

Standing Committee on The Alberta Heritage Savings Trust Fund Act

Wednesday, September 10, 1980

Chairman: Mr. Payne

2:07 p.m.

MR CHAIRMAN: I would like to bring this afternoon's meeting of the Heritage Savings Trust Fund committee to order. Once again, we'll excuse a number of our committee members who are on other official duties today. Mrs. Fyfe has indicated she will be joining us shortly, but we do have a quorum. In the interests of time, we'll welcome Mr. Schmidt into the chambers this afternoon.

Mr. Minister, would you care to make any preliminary remarks before we turn it over to some general questioning?

MR SCHMIDT: Thank you very much, Mr. Chairman and members of the committee. The document which was just passed out is not new. I'm sure you've seen it before, but I brought copies along to refresh your memory. Part of the responsibilities of the Heritage Savings Trust Fund deal with Farming for the Future, the research aspect of agriculture. To touch just briefly on the role of the Agricultural Development Corporation and its funding through the Heritage Savings Trust Fund, and just a brief comment on where we are in regard to irrigation which, from the Department of Agriculture's point of view, is tied in expenditures we make in the upgrading of the existing facilities is funded through the Heritage Savings Trust Fund.

At the close of the year ending in March 1980, the fiscal year of ADC, gave us an indication of just about double the amount of monies made available to those in the agricultural industry, totalling about \$131 million. The year before, direct lending came to \$61.3 million of the \$131 million in the close, and the balance of course tied with guarantees.

It is interesting to note that of the loans made, the direct funds that were made through ADC to the beginning farmer, the average loan moved from about \$90,000 to \$104,000. I mention that because in changing the program we established the rate of the loan for the present time at \$200,000, plus \$100,000 worth of assets. So it would appear that, if that average is meaningful for the balance of this year, we have perhaps come close to reaching what we feel an average loan would be.

As of the last day of March in 1980, there were 277 applications made by beginning farmers. The majority of all the funding that has been expended through the Agricultural Development Corporation goes toward the purchase of land. The smaller portion goes toward those capital improvements of what already exists. So it would appear that out of \$61 million expenditure, \$46 million goes toward direct purchase of land.

Other than direct lending, through the farm development loans have gone to 4,500 farmers throughout the province, totalling \$55 million. That is \$10 million less than the year before. The only explanation one can make is that the loan itself is for the shorter term and mainly for improvements, the purchase of some machinery, upgrading what already exists. It would appear that the \$10 million shortage from the year before is an indication that farmers were sitting tight because of the conditions of an extremely dry fall last year, and made no moves over the winter, faced with a start of a very early and a very dry spring. That is the only indication we have in the differential of \$10 million on expenditure of the previous year.

Agribusiness loans: basically about the same and haven't changed that much. About \$8.3 million has been expended. That is very similar to the amount of money that was put out the year before in agribusiness. Operating guarantees for those who already exist run about \$13.5 million for the year.

To touch briefly on Farming for the Future, the area of research in agriculture, the program was established for a \$10 million expenditure and is now at the close of its second year of operation. The funding that has been allocated to 86 projects -- there are 82 of those that are still ongoing; in other words, there is a financial commitment after they were accepted as areas of research. All of them are financially committed until they close the area of research. Out of all the original applications, only four have been completed. So there is a carryover and a financial commitment on an ongoing base from year to year. On a very general way, that is about 1:5; in other words, if you were to take a figure of \$4 million to keep the commitments that are already made from year to year, and you accepted new commitments for about \$1 million, that ratio would continue on a year to year base. So for every million you would accept, you would have an ongoing commitment of about \$4 million. Of course the longer you go, that would escalate in the actual cost, due to inflation and the rising prices in the areas that each is tied with.

In the irrigation section, Agriculture's responsibility is in the upgrading and working directly with the Irrigation Councils and the districts they are responsible for. We were operating under the program announced some time ago, a 10-year program, that set aside \$200 million, of which the Department of Environment was to administer \$110 million, tied to water management, storage; and the Department of Agriculture was to administer the \$90 million toward the upgrading of the existing facilities, the various canals and connections. That has been ongoing, and Agriculture has spent \$32 million of that in working directly with the irrigations districts. That \$32 million is just the funds that have been expended through the Heritage Savings Trust Fund. Our normal operating expenditures that also go toward irrigation are not counted in that area.

There has been a change for the next fiscal year. The announcement of the 15-year water management program two weeks ago changes the dollars and cents in both Environment's expenditure -- I believe the figure is \$243 million for Environment, and Agriculture for five years has set \$100 million toward upgrading. It will be on those figures that we will base next year's program.

The basic reason for the increase in Agriculture for upgrading has been that since the original program was announced, there has been a degree of sophistication in the areas of construction. There have been engineering firms that have now established themselves and deal directly with irrigation in total. So it has made it possible for irrigation districts to accept more of a workload toward their upgrading on an annual base from year to year. Rather than tie the progress to a fixed amount each year because it happens to be divided in the number of years for the total amount that was to be expended, the \$100 million will allow the irrigation districts to expand at a rate which each and every one is capable of doing. It also fixes the shared costs between irrigation districts and government at the fixed rate of 86:14 for the period of the next five years.

In other words, the \$100 million is set aside for Agriculture for the upgrading for a five-year period, will be reviewed in five years, and the shared arrangement, percentagewise, will be reviewed at that time as well. The program announced was \$343 million for 15 years by Environment; Agriculture's commitment of \$100 million is for a five-year program, to be reviewed.

Mr. Chairman, with those few remarks, I would look forward to those questions members have in those three areas.

MR CHAIRMAN: Thank you, Mr. Minister.

MRS FYFE: Mr. Chairman, first I just want to clarify a point. You said there were 277 applications at the end of March toward the purchase of land, and \$46 million had been spent. Were those applications ones that had been approved, or are some still pending?

MR SCHMIDT: The 277 at the end of the fiscal year, at the end of March, was the number of beginning farmers who had made application and were approved. In other words, we established 277 new farmers in the role of agriculture during that period. One should note that the change in the philosophy in the beginning farmer program appeared after that. That influx, numberwise, will show up in the next fiscal year. Of course there were many who perhaps would have added to the 277 who were waiting until there was a change in the policy itself. So that will be reflected in the next year. So they were actual.

The \$46 million of the \$61 million is just a figure to show you the percentage. It doesn't deal directly with the beginning farmer, because if that were the case the majority of the funds would be directed to land purchase. Out of all the funding that was allocated in regard to agriculture through ADC on a \$61 million base, \$46 million would go toward land acquisition. That just gives you a percentage breakdown of the demand and need and what the funds are going for.

MRS FYFE: Thank you. I'd like to ask a couple of questions relating to irrigation. You mentioned that in the approval which had taken place some years ago -- I assume there were cost/benefit studies done at that time as to where the benefits would accrue. In the review process you mentioned, is there a total review of the benefits to those who are involved, the engineering consultants, the service industries related, and the benefit to the consumer? What type of review would take place?

MR SCHMIDT: To go back in history of irrigation in this province, it started about the time we became a province, and of course grew across and formed into what we know now as the irrigation system of southern Alberta; has been administered by many various agencies; has been financially responsible by other agencies and, mainly, at the last, the federal government responsibility, finally transferred to the province.

Over the period of years, we have had a number of irrigation districts formed that have the original numbers of miles of ditches that provide irrigation to that district itself. They have been in various states of disrepair over the period of years. Some of the irrigation districts that were taken over in the latter part, the newest ones, of course were in better shape than some of the older ones. It depends on the size.

At the present time, we have about 1 million acres under irrigation. The rehabilitation program that the province of Alberta, through the Department of Agriculture, is involved in is the upgrading of what existed over the period of years. Environment has been looking at the upgrading of the guarantee of water supply.

The total assessment of where we go took place in the evaluation process which I think you're talking about, and wasn't so much in the area of whether irrigated land could produce 10 bushels of barley more than dry land in a normal year and do it consecutively 10 years in a row, as compared to dryland farming. But we know the capability of that part of the province that is under irrigation, that without water it produces practically nothing, or would over a period of years -- unless it received normal rainfall would produce really nothing. With water it is productive. So we measure its capability

production in the number of acres that would be under irrigation, at the present time very close to 1 million.

There is sufficient ditch in each district, and because of no guarantee at the present time of a source of water, we have a moratorium on the amount of land you can take under irrigation over and above what already exists. The ditching that is there and with the upgrading over the period of the next five-six years will bring on stream, with a guarantee of a source of water another half million acres without building any great appreciable amount of ditch. In other words, it would be the upgrading of what already exists. A guarantee of water would give us the option to bring on stream another half million.

In the review as to the 15-year water management program that was just announced, an evaluation of the total productive capability of the irrigation districts was taken. We reviewed the option of specialty crops that could be grown in the future that are not grown at the present time. We looked at the possibility of what an insurance policy would be in the production of some of the crops which presently grow now on dry land -- and I look at the start of this spring, when we as a province were part of a drought program. Had that continued, the only true guarantee we have as a province for production would have fallen directly in the hands of the irrigation districts. If production in that particular way is meaningful, then of course it has to be part of the total evaluation. We all agree that insurance in one form or another is a necessary item, whether it be for natural life or, in this case, basic survival from a production point of view. So that's taken into consideration.

The actual dollar expenditure over the period of years, plus the responsibility that lies in the province for water beyond our boundaries -- in other words, because the watershed starts in the province of Alberta, we have a responsibility that goes beyond. So water storage and management become part of our basic responsibility and an option for us to utilize it as it passes through our hands.

To sum it up: yes, the evaluation in what can be produced, in future production, the areas of the unknown future production of specialty crops which don't exist at the present time, all carry a value. That was taken into consideration when the new program was announced, in that the return would indeed far exceed the expenditure in the long-term base.

MRS FYFE: Thank you, Mr. Chairman. That was certainly a very full and well thought out answer. I have one more question related to the expenditure of funds from within the Heritage Savings Trust Fund. Do we have any figures, or do you project figures, that can demonstrate that these funds are providing a significant return, not in the regular government expenditure but in the terms of reference of heritage savings trust funds?

MR SCHMIDT: As an investment? I couldn't think of a better place to invest funds, in this case in land that will be productive for generations to come. It's an investment through the land in the people who are going to produce. In a dollars and cents figure, it's production that is basic survival. So if you consider the withdrawing of water and what the end result could be without water -- in other words, a complete loss of that part of the province from a true productive point of view -- the addition of mere water makes both the efforts of man and the land into a highly productive area. I don't think we can ignore it either as a province or as a part of Canada, in fact part of North America, because it has a guaranteed production on 1.5 million acres, is a fair production if, we'll say, North America were being faced with a drought condition.

MRS FYFE: In specific terms you have not reviewed the programs *per se*, to actually set out in actual dollar terms the benefits that accrue to the peoples of Alberta through the investment of the monies from that fund.

MR SCHMIDT: Funds we have expended to date have been \$32 million, spread over all the irrigation districts. They have done two things: we've increased the production because we now are capable of bringing the water in a much better manner to be utilized by the farmers than happened in the past. Secondly, we have stopped one of the largest problems of pollutants in the area; that is, seepage. Seepages cause salinity and, instead of enhancing production with the misuse of water, we are taking good productive land out of production because of the salinity and seepage problem. So with the upgrading of the existing channels, we are now able to achieve a better utilization of the water, rather than its loss through either seepage, and now, in many cases, we're only faced with the loss through evaporation, with a complete lined channel, where before we had both evaporation and the loss through seepage. Seepage loss is exceptionally high. It can be pointed out in those areas where the upgrading hasn't taken place.

I don't have a dollar and cent figure that I can place on it. I would suggest that if you talk to the people who do the production and are putting the type of investment that centre pivots this type of expenditure that has to be to get that type of production, they don't normally make those investments unless they feel that there is a productive capability. They themselves, as individuals, are making those investments. And we are getting better water utilization, each and every one.

MRS FYFE: Thank you, Mr. Chairman.

MR APPLEBY: Mr. Chairman, my question refers to the Agricultural Development Corporation. With the expanded programs, for the beginning farmers program in particular, I have had a number of representations made to me regarding the fact that there is considerable delay in the processing of these applications. Talking to loans officers and district agriculturalists and so on, the amount of paper work they have to try to keep up to has been quite a problem. I wonder if the minister could bring us up to date as to any steps that have been taken to kind of alleviate this problem.

MR SCHMIDT: Mr. Chairman, as I stated before, when the change in the program for the beginning farmer was announced, there were a number who had been sitting back and waiting for some announcements. So the numbers certainly exceeded a normal period of application. Also, we were getting late in the land buying season, I suppose, before crop, which one considers the time that if you're going to buy a farm you want to get it and get it transferred so you have time to put the crop in and you'd be taking off your crop. So we had a very short period to achieve for some of them those options which, I'm sure, were made. We had a number of people, more than average, who were out there making application at the same time.

We also had, and still have, a turnover of loans officers, who are the people who handle the applications in this particular area. We've had some improvements in the acquiring of loans officers who are now filling some of the vacancies that exist. When you fill one, unfortunately, we've found we have another vacancy and it has to be filled.

To make a long story short, we're well aware of, at the present time, still a backlog. I'm not happy with the amount of time it takes to process an application. We have looked and are in the process of evaluating whether all the forms that are being filled in are necessary. If they are, perhaps some streamlining could be done. We've had some success in reviewing whether there

could be a shared commitment between some of the agricultural people who fill a similar role in the area, who could help some of the loans officers in doing some of the land appraisal itself. We've been reviewing the total admin system that is tied with ADC, to see if there is any way we can speed up the process.

So, at the present time, all I can say to you is that I'm as concerned as you are at the time it's taking. I feel you should be able to process an application in between six weeks and, say, two months at the outside. I know for a fact that in some cases we're exceeding this by far.

MR APPLEBY: Mr. Chairman, I realize from the minister's remarks, and from what I've seen too, that there has been a considerable turnover, and that has been a problem. Is the staffing situation up to strength at the present time, or is there still quite a state of flux there?

MR SCHMIDT: I think we're as close to a normal situation as possible. There is never a hundred per cent total staffing. There is either somebody leaving and new people coming, and you must recognize that a new individual taking over the role of a loans officer requires some help and training before you can leave them entirely on their own. So even the new replacements that we have -- to be totally effective, it would take two or three months for them to sort of get their feet wet in the field, before they can really take on a full load. So those factors don't help as well.

MR R CLARK: Mr. Minister, with regard to the Farming for the Future program, how open are projects that come from across the province as opposed to the kind of priority that is placed on projects dealing with northern Alberta?

MR SCHMIDT: First of all, we have broken down, because of the numbers of applications we have received in various fields, into eight basic sections. That in itself gives us the opportunity to separate and to give some degree of priority to those areas, so we don't end up with the total expenditure, we'll say, in the beef industry. It gives us an opportunity to spread the funds throughout. The members who sit on the board and do the evaluation and approval, 14 in number, I believe do an excellent job in getting the type of coverage that pretty well spreads it across the province. I haven't interfered in any way with their choice. I have sat in on their meetings and was very impressed with the amount of homework that is done long before they come to the meeting. I felt that those areas of research that are granted the go-ahead are fairly broad in coverage across the agricultural sector, and have been reasonably well spread across the province.

MR R CLARK: My reason for asking, Mr. Minister -- there is no sinister motive intended at all, Mr. Minister, nor criticism of the committee. But in looking through the projects that have been approved -- and I must confess I skimmed over it rather quickly before coming today -- little, if any, money has been allocated for research in the area of kinds of crops that southern Alberta in the irrigation area might specialize in. My colleague from Little Bow, who is on the committee, is in Ottawa today, and he isn't here to make the case for the irrigation farmer. But increasingly, as I get around the province, I find it becoming increasingly difficult to, shall I say, explain to farmers from other parts of the province the funds we spend in irrigation if they're growing the same crops that people are in your part of the province, Mr. Minister, or in my part of the province, or others. I find a great deal of support for the specialty crop approach in irrigation.

Realizing that we're going to spend another \$340-some million over the next 15 years, I was a bit surprised to see that that area hadn't been rather

emphasized by this committee, this question of the kinds of specialty crops that southern Alberta might be looking at. I would be interested in an explanation, Mr. Minister.

MR SCHMIDT: First of all, Farming for the Future is an excellent program but it's not the total program of research that has been ongoing throughout the province. There are parts of the province that have enjoyed research perhaps at an earlier date than other parts of the province. I look at the shared programs and the research that's being carried on in Lethbridge, Lacombe, areas like the gray-wooded soils, the Breton Plots, Beaverlodge, Fairview. That is just one aspect. But I know what you're talking about. In the area of irrigation has, and of course with the upgrading and the problems that exist in salinity, seepage, drainage, the people in the irrigation districts came to us and wanted -- in fact they were last to appear before Farming for the Future with any of the areas they would like to put under a research program. We met with them and discussed some of the problems. Because their problems are fairly large, so would be the expenditures. Rather than have irrigation take over, we'll say, a very large percentage of Farming for the Future, and because we had accepted and had been ongoing with a total to date of 86 -- we had over 50 already approved before we were looking at the irrigation portion. We met with them and asked them -- I felt we should fund our research in irrigation not through Farming for the Future, although they weren't excluded from it. They could put some of the smaller areas they wished. But because some of them are much larger and the expenditures will be fairly great, I hoped we would fund them separately. Of course with this new program, we hope to carry out our research program as well, tied directly with the irrigation districts. That deals with the physical aspects of drainage, salinity, this type of thing.

The research that is to go on in the specialty crops we can handle and work with the irrigation districts in places like Brooks, which we fund over and above the monies that are available through the Heritage Savings Trust Fund, through budget. So through Lethbridge, Brooks, and Lacombe to a certain extent, we hope to be able to carry out some of the research, with the help of the irrigation districts themselves, and exclude and separate some of the heavy physical expenditure end, as opposed to the crop aspect. I think we will get a fair coverage of research that should achieve, hopefully, those areas.

But Farming for the Future -- and it has to continue -- doesn't exclude; if they so wish, they can. But you can imagine what a research program in drainage or salinity, or a combination of both, the kind of financial drain that would be made on Farming for the Future would almost take the total expenditure in one year. We've tried to keep it with the upgrading system, and now we'll be able to do that.

MR R CLARK: Mr. Chairman, a supplementary question to the minister. Mr. Minister, I take it from that answer that there will be that kind of research that's needed as far as salinity, drainage, and so on -- that that will be a part of this \$343 million.

MR SCHMIDT: It would be part of the Agriculture portion.

MR R CLARK: Okay. Then I come to the second part, this question of new crops or adaptations, and so on. It would seem to me that when the province is going to spend the kind of money we are there, if the suggestions don't come from the irrigations councils themselves -- and they certainly know their business far better than I do. But at the same time, when the province is going to make that kind of public commitment there -- and I don't object to

that; I support that. It is strange to me that when we're making our largest capital commitment, other than ADC, out of Agriculture, we really haven't moved for a number of projects under specialty crops, new crops, this kind of thing. It would seem to me that it is going to become increasingly important to show people in the rest of the province how they're not in competition with the folks down there in raising more barley or more this or more that, as opposed to specialty crop as the result of the large amount of money that is going in for irrigation.

I guess what I'm really saying, Mr. Minister, is that I would hope that in future, whether on the initiative of the Irrigation Council, the districts, or you, Mr. Minister, in saying to the Farming for the Future people or a recognition from this committee, that that's an area we really should be looking at. There is a very major capital investment that the province is making in this area.

MR SCHMIDT: Mr. Chairman, if you get the opportunity, stop at Brooks -- and I'm sure you have been there before -- to look at the specialty crops they have been doing some research on already. It's not new. All I'm saying is that if we're to expand that, it either must go through another area of funding for research. But the capabilities and the funding are available there now.

To be absolutely sure that irrigation is tied with the total area of research, because there is a connection whether it just be specialty crops, the chairman of the Irrigation Council has just been appointed as a member of the Farming for the Future research group, and hopefully will have that type of continuity and keep abreast of those areas where there is some research that even would apply to perhaps some of the areas in which the irrigation people are concerned; also to keep the balance of those who are involved with the Farming for the Future programs as to the direction the Irrigation Council and the irrigations districts will be going.

MR R. CLARK: I'll just conclude my comment, Mr. Chairman, by saying that I would hope next year, when we see the list that's been approved, we would certainly see some projects that would relate to the very major commitment as far as irrigation is concerned approved by the council.

MR SCHMIDT: I'm sure the irrigation representative will be well represented, and you'll probably see all kinds of activity.

MR STEWART: Mr. Chairman, the minister has answered most of my questions. For clarification, in the upgrading of water distribution, does the reclamation of land that has been lost to salinity fall on the landowner, or is it part and parcel of the upgrading of the irrigation distribution system?

MR SCHMIDT: Normally, reclamation has always been the responsibility of a landowner. In the case of salinity, seepage, the use of too much water and the problems it has caused, are difficult because, first of all, there is not a great degree of knowledge, or hasn't been in the past, as to what the misuse of water could cause. It's ironic that within an irrigation district we would have a problem of too much water. That has perhaps caused the area of salinity.

The irrigation districts and the province have assumed the responsibility that we should be finding out new systems, to what degree drainage, the degree of deep tillage will do to get rid of some of the salinity, the washing of the salts that accumulate. It's the type of thing that I don't think we can afford to tie directly to an individual as his basic responsibility. But it is shared because it is part of a total or an irrigation district to which the

individual landowner belongs. He has the right to irrigate or not to irrigate, and water is available to him through the district. The area that is to be researched, brought back into production, of course will be out of production for the period of time that the research is ongoing. So we feel that that should be a responsibility collectively of, in this case, the district, the farmer, and the province. The \$100 million that will be expended is on a shared base of 86:14, so there is still an input from the individual farmer, even though it is a small percentage. He still has an investment as an individual and collectively as a member of the irrigation district.

MR STEWART: A second question. You mentioned that another half million acres could be brought into irrigation. Are you referring to the existing water, the existing storage due to the upgrading, or would this potentially be after there was some additional offstream storage?

MR SCHMIDT: There could be an increase in acreage right now, but I doubt very much if we could give a written guarantee to the new people we take on that you could provide water for them on a demand base. In other words, I don't think -- in fact we know for a fact that the amount of water that's stored, because of the fluctuations basically from the source of supply, that we could guarantee water by increasing the overall acreage much beyond the 1 million. With the on-stream off-stream storage, we can then assume the responsibility of providing water, and we can achieve 1.5 million acres, no problem.

The ditching already exists; in fact there were more acres under irrigation at times than there are at the present time in some of the irrigation districts, because of the problem of water. Without the storage, most of the water is gone before we really need it, gone downstream. So storage is going to give us that stabilizing factor of water management, but it is also going to guarantee our neighbors, for whom we have that responsibility, that they will have a constant, even flow because of the storage capability.

MR STEWART: Have there been any new developments in the lining of canals, realizing that in the concrete lined canals there was some problem with the breakup of the lining? Has there been any new technology developed through the fact that we are experimenting with some new ideas? Has there been anything develop in this area?

MR SCHMIDT: There has been some experimentation going on by the districts themselves, with help from the province. They've looked at plastic liners, heavy plastic on a shaped ditch, then covered with a film of soil; in other words, plastic under four or five inches of soil. They've looked at various aspects of concrete lining, whether it be pre-cast in sections. There have been some work and research done, more from an evaluation point of view because there are areas that blow on wire mesh concrete. There have perhaps been more strides in drainage and some of the causes of the salinity aspect, which we would be utilizing perforated plastic pipe that would be plowed in, very similar to telephone cable. There are areas that have been successful in this type of use. Of course that speeds up the process and cuts down the capital cost.

They are continuing, and the visitations to various parts of the world that irrigate and picking up some of the pluses they have, recognizing there are not too many areas that irrigate that suffer the frost damage we do. I had the opportunity to look at South Korea's irrigation system. It's concrete. They have frost, and I understand quite severe frosts, that would create the heaving we have. Mind you, manpower, labor, is easy and a lot cheaper than it is here. They don't seem to have a seepage problem because they can't afford

one. So maybe it's the system of how we go about it. Maybe we can, through the use of machines, achieve what they achieve through manpower.

So, yes, ongoing all the time, because they are interested in increasing and bettering the system and cutting down the costs. Those are some of the areas where some research funding will be spent.

MR SINDLINGER: Mr. Chairman, my question was a supplementary to that raised by Mrs. Fyfe a long time ago in regard to the cost/benefit studies. I think her question was, had they not been done prior to the undertaking of the investment? And you gave quite a lengthy response. I was pleased to hear what you had to say, and should say from the start that I'm not opposed or averse to these types of investments. I support them fully.

But the point she was getting at was, first of all, had these cost/benefit studies been undertaken and, secondly, had there been an evaluation or review done to this point in time, to see whether or not the expenditures had measured up to the expectations?

MR SCHMIDT: I could make this document available to you. The figures in there -- yes, the evaluation and figures that are indicated here in the total summary of the economic studies that were done on the irrigation area of the province indicate that, definitely, it's economically feasible to make that type of investment on behalf of the province. It's a good, sound business venture; in other words, the returns to us on the long term -- and the question is what you and I would assess as long term. Long term to a province could be generations, and to you and me, we always look at long term within one lifetime as to whether the returns will be. I guess that's the way we have looked at it. But in the long term, and this doesn't go for 500 generations type of thing: economically, yes.

An indication -- and I won't quote any figures -- in the actual cost figures and facts in regard to the importation of a small thing like lettuce, certainly no way we could compete with the importation of lettuce from places like California, Arizona, at the price we have been used to paying. Of course that has increased over the period of years to the stage at the present time -- and I guess what brought it to the fore was the truckers' strike, when it wasn't available. The lettuce that appeared approached \$1.05 a head. If you're looking at lettuce at that price, it's economically feasible for Alberta to produce its own. Then it becomes a value judgment afterwards as to whether the products we grow and are acceptable in places like California in return for the importation of lettuce is a fact.

But as to whether one can be self-sufficient, sometimes is not broken down as to whether it's economically possible; it's whether it's physically possible. It's only economically possible if competition disappears. But if you can't grow it at all, at any price, then there is no self-sufficiency. I guess that's the broad spectrum that irrigation can provide to this province. A few years ago, if somebody would have mentioned that we were going to grow corn as a grain -- we recognized that we couldn't touch it; we don't have the heat units; it's impossible. But we've graduated from the point that we now have surpassed corn as a silage and now have a fair acreage of corn as a grain. With the change in various seeds, farming practices, changes in technology, we'll perhaps be using areas of lower heat units and be able to produce corn as a grain, if it's necessary.

So I guess we've looked at both sides, the economics as they exist today and that unknown factor of whether it's physically feasible, and the answer is yes. The question is to the degree.

While we're on that subject, where do we go in the future in the irrigation districts? Perhaps the direction of the crops to be grown may change as to what exists now, where an individual grows whatever he or she feels they would

like to grow, usually whatever the soil is best suited for. So with a specialty crop, if you look between dryland and irrigation possibilities in the province, we may be in the position where the land itself will pretty well dictate the type of crop that will be grown because of its physical characteristics and capability. But that's down the road.

MR SINDLINGER: Thank you, Mr. Schmidt. I can follow you and accept what you're saying philosophically and conceptually, but I again come back to Mrs. Fyfe's question. Does your documentation, which you just held up, make any attempt at quantifying the net benefits? For example, would the investment of these funds in one instance take away from production in one area just to ensure production in another area? Would the building of a dam here ensure alfalfa production here but decrease alfalfa production over there, in some other part of the province? Or, for example, you mentioned that \$32 million had already been expended -- how many people would benefit from that expenditure? For example, if only 10 people would benefit from the \$32 million expenditure, it might be wise and judicious to give each one of them a million and tell them to go away and not bother us any more. I'm sure that's not the case, but that's an extreme illustration of the point I'm trying to get at.

MR SCHMIDT: The total distribution of the benefits that would accrue, in rough percentages: the irrigation farmers would benefit by about 13 per cent.

MR SINDLINGER: You mean the production would increase by 13 per cent?

MR SCHMIDT: This is the total benefits that would accrue.

MR SINDLINGER: Cash benefits, sir?

MR SCHMIDT: Benefits would have to be cash benefits through production.

MR SINDLINGER: You mean their cash revenue would increase 13 per cent?

MR SCHMIDT: To the irrigation farmers themselves, with the upgrading of the system and the availability of a guaranteed form of water, would give an approximate increase of 13 per cent benefit, over and above what exists today.

MR SINDLINGER: Before you go further, to make sure I understand, would that be the response to Mrs. Fyfe's question with regard to rate of return on this investment?

MR SCHMIDT: I'm giving you the percentages that were presented on the basic study as to the estimated percentage distribution of total benefits across the province, as how it broke down between irrigation farmers, local farmers, all the other farmers in the province or all the others in the province itself, and the production as it pertained to others other than Albertans; in other words, to the nation itself.

MR SINDLINGER: I'm sorry, sir, you're confusing me now when you talk about other than Albertans, when you include that in your 13 per cent. I'm sorry I didn't follow you. To whom does the 13 per cent accrue and in what form?

MR SCHMIDT: To the irrigation farmers. It's a benefit, and benefits usually are measured in dollars and cents, net return.

MR KNAAK: A supplementary question. If there's a 13 per cent increase in return, that is, gross revenue, and if costs haven't gone up in terms of inputs -- if costs of fertilizer don't go up, the cost of seed doesn't go up, and the cost of machinery doesn't go up -- that would imply that the profits of the farmer could as much as triple, or double. If you have 12 per cent increase in gross revenue but no increase in cost, your profits could go way up. I suppose those numbers don't indicate what impact they could have on the farmers' profits, do they? Because that number would be a lot larger than 13 per cent.

MR SCHMIDT: Mr. Chairman, there are too many "ifs" in that question. If barley didn't go up, I'm sure the return on your hogs would be better, even though you had a slight increase in some of the concentrates, but barley is the big factor. So there are too many "ifs". No, I would say that in the total picture as to whether or not there is a total impact on what irrigation can do for the block. Out of that block, it boils down to the irrigation farmers themselves are part of it, to the area that they belong but is not under irrigation; in other words, the benefits that would accrue to the community, although maybe only half the acreage in that community would be under irrigation. Then there are the benefits that would accrue to the balance of the province. Then the benefits that accrue because of productive capability that would go beyond.

The study shows it would be 13 per cent to irrigation farmers, would give a local benefit of 22 per cent, in a broad way. There would be a 31 per cent benefit to the province collectively, right across the board, all facets: other bits of agriculture, the industries, the truckers, the average Albertan. And, surprisingly enough, a 34 per cent benefit on a broader scale, beyond the bounds of the province; in other words, to others. That's based on the study that was done originally on the irrigation area itself.

MR CHAIRMAN: When you first referred to that document, you indicated its availability. Is that a correct assumption on my part? Is it a public document?

MR SCHMIDT: Yes.

MR CHAIRMAN: Would the minister's office be able to provide me with sufficient copies that I could give them to members of the committee?

MR SCHMIDT: I would think so. It is part of the study that was conducted by the University of Alberta economists in 1966. I can see that it's available. The economic benefits and costs of irrigation in the Eastern Irrigation District in Alberta, that broke down those basic facets. Two basic studies were done. I might add that of the two we have looked at -- and I can provide copies of both to you. They were done separately and have not assessed the same basic problem one to the other, but collectively would provide the type of information that would perhaps give you the answers to some of the questions you have in regard to the benefits. That I would be quite happy to make available to you, sir, for members of the committee.

MR R CLARK: Did you mean '76?

MR SCHMIDT: '66. The study of '66.

MR R CLARK: 1966?

MR SCHMIDT: There was another study done, '77-78, the Marv Anderson study. The first study we have some figures on, the original, 1966. That was based on all the irrigation districts, but the study was tied directly to the Eastern Irrigation District, then taken as a broad coverage of irrigation in general.

MR R CLARK: Could we get copies of both?

MR SCHMIDT: Yes. Would that be satisfactory, Mr. Chairman?

MR CHAIRMAN: Yes, of course, Mr. Minister.

MR SCHMIDT: It was on those two studies, plus the information we have that comes directly back from our Irrigation Council itself and the districts, the Department of Agriculture, Economics, that the balance of the document was made up of the economic benefits and updated were brought. In fact I think most the information that is in here, if not all of it, might be an advantage, and we'll certainly make available all the information we have to members.

MR CHAIRMAN: That would be appreciated.

MR SINDLINGER: I'll wait til I see the document. It sounds quite interesting. After these expenditures have been made, undoubtedly there has been an increase in productive capacity. What percentage of that productive capacity is presently being utilized?

MR SCHMIDT: I don't quite understand the question. The total production that's being realized now within the irrigation districts in the province of Alberta is being utilized, period.

MR SINDLINGER: That's the answer. Everything that we provided, or every bit of excess capacity or new capacity is now being utilized. There is nothing sitting idly by?

MR SCHMIDT: Except the land that is not under irrigation at the present time. There is a capability of a half million acres that could be producing under irrigation that's not at the present time, because of a moratorium on bringing on more land other than what we can absolutely guarantee a supply of water. At the end of the program, the 15-year program by the Department of Environment, we should have achieved that guarantee and, as we progress, bring on stream. So we'll say that at the end of 15 years we will be 1.5 million acres under irrigation. At the present time we have 1 million.

MR SINDLINGER: Of your total, then, what portion does this unused portion represent? Is it small, significant, or large?

MR SCHMIDT: Well, there are some areas -- they would vary farm to farm. But some of the farms, because of the physical characteristics, may be drylanding so many acres and so many acres under irrigation. That would vary. I don't have a figure, other than the figure we have that of the land that's physically capable of irrigating is 1.5 million acres. But of that we're only irrigating 1 million acres because we cannot guarantee a continuing source of water. Does that answer your question?

MR SINDLINGER: Generally. The only thing I was trying to get at was that I wanted to ensure that that which we provided, those things for which the the

expenditures went, were being utilized. You said to me that most everything we had provided is now in fact being utilized.

MR SCHMIDT: Being utilized to its fullest. In fact we have people in line, setting up a priority list to be taken on stream as water becomes available. In that particular area, the difference between irrigated production and dryland production on one basic farm, there is quite a significant difference between the two. Of course they would prefer to have anything that is within striking distance of being physically possible to irrigate, to have the water to do so because their production rate changes so rapidly. So we have a potential of a half million which we can look forward to on an ongoing increase, as water becomes available.

MR SINDLINGER: Have you, sir, personally inspected these developments in the last year?

MR SCHMIDT: I have flown every irrigation district about every six months. We meet with the Irrigation Council and the members of the irrigation districts annually. Then I meet with individual groups whenever they wish to come on up.

MR SINDLINGER: Have you ever got down with the ditch riders and taken a look at the development?

MR SCHMIDT: I've been on the ground, yes. My views on brush control there differ because I was born and raised in the bush. What I think is scrub is timber to them. Yes, I've been on the ground. I keep very quiet now.

MR KNAAK: Mr. Minister, the Farming for the Future program was begun in 1977, which is not a long time in terms of research. Have any concrete developments occurred that can be identified now as contributing or increasing the productivity of Alberta farming; in other words, indicating a return on the investment?

MR SCHMIDT: Out of the 86 projects that have been approved, four have been completed. So I can only assume that the four have achieved whatever goal or information they started out to achieve. One that comes to mind: there has been research in the activity of the apiary industry. We now are in the process, through various areas of research, of wintering bees -- something new, and I suppose still some problems now because of some of the problems of disease that are involved in wintering bees. So it's still ongoing, but at the present time we have a mobile unit that goes around and fumigates hives, kills some of the diseases that attack the bees. We now have people successfully wintering bees, where normally they were all snuffed out at the end of the year and new bees brought in from the United States.

That's only one that I can think of. I'm sure there are others. So there are benefits that accrue maybe half way through the research, and it's continuing. Out of the 86, we have not only a financial commitment but a commitment of varying stages of degree of completion over the period of years. It started in the first year and some will continue over the full period of five years.

MR KNAAK: I appreciate that research is a long, ongoing project, and I didn't expect a lot of these research projects to be finished and have concrete results. But I was just wondering whether any have in fact been completed, and you've indicated that.

MR SCHMIDT: If you look at the document that points out some of the areas, of course they are the newer ones. But if you look at the original areas of research, some of them will achieve their goal in three years, and they will be complete. They won't have to be ongoing; they will have achieved what they were after in their time period.

MR KNAAK: My question wasn't really did they complete the research project; my question was more -- if they've completed their research project, is it of concrete application? Everyone appreciates that when you do research, not every one is of concrete application.

MR SCHMIDT: In reviewing the application for research, the benefits must accrue at the end -- you have to justify. You can't just have a project for the fun of having one; you're doing it for a purpose. It's all agriculture, and the people who are involved do it because they're either going to increase the yield, increase the quality, or increase the quantity. It has to achieve an economic benefit one way or the other. Hopefully, we're achieving it. I won't know until, we'll say, two years down the road, when maybe 40 of them have achieved completion. We'll be able to do an evaluation on them then.

MR STEWART: In looking over some of the programs that are funded in this way now, and going down to the ruminants, in cattle research, I find three programs that, to my knowledge, have been ongoing for a great number of years. One of them is the cattle testing station out at Kinsella. An evaluation of cattle adaptability to Alberta's climate is something I saw during a tour of the University farm quite a number of years ago. What we're really doing is funding through the Heritage Savings Trust Fund a lot of research programs that were in existence many years ago. I see the funding is fairly constant. I wonder if Dr. Berg has ever come up with the cost/benefit analysis of the research he has done at the Kinsella station, to decide whether or not the program should continue.

MR SCHMIDT: I can't comment on the particular program, as I'm not knowledgeable enough on that program; other than to say that it isn't the research program that's indicated here that keeps Kinsella going. This is only one aspect of the research that is ongoing at Kinsella. The Kinsella Ranch is funded by many other aspects as well. Perhaps some of the areas that were so-called research in the area you have been familiar with hadn't achieved their goal. Maybe it's just a matter of a few more bucks and we'll end up with the answer that we're really after.

I should point out that there are some shared areas of research which have been highly successful. Although under the Heritage Savings Trust Fund. Farming for the Future -- it's just one small aspect. I look at some of the work that is being done on virus, which we share a program with Saskatchewan, the Western College of Veterinary Medicine in Saskatoon, in which we were highly successful in VIDO with a new vaccine for calf scours. I think that research has been ongoing since day one. The problem has been there for a long. We're very fortunate that our involvement was short-lived in a time frame, in the expenditure of funds as well, when they came up with a vaccine that has been highly effective in the prevention of calf scours, and of course are marketing it. The funding from that will be able to carry on in research in the same vein.

I had the opportunity to attend their annual meeting. They have now taken shipping fever as their prime program, not their total program but as one of their prime programs, now that they're finished with the vaccine for calf scours. Of course shipping fever in various forms has been with us since day one as well. That doesn't mean that five years from now -- hopefully we will

have something, but it doesn't mean that we will. So some of this research may appear as a duplication, but one has to persevere if we're looking for answers.

But I recognize the inference that is involved in areas of research, that we should choose them with some direction. Some of the areas that have been of long-term standing that are very, very difficult perhaps may not be the area that the small funding that's available in each area would make much of a dent through Farming for the Future. It's certainly one of the things that the members who sit down and pass judgment on the applications will have to keep in mind.

MR STEWART: Mr. Minister, I appreciate that research in medicine for animal diseases is certainly a commendable project, because some of those diseases that were plaguing the industry for years we have achieved some success in. Nobody can put a dollar evaluation on the success; the fact that there is a breakthrough is commendable. But when I look at a project like developing breeds of cattle that has been in the research process in this province since the days of the cattle out at Wainwright, when that program was started in the late '20s or early '30s and eventually was moved to Manyberries. I think, hopefully, the program was cancelled. I understood it was. After that many years I would think the Kinsella program of developing a breed of cattle -- that there should be an outside assessment by someone other than the doctor himself of whether, after 25 years of developing another strain of cattle, we're really going anywhere.

MR SCHMIDT: Mr. Chairman, I would be quite happy to pass those comments on to the members of the selection committee.

MR CHAIRMAN: Any further questions of the minister?

MR SINDLINGER: No question, just a comment. I'd like to say I have appreciated listening to you today, Mr. Minister. Over my year here, I have found no other minister more versed and knowledgeable in covering his own area of responsibility than you. Thank you for appearing today.

MR CHAIRMAN: That appears to be the unanimous view of the committee, Mr. Minister.

With that laudatory note, as deserved as it is, I would like to thank you for your participation with us today. I look forward to your dissertation next year.

MR SCHMIDT: Mr. Chairman, it has been a pleasure.

MR CHAIRMAN: Hon. members, could I just point out our future scheduling needs. We next meet Wednesday, September 17: at 9 o'clock, Mr. Adair; at 10 o'clock, the Premier; at 11:30, Mr. Kroeger. While you're marking your daytimers, there has been a rescheduling of Mr. Hyndman, to accommodate the needs of Mr. Clark and his colleagues, to 9 a.m., Tuesday, September 23. You may recall that we had originally had Mr. Hyndman on for today; he was rescheduled to the 24th; that has now been advanced 24 hours, to 9 a.m., Tuesday, September 23.

I regret also that it has not been possible for us to move to the several contentious matters before us -- I shouldn't perhaps describe them as contentious, but deserving of some debate: Mr. Clark's motion on the Terry Fox contribution; Mr. Knaak's motion on public presentations; Mr. Knaak's question regarding ministerial obligation to bring additional information to these hearings; and, finally, Mr. Sindlinger's question regarding the legality of divesting an investment under the capital projects division. As I say, I

regret we weren't able to deal with those. But with eight or nine members of the committee absent for most of the day, I felt, because of the importance of these matters, that it would be more appropriate to deal with them when we have a large representation. Do I reflect the views of the committee when I make that observation?

MR SINDLINGER: Just one quick comment for clarification. That question in regard to the legality of divestment I didn't want to put to the committee; I wish to put it to the Treasurer.

MR CHAIRMAN: Okay, that's fine. The only reason I'm carrying it here as an agenda item is less as a matter of discussion now than to obtain the response of Mr. Clegg, which I now have. I wonder, Mr. Sindlinger, if I could just take a few seconds to ask Karen Walker to distribute to the members of the committee who are here a copy of Mr. Clegg's memo. Then when we next meet, we'll determine whether or not it bears any further discussion. You look very perplexed, Mr. Sindlinger.

MR SINDLINGER: I am, because the question is intended for the Treasurer, for it is he who has the power and authority to make the decisions, not the Law Clerk. It is his response I'm interested in, and I think it is his response that would concern the committee. Perhaps, after having his response, if we went to the opinion given to us by Mr. Clegg, that would be more appropriate in that order.

MR CHAIRMAN: It's difficult for me to speak for myself while I occupy this Chair. If I were not in the Chair, I think I would like to have the legal opinion before I raised the question with Mr. Hyndman. How does the committee feel about that?

MR R CLARK: Just so long as having the opinion doesn't prevent the question being asked of Mr. Hyndman.

MR CHAIRMAN: No question about that. With that undertaking, may I distribute this now, Mr. Sindlinger? Okay. Would you be kind enough, inasmuch as we are adjourning, just to file past the table and we'll hand you these. Thank you.
We stand adjourned until 9 o'clock, Wednesday, September 17.

The meeting adjourned at 3:23 p.m.