad Klak, president of the Agriculture Financial Services Corporation.

Mr. Campbell: Good morning, all. Rory Campbell. I'm the Deputy Minister of Agriculture and Food.

Ms Rault: Good morning. I'm Faye Rault, assistant deputy minister of organizational effectiveness and rural services with Agriculture and Food.

Mr. Carter: Good morning. I'm Jim Carter. I'm the senior financial officer for Agriculture and Food.

Mr. Rhiness: Good morning. Brian Rhiness, assistant deputy minister of industry development, Alberta Agriculture and Food.

Mr. Dunn: Fred Dunn, Auditor General.

Ms White: Ronda White, Auditor General's office.

Mr. Cardinal: Mike Cardinal, MLA, Athabasca-Redwater.

Mr. Webber: Len Webber, Calgary-Foothills.

Mr. Herard: Good morning. Denis Herard, Calgary-Egmont. Welcome.

Mr. Strang: Good morning. Ivan Strang, West Yellowhead.

The Chair: This is Corinne Dacyshyn. She's circulating documents to us. I'm Hugh MacDonald from Edmonton-Gold Bar.

I would like to advise the members that the briefing materials were posted for viewing and printing on Monday. We again appreciate the work of the research committee in preparation for this meeting.

Mr. Campbell, if any of your staff that are also attending in the

back would like to participate in the discussions or supplement an answer, they're free to do so.

Yes, Mr. Chase.

Mr. Chase: I was just making sure that Mr. Prins had me recorded as the first questioner.

The Chair: Okay. Sorry about that.

Now, may I please have approval of the agenda that was circulated? Moved by Mr. Strang that the agenda for the November 7, 2007, meeting be approved as distributed. All in favour?

Hon. Members: Agreed.

The Chair: Opposed? None. Thank you very much.

Now, we will certainly proceed with our meeting with the Deputy Minister of Agriculture and Food. We will start by advising the minister and his staff that they do not have to touch the microphones. This is taken care of, certainly, by *Hansard*. I would like to remind committee members not to leave their BlackBerrys on the table as this is causing interference with our *Hansard* equipment.

We will ask you now, please, Mr. Campbell, to proceed with a brief overview of the department.

Mr. Campbell: Thank you, Mr. Chairman. Thanks, committee members. Good morning, everyone. I'm pleased to stand before you today on behalf of Minister George Groeneveld to discuss Agriculture and Food's 2006-2007 annual report as well as the Auditor General's recommendations related to our portfolio.

The minister and I arrived at the ministry in December of '06, and because of that I've taken the precaution of bringing along substantial corporate memory here today to assist in any answers that may pertain. We have introduced Brad Klak to my right; Brian Rhiness, assistant deputy minister; Colin Jeffares in the back eagerly awaiting questions as assistant deputy minister of planning and competitiveness; John Donner, ADM of environment and food safety; Faye Rault to my right is ADM of organizational effectiveness and rural services; Jim Carter, senior financial officer, has introduced himself; Krish Krishnasamy is the vice-president of finance of AFSC, and Krish is back there also; Cathy Housdorff, our communications director; and last but not least Mike Norris, our ministerial executive assistant, is behind me. Along with myself they will be available to answer any questions you may have.

I don't think that there's any doubt that in our industry things have been working under difficult circumstances in the last few years. Just as the situation seemed to be getting better, the rising Canadian dollar and skyrocketing input costs have put another severe strain on the agriculture industry, particularly the livestock sector. But if there is one thing that both the industry and our ministry understands, it's change, and our industry has changed and will continue to change. Whether it's how we prepare for and mitigate drought or how we're assisting in steering the recovery of our beef industry, crisis certainly pushes you to look for better ways of doing things. Our agriculture industry is doing this, and we're working with them. The ministry is committed to assisting our industry grow, and we're continuing to focus all of our efforts and resources on fulfilling the Premier's priorities for this province, including building a stronger Alberta.

Now, briefly I would like to go through some of the initiatives the ministry carried out in this past fiscal year. In terms of accomplishments this past year saw – and that is the 2006-2007 year – a number of province-wide initiatives continuing to benefit Albertans, such as our ongoing support of 285 rural agricultural societies for rodeos,

fairs, and exhibitions as well as the launch of the new Alberta soil information viewer available on our website. We entered the final year of the Canada/Alberta farm water program, which over 2006-07 provided \$1.6 million in additional funding to producers who undertook projects that increased the availability of on-farm water supplies such as wells, dugouts, and pasture pipelines.

In 2006 as part of a disaster declaration by the province the ministry committed \$229 million to producers whose operations were affected by rising input costs and falling commodity prices. In addition to this, we committed an additional \$70 million to supplement producers' CAIS payments. Agriculture and Food felt that this was important to help to support our agricultural producers who were still coping with the effects of back-to-back disasters.

This past year we also undertook a number of proactive initiatives to assist the agriculture industry. Along with the federal government we committed nearly \$40 million, of which \$20 million was Alberta additional money, over three years to the Alberta beef industry to help speed up the complete elimination of BSE from our cattle herds through an enhanced feed ban and full removal of specified risk materials, SRMs. In line with this, we also stepped up our efforts to enhance agrifood traceability systems for all species. These systems will also help to achieve emergency management for food safety and public health events and ultimately provide for faster border reopening and market access.

This past year together with the Alberta Infrastructure and Transportation ministry we committed \$30 million to upgrade the province's greenhouse facilities and to purchase research lands. From a legislative perspective we introduced the Livestock Identification and Commerce Act to better facilitate fair commerce. It increases protection for livestock buyers and promotes the overall integrity of marketing practices within the industry.

This year also saw the results of the federal government's barley plebiscite, which were overwhelmingly in favour of marketing choice. Our ministry continues to support the Alberta producers' desire for choice in marketing their grain and will continue to support the federal government's efforts in this regard.

There are many other good-news items and initiatives that our ministry has made progress on, too many to detail here. All of these initiatives are taking place because of the vision I described earlier: a prosperous, sustainable agriculture industry in rural communities. We've proven ourselves adaptable and creative, and we will continue through partnerships and innovation to help the industry move forward.

In terms of our financial results consolidated revenues of \$531 million and consolidated expenses of \$1.1 billion created an operating result of expenses exceeding revenues by \$584 million, \$90 million more than budget. In terms of revenues in 2006-07 the ministry revenues were \$531 million, 8 per cent lower than the numbers last year, which is a \$44 million decrease from 2005-06 and is \$15 million lower than budget. Revenues were lower than budget mainly because of lower than planned transfers from the federal government for the CAIS program due to overall reduced claims.

Expenses. Ministry expenses were \$1.1 billion, which is up only marginally from the previous year and only about \$75 million higher than budget. Farm income support payments were \$234 million over budget, mainly due to program payments for the Canadian agricultural income stabilization program being higher as a result of the lingering impacts of BSE and higher producer input costs. The CAIS program payments were for the Alberta margin enhancement and the Alberta reference margin initiative.

8:40

Insurance expenses were \$158 million lower than budget because of favourable crop conditions. Infrastructure assistance, however,

was \$21 million higher than budget due mainly to earlier payments to Alberta's irrigation districts to rehabilitate their water conveyance infrastructure.

In terms of the Auditor General's report I would like to take this opportunity to discuss some of the highlights of the AG's report concerning our ministry. Agriculture and Food takes these recommendations seriously, and we have responded by fully implementing five recommendations from previous annual reports, two for the department and three for Agriculture Financial Services Corporation. Most notably, we have worked to complete a number of technological enhancements mentioned by the Auditor General. These include completing a review of the wireless technology environment at AFSC, the risks associated with this technology, and developing a policy regarding wireless access security. AFSC has also begun the process of enhancing our computer system to handle CAIS claims more efficiently.

Also notable from the Auditor General's report was the mention of the loan loss allowance methodology and process. To address this recommendation, we have begun a number of initiatives to further enhance the effectiveness of the new technology. Some enhancements will be completed this fiscal year while others will be implemented as part of the replacement of the existing lending computer system, due to be completed next year.

Finally, there have been a number of questions raised as to the status of a recommendation made by the 2005-06 Auditor General's report on the farm fuel benefit. We have identified reviewing this program as a priority, and we are committed to doing that right. We know that there have been some delays, but these have been unavoidable. Our agriculture industry has been through back-to-back disasters with drought and BSE, and this forced us a few years ago to make a number of tough decisions when it came to priorities for both monetary and human resources. It was felt that our resources were best used in dealing with the immediate needs of these disasters rather than reviewing a program that works to the benefit of farmers and where we believe there is actually little abuse, but now certainly is time to do a complete review of the farm fuel benefits program. First, we are doing our homework to ensure a good process and determine the next steps and timelines, including scope of the review, where to focus efforts, and whether to phase it in, whether consultation is required and how to resource it.

This covers a brief snapshot of the accomplishments, financial results, and what we've been doing as a ministry to build a sustainable and competitive agriculture industry. Alberta Agriculture and Food and AFSC staff are doing a lot of good work, but we also realize that there is more work to be done to ensure our producers, our consumers, and our province are moving forward with new ideas and innovative solutions. I hope I've given you a good overview of the type of work we're doing in all corners of the province and with all sectors of the industry. Thank you for your attention so far today, and I would be more than happy to answer any questions you may have.

Thank you, Mr. Chair.

The Chair: Thank you very much, Mr. Campbell.

Mr. Dunn, do you have anything to add at this time?

Mr. Dunn: Yes, and I'll be brief. Hopefully the briefing note that we circulated with the agenda was helpful to all members and you've had a chance to read that.

You should be aware that the results of our audit of the Ministry of Agriculture and Food start on page 29 of volume 2 of our 2006-07 annual report. We've not made any new recommendations to the department of agriculture this year but have followed up on two

previous recommendations and concluded, as just mentioned, that they have been implemented, and that's described on page 31 of our report.

On page 198 we have listed recommendations we have made to the department in previous years that are still outstanding and somewhat just described here. The most significant recommendations relate to the department's systems for managing and evaluating its grants program. This is a long-outstanding recommendation. It goes back to when we first reported it in the 2000-2001 annual report. Also, as just mentioned, the administration of the farm fuel benefit program and what we also had noted, the food safety inspection and investigation programs – the government's responses to these latter two recommendations are shown on pages 207 and 211 of our current annual report, respectively.

This year we made three new recommendations to the Agriculture Financial Services Corporation to improve their accounting and internal control systems concerning the loan loss methodology, wireless technology, and controls over processing the manual claims for what's known as CAIS. Over the years we've made a number of recommendations to AFSC, which has a very good record of implementing our prior years' recommendations as just described. We reported that this year the corporation implemented two recommendations made in the 2004-05 year and only has one outstanding prior year recommendation relating to the information technology security, which we made in the year 2005-06.

Those, Mr. Chairman, are my brief opening comments. I or Ronda White will answer any questions directed to us by the committee. Thank you.

The Chair: Thank you, Mr. Dunn. Before we proceed with questions, the chair would like to remind members that we are dealing specifically here with the annual report of the government of Alberta for 2006-07, the annual report of the Auditor General for 2006-2007, both volumes, the annual report for 2006-07 of the Agriculture Financial Services Corporation, and the annual report for 2006-07 of Agriculture and Food. Okay? Thank you.

Now we will proceed with questions. Mr. Chase, followed by Mr. Strang.

Mr. Chase: Thank you very much. I very much appreciate the ministry's brevity as we have lots of questions to ask. In volume 2, page 39, of the Auditor General's 2005-06 report it states that "the Department does not verify information in application forms" for the farm fuel exemption, which has led to ineligible persons being awarded this benefit. On top of this the Auditor General reported that \$72 million of tax revenue was lost because of this exemption, a number that is no longer reported by the department. Can the ministry tell us what specific measures they've taken to address the Auditor General's recommendations to ensure that only eligible participants receive the fuel tax allowance?

Mr. Campbell: Yes, Mr. Chase. Briefly, I'll introduce the matter and refer it to Colin Jeffares, our ADM responsible for the program. We are aware of the issues and criticisms that have been leveled at the program. As a response, at the moment we are doing audits of people who receive the benefits from the program, and we are in the midst of planning a thorough program review. That process is actually under way at this point, and we hope to have it concluded within the next few months. It will be a thorough and complete assessment of the program, with program recommendations to move forward.

Colin, anything further to add?

Mr. Chairman, do you want people who are at the back to come to the table?

The Chair: Yes.

Mr. Jeffares: Just to follow up on Rory's comments, we do a thorough review of all the new applications. We do make sure that the data is confirmed on the application forms. We also follow up with calls for additional documentation, as well, in order to confirm the levels of farming activity and the projected levels of that activity. It needs to be \$10,000 or more.

Mr. Chase: Thank you. Hopefully, some of that lost revenue can be reclaimed.

We constantly hear the values of integrity, transparency, and accountability chorused by the Alberta government. Can the ministry explain why the, in quotes, opportunity cost to Albertans from the tax exemptions is no longer reported and tell us what that current number is?

Mr. Campbell: The opportunity cost meaning, in essence, the full cost of the program through both Alberta Finance and Alberta Agriculture and Food?

Mr. Chase: Yes.

Mr. Campbell: I believe that is reported, and I believe it's \$105 million. Am I correct on that?

Mr. Carter: That would be reported through Alberta Finance. I don't have those numbers here today.

Mr. Chase: It's just a different place for reporting that information?

Ms Rault: Because Alberta Finance administers the farm fuel program on our behalf, they report the details of the program in their financial reports.

Mr. Chase: Thank you very much for that qualification.

8:50

The Chair: Before we proceed, could you clarify that for the rest of the committee? Now, in the annual report of the government of Alberta there's an amount paid in fuel tax. Is the portion that's administered by Alberta Finance netted off that total amount, or is it listed separately somewhere in the government of Alberta's annual report?

Ms Rault: You'll have to address the specifics of that question to Alberta Finance. The \$33.5 million for the farm fuel program is in the department's budget and reported as a grant expenditure in Agriculture and Food's expenses and financial report, but Alberta Finance administers the program on our behalf and gives us the number to report.

The Chair: Okay. So you're telling this committee that you do not know what portion is netted off the fuel tax.

Ms Rault: I don't have those numbers with me today. We can follow up with Finance and report back to the committee.

The Chair: We would really appreciate that, and if it could be through the committee clerk, please, to all members, we would be very grateful.

Ms Rault: Yeah.

The Chair: Thank you.

Mr. Strang, please, followed by David Eggen.

Mr. Strang: Thank you, Mr. Chairman. My questions are on pages 51 and 52 of the Ministry of Agriculture and Food 2006-07 annual report. You mentioned some enhancement and amendment to the Canadian agriculture income stabilization plan. Can you provide some clarification on what exactly were those enhancements?

Mr. Campbell: Thank you, Mr. Strang. I'll ask Brad Klak, president of AFSC, to do the detail on that one.

Mr. Klak: Thank you. Mr. Chairman, the enhancements that took place for the year that we're looking at from a monetary standpoint were really around two initiatives. One was called the Alberta reference margin initiative. What this did was provide a benefit of approximately \$70 million, and that was to use a different methodology in calculating a producer's reference margin. This is a Canada-wide program, and every other province but Alberta looks at a producer's last five years of production, and then they take what they call an Olympic average, which is that they take out the high, they take out the low, and they do a straight average of the three years that are left. That recognizes a producer's historic average.

What we found, though, in Alberta was that because of droughts, because of BSE, because of some of the challenges that producers had faced, the reference margins were continuing to go down, and we had a real erosion on those reference margins. So with the government's support AFSC was able to offer producers either the Olympic average or the last three years, whichever was in the producers' best interests, whichever one gave them a higher reference margin.

Across Canada we're looking at reference margins decreasing. About 65 per cent of producers are actually in a decline on their reference margins, which is causing a fundamental problem with the CAIS program and a lot of concerns across the country. In Alberta we were able to stabilize that through the reference margin initiative, and we actually see the reverse. There's only about 35 per cent of producers' reference margins that are declining; 65 per cent are actually stable or increasing, not increasing much, but at least we're able to stem some of the decline that occurred with that program.

The other initiative, Mr. Chairman, that we implemented is called AME, Alberta margin enhancement. I know that it's hard to believe now, but last year prices for grains and oilseeds were terrible, and producers had seen some of the lowest prices in 30 years. So especially to address those concerns, the government implemented a program, which I believe Mr. Campbell has already stated amounted to \$229 million. It essentially took producers' fuel costs through the CAIS program, their fertilizer costs, and their overall margins, and we enhanced those 15 per cent generally for the margins and 25 per cent each for fuel and fertilizer, which again directed – probably 65 per cent benefited the grains and oilseeds sector, the rest generally across agriculture, which in the kind of challenging times that the industries face I think was very needed support.

Again, they were enhancements to CAIS because there are some fundamental problems with CAIS around those historical averages.

Mr. Strang: Okay. Thank you, Mr. Chairman. He must have seen my supplementary because he answered that, too, in his main question.

The Chair: Thank you.

David Eggen, please, followed by Mr. Webber.

Mr. Eggen: Thanks, Mr. Chair, and thank you so much for appearing before us here this morning. My questions are in regard to Choice Matters, your anti Wheat Board campaign that the Alberta government has been financing to at least \$1.1 million over the last number of years. Now, for one thing, the Canadian Wheat Board is under federal jurisdiction, so I find it difficult to believe that the provincial government would be dabbling in this issue. Plus the Canadian Wheat Board, of course, is an elected representation of farmers working to market for farmers. I would be curious to know how you justify the budget spending of this \$1.1 million, spending essentially taxpayers' money against farmers here in an effort to discredit the democratically elected, established marketing agency of the Canadian Wheat Board.

Mr. Campbell: Thank you, Mr. Eggen. We have undertaken the variety of initiatives that we have because our indications are, firstly, that it is not anti CWB. We do support marketing choice in terms of wheat and barley at this point, and I think that the federal government's plebiscite on the issue in the spring of 2007, which showed, I believe, that 78 per cent of Alberta producers do support marketing choice, provides us with some fairly clear direction on the policy related to the matter.

I want to make it very clear that it is not anti Canadian Wheat Board and that, in fact, we have undertaken a number of other initiatives. Through the Alberta Grain Commission we have increased the monitoring and communication of barley malt prices, for example comparing Montana prices to Alberta. This work demonstrated that the U.S. prices are more responsive to market forces than our Canadian prices, supporting the need for marketing choice. And in July of 2006 the Alberta Grain Commission participated in the federal government's policy round-table on marketing choice for wheat and barley, and the commission's general manager participated in the federal government's Task Force on Implementing Marketing Choice for Wheat and Barley.

Mr. Eggen: Well, you know, I find that interesting because, in fact, your Choice Matters advertisement campaign was functioning before the plebiscite or surveys that were taken out by the federal government were actually conducted. In fact, it seemed clear that you were using the Choice Matters campaign to advocate for a certain position in the run-up to those plebiscites, which I think in many people's mind is an illegitimate use of provincial funding.

Obviously, the nature of the Choice Matters campaign was to advocate for the free marketing of grain, so I would ask you how you could justify campaigning just on this one-sided market, which is otherwise playing right into the hands of the large food corporations and contributing to the difficulties that family farms are facing here in the province of Alberta today.

Mr. Campbell: I think it would suffice to say that my minister has a completely different view of the issue from a policy perspective and that, in fact, his deep belief and our deep belief as supporters of his policy initiatives is that marketing choice would be and will be good for Alberta producers.

Mr. Eggen: Thank you.

9:00

The Chair: Thank you.

Mr. Webber, please, followed by Rick Miller.

Mr. Webber: Thank you, Mr. Chair. Thank you, Mr. Campbell, and everyone for coming today to present. A few weeks ago this

committee, Public Accounts, sat through two straight days of meetings with I think four RHAs throughout the province – Calgary, Capital, Northern Lights, and East Central – and we had some great questions to them, one being the question I asked on food safety.

An Hon. Member: It was a great question.

Mr. Webber: It was a great question, yes.

It was related to food safety and inspection, and I'm still fixated on food safety and inspection, so I'm going to go to that area. The Auditor General made two recommendations to the Department of Agriculture and Food to improve its administration of its food safety surveillance program and its food inspection and investigation programs. In the Auditor General's 2005-2006 annual report, recommendations 9 and 10, which are on pages 88 and 91, the report identified that routine inspections were not current and that the enforcement practices could be improved. My question is, then: is your inspection process now up to date, and what changes have they made to implement these recommendations?

Mr. Campbell: Thank you, Mr. Webber. I'll refer the detail of this to our assistant deputy minister responsible for that area, but in short we have brought inspections further up to date, and we have been working with the Alberta Department of Health and Wellness on the development of an Alberta food safety strategy which creates a common understanding of provincial and federal government roles and responsibilities and plans effective management of food safety in the future.

John, do you want to kind of update on the specifics?

Mr. Donner: Certainly. Thank you, Mr. Webber. We've been making fairly substantial progress on making sure that our inspections are current and are consistent. We have introduced agriculture and food compliance principles that apply to all our inspections audits, that move through a process of engaging to make sure that we have 100 per cent compliance. We have inspection program protocols, and we are specific in terms of those protocols for each program that we have a mandate to inspect. We have broad directions and procedures manuals for our inspectors, and the alignment, the performance according to that manual is supported by our management performance review system. So we've made substantial progress in terms of our inspections, making sure that they're both consistent and carried out according to the mandate.

As Mr. Campbell referred to, we've been working quite actively on an Alberta food safety strategy, working not only with Health and Wellness but also with regional CFIA, Canadian Food Inspection Agency, Health Canada, and others to make sure that we have a co-ordinated strategy for Alberta. Among other things we've been looking at taking over and changing the responsibilities for processing meat in Alberta, and effective April 1 the food processing associated with the mobile butchers will be performed by our inspectors.

We're also looking at a broader process that's also consistent with the Auditor General's recommendations to look at a different system to ensure food quality and to look at what that would allow us to do in terms of resources to have a more coherent inspection system.

Mr. Webber: Great. Thank you.

My second supplemental was already answered, so you can continue, Mr. Chair, to the next person on your list.

Mr. R. Miller: Thank you for the presentation, Mr. Campbell. I, too, wish to follow up with questions on the farm fuel benefit

program. Frankly, I'm disappointed to hear that so little progress has been made on the recommendations that the Auditor General made in his 2005-2006 report, particularly since the government's response was that they would accept those recommendations and that plans apparently were under way for a renewal that was supposed to have commenced in the year 2006. So I'm a little disappointed to hear that that got moved to the back burner.

One of the things that the Auditor General asked the department to do I don't believe was mentioned. There was some talk about new applications, but I'm wondering about the requirement for applicants to regularly renew their registration in the program, because that's another component, of course, of verifying the eligibility of registrants.

Mr. Campbell: Thanks, Mr. Miller. Yes, that question will be one of the many best-practices issues that the program review will consider. If it's deemed to be the most effective way of doing it, then certainly periodic audits and a requirement for periodic reapplication would be considered as part of the program review process.

Mr. R. Miller: I want it to be on the record that I'm certainly not opposed to the farm fuel benefit program. In fact, I think it's a program that serves a very relevant need in the agricultural community. The concern that we're expressing and have expressed in the past is just that legitimate farmers receive it and that the so-called weekend farmer or those that, you know, may not properly qualify for it don't abuse the program.

One of the interesting things that I learned: last Thursday I was in a meeting with a former minister of agriculture from the Alberta government, who defended the program vigorously, as he should. But he commented that a certain amount of spillage – and spillage was his word – was perfectly acceptable if the program accomplished what it was designed to do. I'm wondering if you would care to comment on that. You indicated or somebody over there indicated that you're comfortable that there is not a lot of abuse taking place. But how much spillage would the department consider acceptable? I guess the second part of that, or as part of the same question, really, is a question that the Auditor General asked in one of his briefing documents to us, and that is, specifically, whether or not you've actually done the analysis to find out what that amount of the benefit that's received by ineligible applicants is. So how much spillage is there, and how much would the department consider to be acceptable?

Mr. Campbell: Those are interesting questions. I guess I'd note that ministers tend to look at things from a slightly more elevated view than we civil servants. I would think that it would be my role and the role of my senior officials to rigorously limit any amount of, quote, spillage, so I'm not going to name a figure. I don't know a figure that would be acceptable. I would think that maybe the Auditor General might have some thoughts on that if I were to name something like that.

Our experience has indicated that even with the current system, when we do find ineligible participants in it through our periodic audits and reviews, the farm fuel program usage does not go down materially, so it tends to indicate that those who may not fully qualify are not, in fact, major users of the program. We're comfortable that even today, before we fully complete the program review, the huge proportion of benefits are flowing to producers in Alberta who are using it in a justified fashion.

Mr. R. Miller: Thank you.

The Chair: Thank you.

Mr. Herard, please, followed by Mr. Chase.

Mr. Herard: Thank you, Mr. Chairman. I guess one of the things that's happened right across the country is that there has been quite a significant reduction in the number of farms, the number of operators, and a very significant reduction in agriculture labour force. But one thing that tends to run counter to that is the number of people who qualify for the Alberta farm fuel benefit program. That seems to be going up. I wonder if you could shed some light and help me understand how that could be.

9:10

Mr. Campbell: Yeah. Thanks for the question, Mr. Herard. Our answer to that would be that new farm fuel numbers have historically been about 1,200 a year, and that's not changing dramatically. Most of the newly issued farm fuel numbers are a result of the transition to the next generation of producers; that is, the children taking over the farm from their retiring parents is the major thrust there.

Mr. Herard: Are there mechanisms within this program to deal with the ever-increasing price of fuel?

Mr. Campbell: Not in the current program as it sits. We intend to complete a thorough program review, and that, again, is one of the policy issues that we'd be happy to include in that review.

Mr. Herard: Thank you.

The Chair: Thank you very much.

Mr. Chase, please, followed by Ray Prins.

Mr. Chase: Thank you. As a result of his findings, the Auditor General has recommended that the Agriculture Financial Services Corporation, AFSC, improve its data entry controls when it comes to filing manual claims with CAIS. Two out of six, one-third, of the tested claims found that because of incorrect data entry \$77,000 was underpaid to claimants. The Auditor General may wish to comment on this sampling and what it reflects. What steps has the ministry taken to improve the verification process when manual claims with CAIS are submitted?

Mr. Campbell: Thanks, Mr. Chase. I'll ask Brad to supply his response to that.

Mr. Klak: Thank you very much. I guess I'd just like to put it into context a little bit, as well. As you see from the report, as you've gone through the report, AFSC processed for the year we're looking at 16,488 claims totalling \$239 million, of which only 27 were manually processed, so I think the issue of manually processing claims is not widespread. CAIS participants for whom we essentially do manual processing are a lot of the participants who have off-calendar years and year-ends that are submitting claims early in the year, that requires some of that manual processing before we are fully up on the changes that our computer systems need to be modified in order to process the bulk of the claims.

The corporation has implemented a new computer system to handle those CAIS claims for the current claim year and, at the same time, enhanced the system to be able to handle subsequent claim years. This will almost – and this is my hope as well – eliminate the need to process any claims manually. In the meantime additional controls have been put in place to ensure that the accuracy of the

data entered into our system for any claim that we have to process manually is there.

We've worked with the Auditor General, and we've worked with our own internal audit team in order to minimize this. I'm not making an excuse here, but there have been so many changes happening to this program on such a regular basis – I think we're on modification 27 or something at the national level – that it is difficult for us to keep up with the changes. We're trying our best, and we're going to continue to look at those improvements.

Mr. Chase: Thank you. I appreciate the fact that 29 out of thousands of claims is not necessarily overall appearing to be significant, but I know how hard farmers are struggling these days. Has the ministry corrected the underpayment problem? In other words, do those farmers now have that money in their accounts?

Mr. Klak: Yes. All of the claims that we found – and we went, I guess, with the Auditor General's support and our own internal audit – have been corrected.

Mr. Chase: Thank you.

The Chair: Thank you very much.

Ray.

Mr. Prins: Thank you, Mr. Chair. I just am referring to page 32 on your Agriculture and Food annual report. At the top of the page there is a comment on field trials for ivermectin and tilmosin, two generic livestock pharmaceuticals. I know that these are high-cost items for livestock farmers whereas in the U.S., just directly across the border in Montana and North Dakota, places that are very close to Alberta, these drugs are very, very much cheaper. I think you have done some field trials, and I wonder if you could comment on how that went and if our farmers are now able to get those drugs at a lower rate.

Mr. Campbell: Thanks, Deputy Chair. I will refer the detail on that specific issue to Brian Rhiness, ADM responsible, but I would note that what we hear from the livestock sector, both the hogs and the beef in particular, is continuing concern about the regulatory burden in the case that you mention, slow approvals of potentially useful drug products, but also the increasing burden on matters such as specified risk materials for the beef producers and otherwise.

The minister has had a series of round tables this fall with both of those groups, culminating in the announcement a couple of weeks ago of the assistance in the amount of \$165 million to assist in meeting input costs and other rising costs, but he's also announced and is working with industry groups now to deal specifically with the regulatory issues and wants to move quickly and in a focused fashion to address some of the costs that are burdening our producers in that regard.

Brian, I think you know the specific situation.

Mr. Rhiness: Yes. Thank you, Mr. Prins. As Mr. Campbell indicated, these are extremely important issues for us in testing, to get these products in the market for our producers. We, of course, do this in co-operation with the federal government because they have the licensing authority, so we undertake these trials in co-operation with them. But the final decisions are made by the federal government. The timelines are there. We are hoping that those timelines will be met. We have not got confirmation that they have been approved, but we've done our part to ensure that the speedy process does take place.

Mr. Prins: So for my second question or a follow-up: is it the intent, then, to actually manufacture these products in Canada, or is it the intent to reduce regulations so that we can import them so that our producers can use them at the same cost as U.S. producers?

Mr. Rhiness: Well, in short, it's always our hope that they'll be manufactured here. We want the jobs. We want the manufacturing to take place here. We're hoping that if we get approvals, we'll be allowed to bring them in directly, but long-term our hope is that they'll be manufactured here.

Mr. Prins: Any timeline?

Mr. Rhiness: Well, the timelines are here in the book, 2007-2008. We don't have the approvals yet.

Mr. Prins: Okay. Thank you.

The Chair: Thank you.

Mr. Eggen, please, followed by Neil Brown.

Mr. Eggen: Thanks, Mr. Chair. Just clarification on my previous questions. I was asking about the legitimacy of spending provincial funds to work to undermine a federal program. Perhaps at the pleasure and the leisure of the Auditor we could, you know, have some reflection on that. I would like to know more about that.

Anyway, talking about this assertion that choice matters, I would like to ask about some of the food commissions that function in the province of Alberta. For example, the first one I would like to ask about – the Alberta Grain Commission has quite a significant budget, and I'm just curious to know why this commission is not explaining fully its budget. I'm referring to page 98 of the annual report. It's quite a significant expenditure, and I just would like to know if we could have a fuller disclosure of the commission's budget functions.

Mr. Campbell: Yes, if by that you mean: can we describe, over the budget year we're talking about, some of their activities and what they did accomplish?

Mr. Eggen: Yeah.

Mr. Campbell: Can I refer that to Colin Jeffares, please?

Mr. Jeffares: The Grain Commission consists of producers who provide advice to the minister and to the department on a number of issues involving grains and oilseeds. They have participated in a number of activities, including a federal government round-table in July of '06 that took place for marketing choice on wheat and barley. The commission's general manager also participated in the federal government's task force on implementing marketing choice as well. They've been advisers to the department on several studies that we have done on the future of grains and oilseeds in the department and in the province. We could get a complete list of their activities, if you wish, as follow-up.

9:20

Mr. Eggen: Yes, please. Absolutely.

Mr. Campbell: If I may just add to that, too. One key area of their interest that I've come to know in the last year, too, is grain transportation matters. So they've been very active in advocating for improved service, particularly in northern Alberta.

Just a comment. I know the minister views this as a really key issue, and he thinks it is within his purview and the purview of the Grain Commission and the ministry to advocate for policy positions that he deems appropriate. I also note that the federal government is not out of step with us on this. We find ourselves working very closely with them on this file. I know that he believes it to be an important policy issue for us to pursue.

Mr. Eggen: Fair enough. I mean, it's interesting that the courts didn't see it that way in terms of this last plebiscite, but good luck to you. Certainly, we'll be pursuing actively the use of the Grain Commission and advertising campaigns in using public funds, and that's the purview of our Public Accounts Committee here.

The second question I have then is, you know, again interesting. I'm just trying to square the logic here that you're using with the budget in terms of this Choice Matters thing because how does the Alberta Beef Commission's policy of obliging producers to pay a fee per head sort of square with this whole Choice Matters concept that you seem to be functioning under?

Mr. Campbell: Well, I think different parts of the industry operate in different fashions. While we do have oversight responsibility for the Alberta Beef Producers check-off, which is, I believe, what you're referring to, and while we're well aware that there are groups who would like to see a different process, with directional check-offs and so on and so forth, it's largely the choice overall of the producers themselves who decide the structure of their advocacy efforts. In the case of the beef producers we're well aware of all the arguments, and we will allow them to achieve the goals that they see as being their primary ones. The analogy I would draw here is that when polled, 78 per cent of our producers on the barley and wheat file themselves voted and requested that we support them in their search for market choice.

Mr. Eggen: Thanks.

The Chair: Thank you.

Mr. Eggen, just to clarify. Your first question on the Alberta Grain Commission – and I'm looking at page 98. The budget is \$487,000, the estimate.

Mr. Eggen: That's right.

The Chair: Are you after a breakdown of how that money is to be spent, where it goes?

Mr. Eggen: Absolutely, just to see.

The Chair: Mr. Campbell, could you provide that through the committee clerk to all members, please?

Mr. Campbell: Absolutely.

The Chair: Thank you.

Dr. Brown: Mr. Campbell, core business 1 of the Department of Agriculture and Food is to "facilitate sustainable industry growth," which I believe is a very worthy goal. My understanding is that agriculture's share of Alberta's GDP averages about 2.3 per cent over the period 1997 to 2005, and while there's been some increase in the GDP for agricultural industries, it's very difficult to assess the value for money which the government expends in various programs. When I look at page 19 of your annual report, I note that

business risk management consumes approximately 75 per cent of the budget of Agriculture and Food. I guess my question would revolve around what the total value of direct and indirect supports for farmers and ranchers would be, including subsidies of various crop insurance programs and income stabilization programs and whatnot. What percentage of farm income is represented by those government expenditures?

Mr. Campbell: Thanks, Dr. Brown. I'd note that a number of these expenditures are defensive mechanisms for the industry. Business risk management is exactly as it says. It is required and utilized by our producers to limit the vagaries of the production sector they're involved in. I don't think – unless, Colin, you have a percentage figure. It's an important figure to have. I suspect it's in some years fairly important and in some years much less so important, depending on the demand nature of the programs we're dealing with. But for the last two or three years I'm sure we can devise a figure and get back to you on that.

Dr. Brown: That would be much appreciated.

I guess a follow-up question would be: given the fact that the vast majority of your resources are being allocated to business risk management, what is the department doing to rationalize expenditures of ongoing supports to marginal operators?

Mr. Campbell: That's a difficult philosophic question, and it's one that I know the minister wrestles with all the time. I was just in Ottawa yesterday at fed/prov meetings from across the country dealing with some of those issues. Our first intention as a ministry, as you note in our opening comments, is to try and achieve sustainable growth for the sector within Alberta. But there has to be some recognition – and our minister is quite clear on this – that there are market signals that must be understood and must be responded to. So our approach is in fact to strengthen the industry's advantages wherever possible, in extreme circumstances to provide defensive protection for industry participants. But we recognize, especially with some of the global trends that are occurring now, it's impossible for us to predict and protect all producers in all sectors across the province.

The Chair: Thank you.

Mr. Jeffares: Under the current agriculture policy framework – it's a federal/provincial agreement – there is a large section of renewal programs. Many of these programs are geared towards providing training that will allow farmers and producers. If they do want to exit the industry, they may use these programs to be retrained.

The Chair: Thank you very much.

Rick Miller, please, followed by Alana DeLong.

Mr. R. Miller: Thank you, Mr. Chairman. Mr. Campbell, I've been accused in the past of being like a dog with a bone, and I think this bone has one more set of questions in it. The research that's been provided to us shows that in the last 10 years we've lost approximately 10,000 farms, yet in the last four years alone, not including the years '04-05, for which I couldn't find a number, we've added in excess of 5,000 Alberta farm fuel benefit numbers. Your comments earlier indicated that even though you may find some ineligible participants and remove them from the program, the total usage doesn't go down, and in fact it would appear to me that it's clearly going up. As of October 30 of this year we had 63,391 producers with valid numbers. I guess the question that has to be

asked is: in your opinion is the number of registrants in the farm fuel benefit program commensurate with the current number of farming operations given the sharp decreases in the number of farming operations over the last number of years?

9:30

Mr. Campbell: I'll let Colin get into the details on the exact data there. Yes, I can say that we are confident that there's a good match. We're not confident that there's a precise match, and that's part of the reason that we will be doing a thorough program review, but the demographics of the second generation and the structures of farms, allowing for multiple participants because fathers and sons have different corporate entities that are a part of a larger operation, lead us to believe that for the most part there is good alignment between the number of claimants and the numbers of actual, genuine farmers in Alberta.

Mr. Jeffares: I think Rory has made an important point. Farming has become a very complex business, and quite often there are numerous entities involved in one operation. As long as they meet the criteria of producing more than \$10,000 in commodities and are involved in the day-to-day management of the business, they're eligible for farm fuel.

Mr. Dunn: Mr. Chairman, may I just interrupt at this point? To me, this is a rather important question. I appreciate everybody's interest in asking a question around that. It aggregates over a hundred million dollars, and if you might remember, we were making recommendations around the old Alberta research tax credit, the ARTC, which was a hundred million dollars. This is not a small amount.

The program was originally established to be renewed. Every three years you were to get your renewal. That stopped many years ago. We've highlighted this as an example of where we've added the challenge to the department to look at your programs. That was our old recommendation: evaluate and look at your programs. Just don't fall into the trap or the habit of just constantly adding to or renewing without coming back and establishing or evaluating the benefit from all this. I have been made aware that there are confirmations that are sent out to applicants or users of this. A letter goes out? Is that correct?

Mr. Campbell: Yes.

Mr. Dunn: Every year you send it out to them. I've also been made aware from individuals outside that they write back to the department saying that they're no longer a farmer. But their number continues to be used. Do you follow up on those responses from applicants who have stated that they are no longer using the farm fuel benefit, but somebody is claiming it? Are those followed up?

Mr. Jeffares: To my knowledge I think they are, but I will have to double-check that.

Mr. Dunn: The reason I mention it is that I don't want the members to go away thinking that everything is A-okay and this is an appropriate program. I believe it really does deserve a response back to the committee, possibly in writing: what has been done by whom, and when will this program actually establish that all the registrants, within some sort of tolerance level, are legitimate?

The Chair: Mr. Campbell, if you could provide that in writing – the comments from Mr. Jeffares, the research on if there is follow-up on those letters – through the clerk to all members.

Mr. Campbell: Yeah. Shall do, Mr. Chairman. In fact, we can give a bit of a briefing on the current structure and operations of the program, and then we'd be happy to come back once the program review is completed and report further.

The Chair: Thank you.

Mr. R. Miller: Thank you, Mr. Chairman, and I'd like to thank the Auditor General for perhaps more eloquently expressing what I was trying to get at. It is important, and despite a recommendation that was made in the '05-06 Auditor General's report, we don't seem to be any further ahead on it, so that is of great concern.

I guess the supplemental question for me, then, will be fairly simple and straightforward; that is, the \$5,000 threshold for seniors and \$10,000 for farmers. When was the last time that we looked at that threshold? When was it last changed, and depending on the answer to that, is it time to review the threshold, and will that be part of the review that's taking place?

Mr. Campbell: A very good question. I can't answer when it was last assessed, but we will get back to you on that too.

Clearly, the definition of a farmer will be the central question related to the program review and, therefore, will be part of the assessment that Mr. Jeffares is heading up.

Mr. Jeffares: The \$10,000 is not a figure that is established just for this particular program; \$10,000 is an accepted income across the country for farm programs as the minimum standard.

The Chair: Thank you.

Ms DeLong: Moving on to the Agriculture Financial Services Corporation, if you could turn to page 32 of the annual report of the Auditor General of Alberta and his recommendation. You know, generally, banks are criticized if they let their customers overextend their credit. So I'm a little concerned about these recommendations that are in here regarding guidelines for calculating loan impairment, historical loan loss experience, and underlying data. There are, actually, three recommendations. I just wondered: how far along are you in addressing those three recommendations?

Mr. Klak: That's my question, I guess. Again, to put the question into a little bit of context – and the Auditor General might want to add to this as well – it wasn't the intent, I believe, of the recommendation from the Auditor General to say that we don't have a system in place in terms of determining what is an impaired account or what we put into a specific loan loss provision or a general loan loss provision. I think that what I would like to underline – and the Auditor General might want to comment on this as well – is that we want to improve. The recommendation is to improve our system.

The system that we have in place is that loans officers review on a quarterly basis. They review all of the files that they have in front of them, our entire lending portfolio, and they judge performance of those loans against a list of factors. What we have in that is that we're using the historical experience of those loans officers and a list of factors that can lead to a degree of subjectivity, that I think was a concern of both the Auditor General and ourselves.

I think the other thing that's happening to us is that we've got an aging workforce. I think the average years of experience with AFSC is about 16 for our employees, so a lot of our experienced loans officers are eligible or are leaving, and we're bringing in new people that might not have the same ability to be able to assess those loans and assess them across the province in the same way.

So what we're doing – and there are three recommendations, as you point out. We've accepted all of those recommendations. We want to put consistent guidelines in place. We want it so that all of our loans officers are working off the same sheet of paper. We've got a tremendous amount of historical data on risk factors for our loans officers to be aware of. But, again, we're not sharing that information or using modern computing systems to the fullness of their capability to be able to provide that data and help our loans officers, wherever they may be in the province, to learn and improve. So we're putting that historical information into a context that's going to be much more user-friendly and consistent.

Again, I would just underline that the system hasn't been failing. There's not a lack of a system in place, but there is room – and we agree with the Auditor General's recommendations – for improvement here and for increased consistency. We will have that. We will be moving on these recommendations immediately. The historical side will take us a few years to be able to get towards, but we've been moving on that recommendation throughout this year.

Ms White: I'll just supplement here. This recommendation arises out of our financial statement audit every year. We look at the corporation's processes for preparing their loan loss. This year, as Brad has mentioned, they improved their methodology. So our comments arise from some of the changes to the methodology, and they are targeted at consistency amongst the corporations and ensuring that the corporation can have an appropriate loan loss allowance recorded in its financial statements on an annual basis in a consistent manner.

I do want to highlight for the committee, though, that as far as the lending practices, we didn't have concerns that loans were being given out inappropriately. This was the process to determine an allowance on an annual basis for the financial statements.

9:40

The Chair: Thank you.

Ms DeLong: Which brings me to my second question. The SLLA and the GLLA calculations, which are actually the exposure of the government in this situation: have you recalculated them based on the work that you have done so far?

Mr. Klak: Yes, we have. We've recalculated them. It was interesting that when we recalculated it through our existing experience, what we were finding was that we were overstating those losses. So when we did the recalculation with the support, again, of our internal audit as well as the Auditor General, those numbers actually decreased when we used, I would say, probably a more appropriate methodology in terms of calculating what the specific loan losses and the general loan losses should be. I think we're all very comfortable with the numbers that we've set.

I should add, I guess, that we are a higher risk lender, and we're very exposed on agriculture. Most financial institutions like to spread their risk around through a variety of industries. That's not our purpose, and that's not the role as a Crown corporation that we have. For the type of exposure that we have in one industry, I would say that we have an admirable record in something that even the chartered banks or the Alberta Treasury Branches would see as very – in terms of our historical loan losses, they've been traditionally under where we've set our targets. So I think it also speaks to the quality of the lending officers that we have in the province.

Ms DeLong: Thank you.

The Chair: Thank you very much.

Mr. Chase, followed by Mr. Strang.

Mr. Chase: Thank you. Page 5 of the Auditor's report states that \$261 million was committed to assist producers as a result of increasing costs due in part to the growing diversion of feed crops to the highly questionable and highly subsidized biofuel processing industry, which, when combined with falling commodity prices and a restricted U.S. export market, is a triple whammy which is hitting Alberta cattle producers very hard, some would say even harder than the BSE crisis. How much of this \$261 million has been diverted to assist cattle farmers, who among other hardships are receiving very low prices for the sale of their cattle at auctions?

Mr. Campbell: Maybe Brad can speak to the details on that. This was a program announced a little bit more than a year ago, and it was primarily aimed at, although not exclusively, the crop sector. In the intervening few months the issues related – you began to touch upon the biofuels industry, the rise in the cost of feed. As a result, fuel and fertilizer costs have begun seriously to impact the livestock sector, and it's really that side that we're primarily focused on at this point. But things change. In reference to a year ago I think it was primarily aimed at the crop sector rather than the livestock sector but not exclusively, and I think that Brad has the ratios.

Mr. Chase: With regard to the \$261 million can you suggest how much of that cattle producers have seen? You've indicated the majority of it went to grain producers as opposed to cattle producers. I'll just say that I hope that's being rectified.

My second question: how effective are the current programs that are in place to assist cattle farmers, particularly in light of and the follow-up and fallout from the BSE crisis? You've indicated that there's a change in the recognition. How is that followed up on a monetary basis?

Mr. Campbell: Good question. I can answer that one, and again Brad can get into the detail. A couple of weeks ago the minister announced a \$165 million program. Again, as the program last year was tweaked to primarily focus on the crop sector, this has been structured to focus very distinctly on hogs and beef. What's happening with border issues that we're seeing because of E coli and because of additional costs of feed grains and fuel: the sector has taken quite a hit in the last year. It's the subject at this point of discussion between the ministers, both federal and provincial, and the industry. I think our rapid response to the question in the form of the announcement a couple of weeks ago was very warmly welcomed, by the hog guys in particular. Discussions are ongoing.

The livestock sector has a cyclical nature – there's no question – but this does not appear to be a purely cyclical issue. This appears to be an emerging new world that we're coming into. The question is: how can the Alberta government and governments across Canada begin to adapt rationally to that new set of circumstances? Your question was specific to the program last year and how we have again responded this year.

Mr. Klak: Just briefly, as I said, approximately 65 to 70 per cent of that \$261 million that was allocated, what was called the Alberta margin enhancement, went to grains and oilseed producers.

That said, we have a lot of mixed farmers in Alberta. It's hard to be a pure anything in agriculture these days. It's probably not even worthwhile to shave hairs on it. That was because we targeted fuel,

fertilizer, and general margin enhancements. It was a trying time because of a lot of issues. I would say that especially the U.S. and European bioenergy policy as well as historically low grain stocks and some droughts really have caused a run-up in terms of feed grain prices that is almost unprecedented in the time frame. So that money went there.

I know we're not here, Mr. Chairman, to talk about this year, but we have done a number of initiatives, some that Mr. Campbell has already spoken to on the \$165 million, of which approximately 90 per cent is targeted to the livestock industry. We've implemented a feed grain proxy, so it's very specific to livestock, and it's going to help.

We also have done some things for our hog industry, which I would say is in a tremendously difficult circumstance. We've implemented some task teams within AFSC to be able to fast-track their CAIS claims. We've done a targeted advance payment system for them to try to move money to them quicker. They as well as our livestock sector generally are in a really tough time.

Mr. Chase: I appreciate that. Farmers are also facing the rapid depletion of farmland. That's a fourth whammy if you want to look at it that way.

The Chair: Thank you.

We will proceed to the next question. Ivan Strang, please.

Mr. Strang: Thanks, Mr. Chairman. To Mr. Campbell. I'm going to refer to your annual report, 2006-07, page 40 to 43, on the subject of your goal 3, improving environmental stewardship. I guess I'm looking at that a lot of your focus was in southern Alberta in developing a watershed planning and advisory council. Then I notice on page 43 your performance measures: why wouldn't these be up higher with all the money that you spent and worked with that was on your page 98? How come our results weren't higher for 2006-07?

Mr. Campbell: Thanks, Mr. Strang. Can I ask John to begin to answer that? I'll supplement as I can.

Mr. Donner: Thank you, Mr. Strang. The focus of the performance measure, particularly 3.b on environmental farm plans, refers to the efforts of the Environmental Farm Plan Company, that we support by providing technical assistance. It's a very focused target and performance measure around the number of farmers that are engaged and educated through the process of seminars led by the Environmental Farm Plan Company. You can see that we were quite considerably above our target in terms of the '06-07 result.

In terms of the producer survey, that's done every other year. We will be getting the data in the year coming and be able to report. That's why it's not available there.

9:50

Mr. Campbell: Mr. Chair, ADM Faye Rault would like to add a comment about the performance measure itself.

Ms Rault: Yeah. Just to supplement on performance measures, as John mentioned, the survey is done on a periodic basis, so we don't have regular numbers. But on the environmental farm plan side that measure is intended simply to acknowledge the number of producers that have participated in training and then will develop environmental farm plans. We adjusted our targets as we saw with BSE that there wasn't available cash or resources to participate in that

training. So we've fallen off of our intended track there a little bit. But we're seeing that we're rising back up again in participation and in the way those farm plans are developing.

Mr. Strang: Okay. Thank you. My follow-up, then, would be, Mr. Campbell, on the aspect with your goal there. Under your strategy you really talk strong about Water for Life. I'm just wondering what aspects you're working with the farm people on on better utilization of the water and working with Alberta Environment to develop off-stream storage.

Mr. Donner: Thank you again. The short answer is probably: across the board on Water for Life. The department of agriculture is a part of the Alberta Water Council. As such it's part of developing the wetlands strategy, which is a part of developing and working on one form of storage and managing water. In terms of our irrigation projects and the storage that takes place there, we work very closely with Alberta Environment in monitoring the water system, particularly for the south. As part of developing and having discussions about off-line storage, there are new opportunities being explored, in the last few days conversations about how to perhaps make better use of some of the existing storage on the Bow that is currently used for power and what the opportunities are for using that in different ways. So it's a very active discussion about how we manage across the Water for Life and use that particularly in conservation on the irrigation side but also in trying to help our producers with being drought-proofed so that they have reliable access not only to supplies of water but quality of water.

Mr. Strang: Thank you very much.

The Chair: Thank you.
Mr. Eggen, please.

Mr. Eggen: Do we have time?

The Chair: Yes, if you could be very brief.

Mr. Eggen: Yeah. I'll be very brief. Often when we're looking at budgets of various departments, there'll be specific performance measures in place to see the efficiencies of different programs. I'd be curious to know what performance measures you have in place to measure the effectiveness of your grants programs and loans programs, if you could give me some information on that. You know, I'm just looking at the global statistics of the amount of family farms that are disappearing and farms in general, and it seems as though there's a problem.

Ms Rault: Certainly, the grant program evaluation is an area where we need to put more focus. However, I think it's also fair to say that because our programs are well used and the feedback from our community has been positive, we are facilitating results. We do have under way a grant evaluation process. We're working internally to develop improved procedures for management reporting that will feed into the business planning review and allow for more intense discussions around the effectiveness of those programs.

Rory, I see you want to add something.

Mr. Campbell: That's a very good question. I think a lot of our experience over the last few years has been in reacting to crisis. We as a ministry – and I come from another ministry – react very well to crisis. We have extremely strong relations with our client groups

and our clients out there. But I think we've been working over the last year to beef up critical parts of the ministry such as business planning, such as our policy area so that we can take the lessons that we learn from all of those good relations with our clients and actually apply them to program design, program review, program development when we do hit another crisis. It's been a focus of mine, particularly, that we take some of those central agencies such as finance, business planning, legal, and others and try and put a bit of beef to them so we can do a better job of this kind of policy review, policy development.

Mr. Eggen: Thank you. I'll just be very, very brief. So you don't specifically have a performance measurement to try to save family farms and small farming operations at this time?

Mr. Campbell: Except for the general goal of sustainable growth of the industry, which implies both of those, we don't get more specific than that, but certainly our programs are aimed at it. Brad wants to . . .

Mr. Klak: Again, just very briefly, the overriding goal of Agriculture Financial Services is to support rural businesses, be they family farms, be they business operations. Eighty-five per cent of our lending is to those types of operations. We give them up to 20-year fixed-rate financing to try to facilitate, you know, that economic impact in rural Alberta, so it's very much a shared responsibility within our ministry.

Mr. Eggen: Thanks so much.

The Chair: Thank you. Now, Mr. Campbell, we still have members with questions, so we will proceed to read them into the record, and if you could respond in writing.

Ms White: The auditor had a further comment on that one.

The Chair: Oh, I apologize.

Ms White: I just thought I'd supplement to answer your question, Mr. Eggen. On page 35 of the annual report of the ministry there's a measure, 1c, that talks about investments supported by AFSC, so there's a target and a measure there. I thought you might find that useful.

Mr. Eggen: Yes, I saw that. Thanks again.

The Chair: Thank you.

Mr. Webber, if you could read your questions into the record, please.

Mr. Webber: Thank you, Chair. On page 45 of the Ministry of Agriculture and Food's 2006-2007 annual report you state that you have provided \$8.67 million in grant funding to 285 ag societies as well as \$2.85 million for 87 community initiated projects under the agricultural initiatives program. Can you provide us with an explanation of how these money and programs operate and how not only rural Alberta but if urban Alberta has benefited also with respect to their ag societies? I assume Northlands and Calgary Exhibition and Stampede are part of that.

My supplemental: what is the difference between these grant programs and the rural Alberta development fund?

Thank you.

The Chair: Thank you.

Mr. Miller, followed by Mr. Herard, please.

Mr. R. Miller: Thank you very much, Mr. Chairman. Page 66 of your most recent annual report shows that the actual cost of infrastructure assistance was almost double what was budgeted, and it came in at over \$50 million. I'm wondering if you could share with us the reason for this substantial increase. Supplemental to that: obviously all sectors in the province with infrastructure costs have faced similar situations; I'm wondering what plans the ministry has in place to ensure that infrastructure assistance expenses do not continue to escalate out of control.

Thank you.

The Chair: Thank you.

Mr. Herard.

Mr. Herard: Thank you. First of all, let me say that despite being a city lad, I appreciate getting your reports throughout the crop year on where the drought is and, you know, how things are progressing in the province. But one thing that's for sure is that some areas of the province might be experiencing bumper crop situations while others are dried out. One of the things I've always wondered about is that typically insurance is for loss – it's to protect against loss – but it seems to me that when we talk about crop insurance, a decision is made that a per-acre payment will be made, and everybody gets it whether they've lost or not. How difficult would it be to operate this more like insurance? In other words, to me it doesn't seem to operate that way. I don't speak from experience; it's just anecdotally what I've seen over the last 15 years. I've never been able to understand that.

10:00

The Chair: That's it, Mr. Herard?

Mr. Herard: Yeah.

The Chair: Thank you.

Mr. Chase: Page 5 of the ministry's report commits \$239 million over the next five years, part of which is intended to help the agricultural industry produce renewal energy and environmentally friendly products. However, on page 26 it states, and I quote, that the percentage of producer survey respondents who have adopted improved environmentally sustainable agricultural practices did not meet expected targets. Therefore, I'd like to know: what are the specific mechanisms in which the money will improve environmentally friendly practices, and what reasons have been provided or can be provided for the failure to meet the improved environmentally sustainable practices? What kind of auditing is taking place that this money is going to where it's stated to go?

The Chair: Thank you.

Mr. Prins to conclude, please.

Mr. Prins: Thank you. On page 37 of your report you state that "a Specified Risk Material (SRM) Initiative was developed . . . to support industry in disposal requirements legislated by the federal enhanced SRM feed ban," which was implemented in July 2007. I'm just wondering: how does Alberta's SRM initiative support industry? Could you comment on the success of this program or any new initiatives that might have taken place? I want to know also

how the funds are allocated because of the increased costs to most of our processors and our producers because of our standards being higher than the U.S. standards.

The Chair: Thank you.

Mr. Dunn, you had no comments?

Mr. Dunn: No comments.

The Chair: Okay. That concludes this portion of the meeting. I on behalf of all members would like to thank Mr. Campbell and his staff from Agriculture and Food for their time this morning and their patience with the committee. We really appreciate that, and we wish you the very best in the next fiscal year. You are free to leave if you wish. We have a couple of other items on the agenda. Thank you.

Mr. Campbell: Thanks very much, Chairman and members.

The Chair: Now, item 4, Other Business. I would like to advise the committee that follow-up responses from East Central health, Capital health, and the Auditor General regarding Grant MacEwan College have been posted on the members' website. I would like to note that.

Does anyone have any other business at this time?

Mr. R. Miller: Mr. Chairman, I note in today's agenda a reference to the Ministry of Municipal Affairs and Housing appearing before us next week. I'm wondering if you could remind us which other ministries are to appear before us over the remainder of the fall sitting.

The Chair: Yes. Certainly.

Mrs. Dacyshyn: Next week, November 14, is Municipal Affairs and Housing, November 21 is Children's Services, November 28 is Seniors and Community Supports, and December 5 is Energy.

Mr. R. Miller: Thank you. I was hoping to have seen Executive Council on that list, and in absence of their appearance I'm wondering, Mr. Chairman, if it would be appropriate for me to move that the committee sit an extra meeting sometime during the fall sitting in order to have Executive Council appear before us. If I could have a seconder for that motion, I would be happy to explain.

The Chair: You don't need a seconder for that motion if you want to present it.

Anyone else?

Mr. R. Miller: Do I have the opportunity to explain the reasons for wanting to move that?

The Chair: Sure. You go right ahead.

Mr. R. Miller: I'm sure you would like to hear why.

The Chair: Just be brief because we're well past 10 o'clock at this point.

Mr. R. Miller: Yes. I'll try to be brief, Mr. Chairman. I've had a number of correspondences into my office following the Premier's announcement on royalty reviews and particularly concerns expressed about the expenditure of public dollars for an advertising campaign that largely appears to be partisan in nature. The one in

particular that gets referenced most often, quite frankly, is the one with the large picture of the Premier and the wording, "I made a commitment and I delivered." I think it would be appropriate for this committee to examine whether or not the expenditure of at this point I believe the total is about \$350,000 in taxpayers' dollars would be appropriate given the partisan nature of those advertisements.

The Chair: Okay. Thank you.

Any comments regarding Mr. Miller's motion?

Dr. Brown: I think there are other appropriate venues in which to bring any questions he may have regarding that, including in the House in question period. I don't think that that particular one item would warrant us changing our existing schedule to bring in the Premier's office.

The Chair: No. I don't think we could change our existing schedule, but we could certainly at the will of the committee add meetings.

Mr. Chase: That is only one of a number of questions that we would like to ask. Another question might be the great number of staff members in the Public Affairs Bureau, the cost of maintaining that Public Affairs Bureau, and also the justification and the expense associated with it being run directly out of the Premier's office, especially after this Premier has attempted to distance himself and promote transparency and accountability.

The Chair: Okay. Fine.

Anyone else? Or should we have a vote?

Mr. Herard: Well, the first part of the question I think is one that would not be appropriately brought before us in this committee because it's not something that has been reviewed by the Auditor General. We have no information in the annual report with respect to that, so why would we be delving into a future report rather than

the past, as we have traditionally done? For that reason, I'll vote against it.

The Chair: Okay. The chairman is going to call the vote seeing no other members that would like to get on the record on this.

Now, Mr. Miller, if you could read your motion into the record.

Mr. R. Miller: Sure, Mr. Chairman. I move that

we hold an extra meeting of the Public Accounts Committee in order to have the Executive Council appear before us specifically to deal with the issue of advertising following the royalty review announcement made by the Premier.

I'm not sure if the clerk is completely comfortable with that wording, but it can be massaged as necessary.

The Chair: Okay. All those in favour of Mr. Miller's motion please raise their hands. All opposed? The motion is defeated. There were three in favour, six opposed. That concludes that issue.

Now, item 5. The date of our next meeting, I would like to remind members, is next Wednesday, November 14. We will have the hon. Mr. Ray Danyluk, Minister of Municipal Affairs and Housing, as I understand it. Mr. Danyluk is coming to the meeting. Or is he sending officials?

Mrs. Dacyshyn: I don't have that information yet.

The Chair: Okay. Well, we'll see. We'll see next week.

Now, could I have a motion to adjourn? By Mr. Eggen that the meeting be adjourned. All in favour?

Hon. Members: Agreed.

The Chair: Opposed? Seeing none, thank you. The chair would like to thank you for your time.

[The committee adjourned at 10:08 a.m.]

