

PUBLIC ACCOUNTS COMMITTEE

March 23, 1977

MR. CHAIRMAN: The meeting will come to order, please. The first item on public accounts is the adoption of the minutes, or otherwise. What is your pleasure? Moved by Mr. Batiuk the minutes be adopted, seconded by Mr. Gcgc. Any discussion? All in favour? Against, if any? The motion is carried.

As to the business arising out of the minutes, may I report that I checked with the Provincial Library with regard to the transcripts and the library is very happy to keep a copy in their files and will handle the sale of copies of the transcript at 10 cents per page in accordance with their policy on everything else. The library, however, was not able to handle the booklets, such as the booklet on the Export Agency, so I took the liberty of contacting the Queen's Printer, and Mr. Robert Weatherick informed me that they would be very happy to handle any booklet like that. Their job is to distribute publications and it will simply be a matter of working out the details of the price, if and when we have a publication.

Is it satisfactory then if we handle any future booklets through the Queen's Printer? Are there any comments? If not, could we have a motion to that effect? Moved by Mr. Notley, seconded by the hon. Mr. McCrae, that we handle the sale of future booklets through the Queen's Printer. All in favour? Against, if any? Motion is carried.

The next item on the agenda is the auditor, who will clear up any points that were unanswered from the previous meeting. Mr. Rogers, please.

MR. ROGERS: Mr. Chairman, I was requested to obtain the details of the item on page 44 and the statement of transactions of provincial investments, other shares. Now the total at March 31, 1975 was \$20,669,000 and across that line it shows the purchases and sales during the year and the closing balance of \$9,002,000. I would point out that most of these shares were acquired on the transfer of the Calgary pension investment portfolio. On the transfer of that portfolio to the province we acquired a number of shares and most of these shares were acquired in that way. I have a listing showing the details.

The other question was with regard to the Alberta Prosperity Certificates regarding which there is still a liability of \$19,639. I think most of you are aware that these are certificates that were sold and the holders of which each week had to add a stamp. Then when all the stamps were added, these were redeemed at face value. Subsequently, apparently they were redeemed at less than face value, depending on the number of stamps that were attached. They were to be issued in units of 25 cents, \$1 and \$5, I believe it was, but only the \$1 was actually issued.

MR. CHAIRMAN: I never saw a \$5 one.

MR. ROGERS: I think there was authority in the act for that, 25 cents, \$1, and \$5. Now I think in actual practise only the \$1 was used.

I have a synopsis of the program and the various orders in council and the statute for anyone who is interested.

MR. CHAIRMAN: Are there any questions arising out of the auditor's statement?

MR. MCCRAE: Mr. Chairman, I would just like to ask one question to the auditor on the first slip of paper we have here, the provincial investments. I'm just curious as to whether we hold other portfolio investments Mr. Rogers, as a provincial government, or whether it is simply this one group that we got from the city of Calgary.

MR. ROGERS: These are in a general revenue fund and upon the employees of the city of Calgary being transferred to the local authorities pension plan. In this pension plan we make payments out of general revenue and receive all receipts into the general revenue fund. Because they had a funded plan and had assets of the fund, the agreement called for the transfer of their portfolio to the provincial government. In my experience it was a rather unique situation. These are all the shares that we have in the whole general revenue fund.

MR. MCCRAE: Mr. Rogers, do we have any intention of getting rid of these shares and just consolidating the city of Calgary transferred assets into wherever the rest of the pension funds are? Is there any reason to maintain this portfolio investment?

MR. ROGERS: No, it's not being maintained. They are not being treated as investments. If it's appropriate to sell them, they are being sold. This is why the opening balance is \$20 million and the closing balance is \$9 million.

MR. FLANCHE: I'm wondering sir, is it general accounting practice to carry these at the lower of market or purchase? It looks like you're going through the whole year at the price you paid for the stock.

MR. ROGERS: It's at amortized cost.

MR. PLANCHE: I'm not sure I understand. Can you lead me through, for instance, ~~Abatille~~ Paper, the first one. This suggests that at March you had \$493,000 worth, you bought \$38,000 and sold \$147,000 and closed at \$384,000, indicating that the price of the stock didn't change at all during the period of the year?

MR. ROGERS: That's right. In many of these there is no actual change.

MR. PLANCHE: But there's no change in any item on this whole thing.

MR. ROGERS: As far as shares are concerned, because there is no premium or discount to be amortized, it is at cost. That's correct.

MR. PLANCHE: Is it lower of cost or market?

MR. ROGERS: No, we show the market separately.

MR. PLANCHE: But it's not on this sheet sir?

MR. ROGERS: It's not on this sheet, no. I quite agree.

MR. CHAIRMAN: For members, I wonder if you'd give me a chance to announce your name, because the machine up there can't tell the difference in the voices.

MR. ROGERS: On page 45, note 2, we show the par value and market value of securities and the approximate market value of the shares in total are shown as \$120,802,690 and the cost or amortized cost of those shares is \$121,822,816. So the market cost is determined as best we can at the end of the fiscal year.

MR. CHAIRMAN: Any further questions? Thank you, Mr. Rogers. We'll now then move into the study of the Agricultural Development Corporation. We have with us today the hon. Marvin Moore, Minister of Agriculture; Mr. Lorne Ordze, the Chairman of the Board of Directors; and Mr. Vern Lawrence the general manager of the corporation. We'd like to welcome you Mr. Moore, Mr. Ordze, and Mr. Lawrence, and at this time I'm wondering if the Minister of Agriculture would like to make a short opening statement?

MR. MOORE: Thanks very much, Mr. Chairman. Members of the committee, I first of all wanted to indicate that we do have available, as I believe we did a year ago when we were before the Public Accounts Committee, a list of the Agribusiness loans or loan guarantees made by the corporation which number now 108 in total. Mr. Chairman, if you could maybe prevail on a couple of members or something to pass those around. In addition to the information which was supplied a year ago, which is the name of the company involved, the location, the type of operation, the security and term of the loan, the date approved and the amount approved, we have added as well this year the contingent liability of the corporation, which really is the amount of principle and interest presently outstanding.

You will notice if you go through the document that the contingent liability is often quite different than the amount of the loan that was approved. Sometimes, of course, on loans that are in arrears the contingent liability is higher than the amount approved because of interest. In many cases a fair amount of the loan has been repayed so the contingent liability is much less.

In addition to that information, I think the best information that members can have with respect to the operation of the Agricultural Development Corporation is the annual report for the year ending March 31, 1976, a copy of which I believe you were all forwarded. I should indicate that in discussing individual farm loans with the committee, it's not our intention, as is consistent with our position in other years, to get involved in discussing individuals in terms of names and the amount that is outstanding with the exception of the Agribusiness loans.

On the other hand, Mr. Chairman, I think it's certainly fair for members to ask questions with regard to general trends that are occurring, the kind of loans that we make which are indicated in the annual report, for what purposes they are made, what regions of the province our loans are made in -- and as you will note, the regions are identified as the Department of Agriculture regions are. There are six in number, although they go 1, 2, 4, 5, 6 and 7, with region 3 not being listed.

If some members don't have a copy of that document, Mr. Chairman, I have just sent to my office for some further copies, and if they have a copy of the annual report of 1975-76.

I should indicate as well that we would expect the annual report for the fiscal year that's ending on March 31 to be available probably about September. That may seem like a fair length of time from March 31 but bear in mind that the corporation has a lot of work to do in getting the year end statements together after March 31 and the Provincial Auditor's office, of course, spends a considerable amount of time auditing the books of the corporation. I think it would be fair, Mr. Rogers, to say that a target of about September would be appropriate, at least from my point of view, and Mr. Rogers may want to add to

that. But I note last year that the auditor's report was dated August 18 and I would expect that would be about the time frame. Certainly we would have the annual report by the time of the fall sitting of the Legislature.

In addition to the information that's provided on Agribusiness loans, Mr. Chairman, we're prepared to indicate the number of loans that are overdue and the number that are in receivership. We'd be prepared to give you some brief verbal explanation of the action taken by the corporation with respect to certain loans, which many are aware of, that have gone into a receivership position. I might indicate, without the question being asked, that there are 21 of the 108 loans that have amounts that are overdue. That doesn't mean that they are all in a position of going into receivership or anything. Of those 21 there are 5 in receivership where the business will no longer carry on under that name or under the owners who are presently involved in the corporations, depending on the situation, taking various steps to realize on the security that we hold. The main criteria there being two-fold: one being to insure that there is the least possible loss of funds; and number two, to insure where we can that the original objective of whatever was financed -- an alfalfa plant or a meat processing plant or whatever -- continues in operation and serves the need that it was originally intended to serve.

With those remarks, Mr. Chairman, I really don't have anything further to add. We'd welcome any questions from the members.

MR. CHAIRMAN: Thank you, Mr. Moore. The first questioning will be done by Mr. Clark.

MR. CLARK: Mr. Chairman, Mr. Moore, Mr. Lawrence, and Mr. Ordze, welcome. After saying that, I'll get into the first question. The first question I'd like to raise is rather a general question. It deals with this matter of what principle do you follow when a loan goes sour and you make the decision as to whether you will file a statement of claim against the owners. Now I ask this, Mr. Chairman, as the general approach the corporation uses. Perhaps I should direct it at Mr. Ordze. Because I see it applying not only to the Agribusiness loans, Mr. Ordze, but also to loans that are made to corporations. I'm sure you're aware that earlier this week I raised the St. Paul Auction Mart in the Legislature, so I'm sure you've had a chance to do some ample thinking about that. But what, first of all, Mr. Ordze, is the principle that you use as far as determining whether there will be a statement of claim filed or not.

I raise this because just this week I had someone in my office whose loan is about two to three years behind due to difficult circumstances. I suppose there is less than \$50,000 involved. It was a farmer. Then I look down here at an outfit like Scardillo Brothers and their operation, and the St. Paul Auction Mart and I have difficulty in understanding what policy you follow as far as when you decide to make a statement of claim and commence court action, and when you try to negotiate and work out an arrangement.

MR. MOORE: Mr. Chairman, if I could make a few initial comments with regard to that question and then have Mr. Ordze follow it up? I have to say first of all, Mr. Chairman, that the kind of action that the corporation takes varies a great deal. There is simply no fixed pattern in terms of always appointing a receiver and foreclosing or filing a statement of claim. The reasons for that, of course, are various. There isn't a loan on this list of 108 involving a company that could have gotten financing from one of our chartered banks or lending institutions at a reasonable rate. We're a corporation that finances as a last resort. In that respect you can recognize that in many cases we don't have first mortgages, not always. Sometimes we have first mortgages, sometimes second mortgages, sometimes a combination of both, depending on the property. Sometimes we have personal guarantees, sometimes we don't. So there is no particularly fixed and set pattern as to what approach is taken. It depends on the kind of security that's held.

In addition to that, it depends on the operation. By way of example, we could talk about Faith Farms or the Scardillo Brothers cheese plant in Wetaskiwin. It may have been, in that particular case, that the corporation would not have lent additional money to get the plant going under new ownership, but would have closed it out, shut it down, put into the hands of the receiver, had it sold and taken our losses. It may have been that way had it not been for the fact that there were something in the order of 110 dairy producers who were depending on that plant for a livelihood. So we didn't just look at the number of employees in the plant. We looked at the effects on the community surrounding Wetaskiwin that was delivering milk to that plant. And you come up with quite a different decision in terms of the risks that the corporation will take when you involve a lot of farm people who are delivering to the plant. The same can be said for a good number of other loans that the corporation is involved in.

Another example might be the Agrimart in Calgary owned by Alberta Livestock Co-op. Eventually the operation was closed. We made every effort to try to keep it open, because it wasn't just the employees in that plant in Calgary, but the competitive atmosphere that it served and the number of producers who belonged to Alberta Livestock Co-op throughout the province who would no longer have the opportunity to market through them. So I think, you know, we went farther in that respect than we might have in some other loan in terms of the length of time it took us to realize on security or put the plant into

receivership or the various other things we did. That's just a general outline, Mr. Chairman. It's really hard to say that we follow a set pattern every time we have a problem with a loan.

Now I can go from there to farm loans given directly to farmers and Mr. Ordze can enlarge on this, too. With respect to land where a farmer gets a long-term loan to purchase land -- correct me if I'm wrong -- the pattern that has to be followed is that an authorization has to be signed by the Minister of Agriculture to foreclose. I have signed some of those. Most of them were on loans that were made under the old Alberta farm purchase plan, and they were quite some time past due and there did not appear to be any possibility of the individual recovering and paying. I don't know how many loans we have to individual farmers now, but it's in excess of 9,000. We just have to recognize the fact that when you have that many loans there have to be foreclosures. They're not very nice, but if the corporation is going to continue to function, they certainly have to make efforts to collect, and if they're not successful in any other way to use every legal means at their disposal.

I think it's fair to say, Mr. Chairman, that the Agricultural Development Corporation is more lenient than anyone in terms of those kinds of collections. In other words, we refinance, we delay principal and interest payments, and so on. We go a long way and we really don't get involved in closing an operation out and selling it until there seems to be no other alternative. And well the corporation should act in that manner because the corporation was not set up as a money-making lending institution, but rather as an institution that could lend funds to farmers in this province that would allow them to improve their productive capability. It's not our intention to make money in that venture, but rather to expand the agricultural operations of our farmers in the province. Mr. Ordze, can you add anything to the comments I've made?

MR. ORDZE: I think that you've covered it very well, Mr. Moore, and at this time I don't know what I can add to that.

MR. CLARK: Mr. Ordze, remember that I get three supplementaries after the first question, so I get two more cracks. I'd like to ask you Mr. Ordze very directly if you can indicate what the status is of any loans that the Ag. Development Corporation has now outstanding or has had in the last three years outstanding as far as the St. Paul Auction Mart is concerned.

MR. ORDZE: We have one loan with the St. Paul Livestock Auction Mart. It's on page 8. It is in arrears. At the present time we are negotiating a settlement of some sort. We expect that it will be resolved very soon.

MR. CLARK: My question very directly to you, Mr. Ordze, is who made the decision to attempt to negotiate or work out an arrangement here, which I understand the discussions are in the vicinity of \$100,000 on the \$238,000 as far as settlement is concerned -- who made the decision to attempt to negotiate rather than file a statement of claim?

MR. MOORE: Mr. Chairman, this is the type of question that should be answered by myself, not the chairman of the board of directors, and I'm quite prepared to do that. The security that is held by the corporation on the St. Paul Livestock Auction Mart loan consists of a second mortgage on the auction mart in St. Paul. The feeling of the board of directors of the corporation was that in all likelihood if the corporation tried to force a bankruptcy situation, the first mortgage holder would get most, if not all, of the funds which were available and the corporation would be left with little or nothing. In other words, the security that is held is really not that good. So the effort is being made by the corporation staff in working with Mr. Hutton, the owner of St. Paul Livestock Auction Mart, to work out some kind of a settlement that would bring the corporation more funds than would otherwise occur if they put it into a receivership position or a bankruptcy position. That negotiation has not yet been completed, as Mr. Ordze indicated. We expect it to be completed soon.

Those decisions as to which route to go are made by the board of directors of the corporation, who are listed in the annual report. They are relayed to me. I am fully aware of the decisions that are made by the board of directors and the directions that they take. From time to time -- not on this particular loan, but on some loans -- they ask for my advice as to which direction they should go. A good example is the Agrimart in Calgary. I was quite involved. I was involved as well in the alfalfa plant at Wainham as to whether it should be put into receivership and what kind of criteria should be used in order to realize on our assets, which in the case of the Wainham plant was to have the receiver not advertise it for tender, but to have the receiver ask for proposals, which in fact did happen. The board of directors then made a recommendation that the highest offer that had been received by the receiver be accepted and I agreed to that.

Insofar as St. Paul Livestock Auction Mart is concerned, the decisions were made by the board of directors of the corporation, and they will continue to be made by them until the matter is resolved.

MR. CLARK: My third supplementary question to Mr. Ordze would be, would you please explain the circumstances leading up to this loan? I'd like you to

correct the information that I portray if it's not right. It's my understanding that this was a loan which the Treasury Branches made, but would only make if it was guaranteed by the Ag. Development Corporation. Then I look here at a second mortgage. The minister has just told us that frankly the second mortgage isn't well secured. I think that's a fair assessment of what the minister said. Why did the corporation agree to give a guarantee in this case? Was there any outside influence, say from the minister or any other politicians, that either encouraged or forced the ADC to take on this guarantee for the loan through the Treasury Branch?

MR. ORDZE: If I could correct you to start with, the Treasury Branches didn't come in and say that they would make a guarantee if we did something. We looked at the situation. It involved about 1,000 head of dairy heifers. There was a large feed bill which had accumulated and it could have caused a fire sale of these heifers, which would have been disastrous at that time because they weren't ready to be sold. It seemed quite reasonable that we should guarantee funds to continue to feed these heifers until they could be sold for reasonable prices. The thing that we didn't count on was what happened to the Holstein market in a very short period of time.

MR. CLARK: Also the quality of the heifers.

MR. ORDZE: We had an appraisal of the whole herd done by an individual in the Department of Agriculture -- that's his business.

MR. CLARK: So they were involved in helping to make the decision to buy them -- agriculture was?

AN HON. MEMBER: Would you consider that as the hon. member's fifth supplementary?

MR. CHAIRMAN: Would you continue the answer please?

MR. ORDZE: We had them locked at. We didn't know what they were, obviously. The answer came back that they were just like all herds of cattle, of varying quality and a large number of them were of good quality. So then as I say, we expected that the domestic market would absorb these cattle at reasonable prices down the road a piece. As you are all aware, the price of Holsteins went right through -- well, they just lost their value. It was something that nobody knew was going to happen. So now we are in a position that it was a large loss sustained.

MR. NOTLEY: Mr. Chairman, to you through to Mr. Ordze. Mr. Ordze, I received some information which rather concerned me, and with the indulgence of the House I'd like, for Mr. Ordze's benefit, to just background that information and table it with the chairman of the Public Accounts Committee and for the members of the Public Accounts Committee.

Mr. Ordze, from time to time I've had concerns over the pace at which the ADC does things, but I've never felt that there was any other problem in the ADC. But recently I received something which was obviously a copy of a memo to you from Mr. Horton, your general manager of farm loans, dated September 14, 1976. Now in this particular memo the alternatives for the St. Paul Auction Mart are considered, and one alternative that I'll come to in a moment is the exchange of land in return for cancelling the mortgages that you mentioned in response to Mr. Clark's question. But the rather troubling aspect of this memo, Mr. Ordze -- and I'd like to direct this directly to you -- is the third paragraph on page 2, and I'll present the chairman with a copy of this in a moment. But I'll just quote it: "The Huttons are honourable people and if they had the money they would repay the loan in its entirety without causing any political repercussion. There is no doubt in my mind that Mr. Hutton has in his possession documents which definitely commit the government of Alberta to support him in the enterprise that he embarked upon."

Now for the benefit of the other members of the committee, Mr. Chairman, and obviously for our three guests, perhaps we could make sure that they all have copies. I think there are enough for everybody.

Mr. Ordze, the reference that I refer you to is the second full paragraph on page 2 of the memo. I would ask you to outline for the members of the Public Accounts Committee what is meant by, "any political repercussion" and also the phrase, has "possession documents which definitely commit the government of Alberta to support him in the enterprise that he embarked upon."

MR. MOORE: Mr. Chairman, first of all, I think that members of Public Accounts Committee should know that the information which is being provided is inter-office correspondence in the Agricultural Development Corporation. I'm not aware of how the hon. member for Spirit River-Fairview obtained it. Assuredly, it is not the kind of document that we would normally make public. But since the hon. member has taken the liberty of making it public, and I'm not sure of his position in that regard, I'd like to respond to two or three things in it.

For those of you who haven't had the opportunity to read it yet, the second paragraph on page 2 says: "On the other hand, if the Corporation instigated

legal action then they would obtain nothing other than a Writ which would be valueless and as well if the Huttons and the St. Paul Auction Mart declared bankruptcy we would also receive nothing." I think that explains very well the position that the corporation is in negotiating with the company.

Insofar as the statement referred to by the hon. Member for Spirit River-Fairview, the third paragraph on page 2 that says among other things that "Mr. Hutton has in his possession documents which definitely commit the government", you will note that in writing that Mr. Hutton says that there is no doubt in his mind. Mr. Chairman, I have seen this document before. I have not discussed that paragraph with Mr. Ordze or anyone else. I think it's unfair. I've seen this correspondence before, but I have not discussed the contents of that particular statement with Mr. Ordze. I think, Mr. Chairman, without the benefit of allowing Mr. Ordze to discuss with Mr. Hutton what he meant by that, the question today is simply out of order. Surely, employees of the Agricultural Development Corporation are entitled, in inter-office correspondence to express their opinions. So far as I'm aware, there are no documents in the possession of Mr. Hutton or anyone else that commits the government to support him in this particular project that he was involved in which was the assembling and sale of Folstein heifers.

MR. NOTLEY: Mr. Chairman, without getting into a protracted debate, first of all, the question of the information before us is perfectly consistent with the practice in our system of government from the development of Confederation, most recently brought to its greatest flourish by Mr. Elmer Mackay, who has raised most of the current issues, largely as the result of the release of interdepartmental correspondence of one kind or another.

Mr. Chairman, for my first supplementary question, I would put it to Mr. Ordze because this document is now about six months old and I have surely no doubt that Mr. Ordze has had an opportunity to peruse it. The reason I raise it is because of the concern pertaining to the first sentence, "without causing any political repercussion." The minister has advised us that in his understanding there are no documents which commit the government. However, it troubles me that in inter-office memos of this kind, political considerations would even be mentioned, or political repercussions would even be considered. I would ask Mr. Ordze, as the chairman of the board, to explain what that means.

MR. MOORE: I'm sorry, Mr. Chairman, but I feel that it's necessary for me to answer those type of questions as the minister responsible for this corporation. I'd just have to say again, Mr. Ordze did not write . . .

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

MR. CHAIRMAN: What is your point of order, Mr. Clark?

MR. CLARK: My point of order is, are we going to have the minister answer these questions or are we going to have the chairman of the corporation responsible for the day-to-day operation answer them? No one questions that the minister has the overall responsibility, but for the day-to-day operation of a venture such as this, certainly Mr. Ordze should be given the opportunity to explain his actions.

MR. YOUNG: Mr. Chairman, on the point of order, it seems to me that the minister is responsible. What the committee is interested in are the answers. If we can get the answers from the minister . . .

MR. CLARK: But we're not getting the answers.

MR. YOUNG: Well, how do you know yet? You haven't heard the answers. Let's give it a chance.

MR. CHAIRMAN: Will you speak to the chair, please.

MR. YOUNG: My apology, Mr. Chairman, it seems to me that the committee should take its pleasure on this and listen to the minister's answer and then see whether the committee is satisfied with that point.

MR. NOTLEY: Just so we don't run over any of these supplementary questions -- if the minister answers it to our satisfaction, fine. If not, I would, on a point of order, rise and ask that the person I directed the question to, which is the chairman of the board, have an opportunity to answer it.

MR. CHAIRMAN: Any more comments on the point of order? The hon. Mr. Moore. Is this on the point of order?

MR. MOORE: No, Mr. Chairman.

MR. CHAIRMAN: Could we finish up the point of order?

MR. EATYUK: Mr. Chairman, I understood last week that the minister was supposed to bring in any of his personnel that he feels may be of assistance to him. He

is responsible to the Legislature, and I think that the questions should be directed to him and it's his prerogative whether he answers them himself. If he wants help from his other personnel, he should ask them to do so.

MR. R. SPEAKER: Speaking to the point of order, Mr. Chairman, I think it should be clarified by the minister whether he is going to let the chairman and any other person that we call before this committee to speak freely about his responsibilities in the Agricultural Development Corporation. If it is the intent of the minister to shield any information or expression of employees or members of the board, then we want to know about it now. But we feel in this committee that we are to hear answers from anybody that's employed or semi-employed by government, and that information should be available to us. That's what Public Accounts Committee is all about.

MR. NOTLEY: On the point of order, Mr. Chairman, there was one point that Mr. Eatiuk raised that troubled me somewhat, and that is the suggestion that basically it's up to the minister to answer almost on the same grounds as one does in Oral Question Period, and I suggest that there is an important difference between Public Accounts Committee, which has the task of reviewing all expenditures of funds and questions that pertain thereto, compared to Oral Question Period where there are certain rules set out to the kind of questions that can be asked or, for that matter, allow ministers not to answer questions. But in Public Accounts Committee, where we all have a mandate as members of the committee to research, to investigate, to probe, by the same token, people who are here are in my judgment not only authorized, but compelled to answer.

MR. GOGO: Mr. Chairman, as I understand my role as a member of the Public Accounts Committee, as we agreed on last week, that we would feel quite free to ask questions to the minister responsible, and if we were unhappy with the answers then we could pursue that, and I see nothing wrong with us following that procedure.

MR. MCCRAE: Mr. Chairman, I just wanted to say that I've never seen such an example of Shakespeareanism before. We're talking about something that is entirely hypothetical. The hon. member has asked a question and the hon. minister was about to give a reply and then we had an objection down there and a point of order down here. I think frankly we should get on with the business of the committee. Let's address ourselves to the minister's answer, see what it is, and if someone has an objection or a concern after that, they are perfectly free to raise it as a second supplementary.

On the general question the hon. Member for Spirit River-Fairview raised, as to who would invite people to the committee hearings, I think we discussed it rather fully last week and the consensus seemed at that time to be that we would respect the ministerial responsibility, that the minister with particular responsibilities in the area under examination would invite whom he wished to the particular proceedings. Today the minister has invited these two gentlemen over here, and the minister has it within his capacity to respond to the questions that are asked. The question of what members or who the committee will invite to the committee hearings is an entirely separate question. If at some time during these proceedings today, members of the committee decide they should invite someone to the hearings next week, that's a matter for the committee to make a determination on. These two gentlemen here are invited as support people to the minister, and surely it's up to the minister to either answer the questions himself or ask them to respond to it. Mr. Chairman, I would suggest that we get on with the minister's answer and find out what it is he has to say.

MR. CHAIRMAN: Hon. members, it is my view on the point of order that the minister who is responsible must have the right to answer. If he requires additional information, or if the committee requires additional information, then there is certainly the possibility of asking questions to the others. The procedure throughout the years in Public Accounts Committee is that the minister who must carry the responsibility has the right to answer. So I would ask the hon. minister to continue with his answer at this time.

MR. R. SPEAKER: Mr. Chairman, on a point of order or a point of clarification to your description, are we to believe at this time that the minister can request that his employee or the members of the board withhold comments or withhold information from the committee and that we can't directly ask questions say to Mr. Ordze or to Mr. Lawrence?

MR. CHAIRMAN: Mr. Speaker, we're not talking about withholding information. We're talking about giving information. You haven't yet heard the answer of the minister. Let's hear what the minister is going to say before you assume what he's going to say.

MR. R. SPEAKER: I want to know what the ground rules are.

MR. CLARK: Mr. Chairman, the problem that we have, though, is that we now have an arrangement in Public Accounts Committee where we can ask one question and

three supplementary questions. Mr. Chairman, if a minister so chooses, he can fluff around the questions and the supplementaries without us being able to ask the individuals directly. That's why, Mr. Chairman, we've asked the questions directly to Mr. Ordze.

MR. CHAIRMAN: Well, Mr. Clark and members, I don't think there is any prohibition against the other members answering, but I think the responsibility is that of the minister. Let's find out if the minister knows the answer. If he doesn't know the answer -- but the primary thing is to get the answers, I would think.

MR. NOTLEY: Well, Mr. Chairman, I certainly would agree that the primary question here is to get the answers. There is no question about that. I would, however, ask the guidance of the chair, because as Mr. Clark has pointed out, we do have this arrangement of one question and three supplementaries and there will be a lot of questions by other members of the committee and it seems to me that if the minister's answer is not comprehensive and the question was originally directed to someone else, then it would be my view that, on a point of order, the question could be directed to the person to whom it was originally directed and ask that individual to answer it.

MR. CHAIRMAN: Let's deal with that when we come to it. Let's find out what the answer is before we assume whether the answer is going to be full or incomplete at all.

MR. MOORE: I think we could solve the problem, Mr. Chairman, if I gave a brief answer and asked Mr. Ordze to supplement it or give his views. As I said earlier, the memo that is being referred to was not written by Mr. Ordze. It was written by an employee of the corporation. It was received by him. I don't know that he's had any discussions with the writer with respect to that paragraph. If he has, I would ask him to comment in that regard.

To the latter point of who answers, though, Mr. Chairman, I have to say that the chairman of the board of directors and the general manager are here to provide information and hopefully help the members understand the operation of the Agricultural Development Corporation. I have no hesitation in having them answer questions in that regard. On the other hand, if the hon. members are on a witch hunt, the questions will be answered by me.

MR. NOTLEY: Just before we move on to the second supplementary, Mr. Chairman, on a point of order, the minister did indicate in answer to my first supplementary that he would ask Mr. Ordze to supplement the answer, and I would defer my second supplementary until Mr. Ordze has had an opportunity to supplement the first.

MR. ORDZE: I have not discussed that paragraph with Mr. Horton because it didn't upset me. His use of the word "political", I suppose, is very unfortunate, but I can see why he used it because very obviously this has been a widely publicized situation. We've been dealing with it, as far as we are concerned, in a very straightforward manner and trying to resolve it, and hopefully this auction market will continue in St. Paul and the Huttons will continue to run it, and the situation will be resolved. But I don't know what else to say other than as far as I'm concerned, this "political" in here is used with a small "p". He could just as well have used another word. It didn't upset me and I didn't discuss it with him.

MR. NOTLEY: Second supplementary. One can argue, Mr. Ordze, over the implications of small "p" in "political", too, but I won't. Mr. Chairman, the supplementary question I would like to pose goes to really the heart of the document on the first page, and that is the proposition which was being made to Mr. Hutton. I would just draw members' attention to that proposal, which was that ten quartersections, excluding the home quarter, would be transferred to the ADC on the understanding that: a) there would be a leaseback arrangement for 10 years; b) that the Huttons would be able to repurchase this land some time in the future, and; c) that the lease would be automatically renewable. Now, further on, Mr. Ordze, the suggestion is that the corporation will be receiving land valued at approximately \$80,000. That, I gather, would be the ten quartersections less the home, which, if my arithmetic is right, is nine quartersections, valued at about \$9,000 a quarter. What troubles me is that we've checked with some real estate people in the St. Paul area who advise us that the same type of land in the general vicinity is going at \$20,000 to \$25,000 a quarter. My question to Mr. Ordze, and I'm sure I can direct it there, because it's not a political witch hunt, Mr. Minister, is was there an independent appraisal made to determine whether or not this figure of \$80,000 is reasonable and in fact related to what would be the fair market value of the nine quarters which would be transferred.

MR. MOORE: Mr. Chairman, I know that Mr. Ordze will answer that, but I'd like to say one thing before he does, and that is, the memo you are referring to was written to Mr. Ordze as a result of negotiations carried out by employees of the corporation, and it was not until after this memo was written that the board of

directors of the corporation, and of course Mr. Ordze and myself, had an opportunity to consider the proposal that was laid before the corporation's board of directors. I should indicate as well that since the date of this memo, September 14, the negotiations have continued, and the ultimate end result of what's arrived at between the corporation and St. Paul Livestock Auction Mart undoubtedly than this. It may be quite different or it may be similar, because it has not been resolved yet. So, bear that in mind.

MR. ORDZE: We did not have an independent appraisal done. They cost a lot of money, for one thing, and the people who work for the corporation are making appraisals on land continually. This is part of their job. They assess it on comparative values of an area. If the man that assessed this and came up with this value -- if it came on the market today, that would be very, very close to what was received.

MR. MOORE: Maybe you should explain his pasture land.

MR. ORDZE: There is a large lease that goes with it -- it doesn't really go with it. It doesn't relate to the value of it.

MR. MOORE: Just to supplement, Mr. Chairman. The ten quartersections that are referred to are generally lower quality pasture land and is not the type of land that would be considered land to produce cereal crops on that normally is sold for a considerably higher value than this in the St. Paul area. But it's not good agricultural land. It's largely pasture and grazing land.

MR. NOTLEY: Mr. Chairman, on the final supplementary question, it's my understanding that the information we obtained from real estate sources recognized the mix of the ten quarters. My question, however, to either the minister or Mr. Ordze is, with respect to this leaseback arrangement, it's my understanding that the leaseback arrangement is quite a favourable one. It's not unusual. It's the normal procedure, but it would be 2 per cent of the value of the land. Now, my question is, is that 2 per cent of the appraised value, or what would the arrangement be on the leaseback provisions?

MR. ORDZE: That 2 per cent I don't believe is correct. We base the leaseback on -- to be quite honest, I've forgotten, because this proposal wasn't workable and we're negotiating on a completely different basis now. I can find out. The 2 per cent just doesn't ring right. I know that we established what the leaseback would be by other criteria of some sort. I just have forgotten what it is.

MR. MOORE: I think Mr. Chairman, if I could just supplement that again. The problem here is that we're dealing with a memo that came from staff of the corporation to the chairman of the board for discussion at the board of directors' meeting, if the chairman felt that it should go to the board of directors without additional work on it. The situation today is different than what is described here. I don't know at what point the land lease or what part of the whole agreement was unacceptable to the board of directors and led to new discussions and negotiations which are presently going on. Really, in all respects, the offer and so on that exists in this memo is rather redundant.

MR. CHAIRMAN: Before we go on to the next question, are you going to secure the information, Mr. Ordze, on the . . .

MR. ORDZE: What you would like to know is, what was the leaseback price, if this had come to fruition?

MR. NOTLEY: Right.

MR. CHAIRMAN: You can get that for another meeting?

MR. McCRAE: Mr. Chairman, I just think the questions are way, way off base. If I understand the situation, it's a very fluid one. There has been no arrangement made between the mortgagee and the mortgagor. What the final determination of the settlement or otherwise, whether it goes to litigation or a statement of claim in the courts or an agreed-to settlement between the mortgagee and the mortgagor -- we don't know what it's going to be. Until we have that information, I just think it's entirely inappropriate for the hon. Member for Spirit River-Fairview to go off on what is a witch hunt or a fishing trip or whatever it is. It's totally irrelevant because it's a part of the negotiation process. It is up to the management of the corporation to decide on some fiscal settlement with the mortgagor. If they don't, they may wind up in litigation. The nuances of the in-between negotiation are not a proper subject matter for this committee. It may be interesting. I'm sure the member is expecting the press to pick it up and have some sort of spurious attempts to muzzle the opposition. That isn't the intention. We're trying to find out what these 109 loans are all about. The discussions when some of these loans go awry or into default, the discussions leading up to a settlement or litigation between the corporation and the mortgagor, I don't think, are of any great

import to this committee. It's the end result, Mr. Chairman, that will count in the final analysis.

MR. NOTLEY: Mr. Chairman, on the point of order, the hon. minister from Calgary says it's the end result. No, Mr. Minister, you know it is more than the end result. It is the process, as well as the end result, that we have to be concerned with in Public Accounts Committee. It's not only what the final resolution of a matter is, but it's the way in which that resolution occurs.

Now one of the things that the directors of the ADC may very well have to consider if they proceed with even a partial proposal similar to this is a lease back arrangement. Now the lease back arrangement is something which should not be difficult for Mr. Ordze to obtain and it is not an unreasonable request that if he is able to get that information he make it available, because at some point in the resolution of this issue there may, in fact, be a lease back procedure, and since the matter has been raised, I think as members of the Public Accounts Committee we are entitled to know what it is.

Again, I just close by saying that our job as members of this committee is to research and to probe not just the final result, but the process itself, because the process can be just as important as the final result.

MR. CHAIRMAN: Hon. members, I'd like to say that Public Accounts Committee shouldn't interfere with a case that is actively being pursued at the present time. It may very well prejudice that case, and I don't think our position is to do that. Had I seen this document before you dealt with it, I would have ruled it out of order on two counts: number one, it does not come under the public accounts we are studying; secondly, it is an interdepartmental memorandum. So my ruling is that much of this discussion has been cut of order for those two reasons. We've now had your third supplementary, Mr. Notley? Is this a point of order, Mr. Young?

MR. YOUNG: Well, it's a point of order if we're going to have Mr. Ordze bring back the information that I understood the hon. Member for Spirit River-Fairview is asking for. But if we're not going to, it's fine, because I would object.

MR. CHAIRMAN: Well, my ruling in connection with that is that I asked Mr. Ordze if he was going to do it for the simple reason of getting the answer. The whole thing is in active negotiation at the present time and my view is that it would be interfering with a case that's being actively pursued at the present time. Secondly, I rule it out of order because it's not even within the accounts we're studying.

MR. MOORE: Mr. Chairman, if I could, I think the answer is in the memo under part (a). It says: "That the Corporation lease the ranch land to Don and Irene Eutton for a period of 10 years at the rate as established by the Department of Natural Resources for equivalent ranch land." So that's the answer and it's in the memo.

MR. CHAIRMAN: Well, really on the point of order, I've ruled this out of order, so I'd just as soon there be no more discussion on it unless the committee wants to challenge my ruling.

MR. STROMBERG: Mr. Chairman, the minister mentioned how many loans were out to Alberta farmers, but I fail to see in the report and I was curious, how many loans or applications have been turned down by loan officers or the board of directors? Is that information available -- how many farmers were unsuccessful in receiving loans?

MR. LAWRENCE: Well, gentlemen, we do have this type of information that we could probably provide. It takes a little more digging, because we're not on a data system. But yes, we do have information of the number of turn-downs and we could provide it.

MR. MOORE: Mr. Chairman, for information purposes I wonder if I could supplement that a bit by saying it's difficult to get an exact figure on loans that were turned down, because they can be turned down in a variety of places. Now an individual may go to a loans officer in one of our thirty-odd offices throughout the province, make an inquiry and go through part of the procedure in terms of applying for a loan and filling out an application form and then be told by the loans officer, your financial projections, or the price of the land, or for some other reason, it's doubtful if it would be approved. So he goes away. Now whether you consider that a turn-down -- I guess it really is, because he has taken advice from our loans officer. And we tell everyone who applies for a loan to the Ag. Development Corporation that even though the loans officer may say it is not worth submitting because it won't get approval, they have the right to have it submitted to the head office in Camrose, in which case the staff reviews it and either approves or disapproves the loan. If the individual is not satisfied in the event of a turn-down of a loan, he then has the right of appeal to the local ADC committee. The local ADC committee reviews the loan application and makes a recommendation which goes directly to the board of directors of the corporation, so there is an appeal procedure in the event of a

turn-down and that appeal is heard first by the local ADC committee and then by the board of directors of the corporation.

I don't have them with me, but I do have some figures with respect to the number of appeals there were, and the ones which were successful and unsuccessful, and it runs in my mind that somewhere in the order of one-third of the appeals that were launched through local ADC committees and then through the board of directors were successful in having the original staff decision not to grant money turned around.

MR. STROMBERG: To the minister, Mr. Chairman. I understand the appeal system. My original question was, how many applications were turned down. If it's possible, I would appreciate that information.

MR. LAWRENCE: I should point out that we have not made this information readily available, although we've had requests from the Ag. Development chairmen. We've felt that it was possible from our loan officers to be able to provide this information in each one of the districts and for the individual Ag. Development chairmen in their areas. We've now sent a directive out to this effect as recently as a week ago, so they will be getting this information.

MR. BATIUK: Supplementary, Mr. Chairman.

MR. CHAIRMAN: I'll have to put your name down, Mr. Batiuk.

MR. THOMPSON: This may not be significant to the rest of the committee, but it is to me. I'm interested in this future farmers program. I think it's a very good way to get young people to understand the way you go about borrowing money. I see here that the number of loans that have been made this year has gone down. The amount hasn't gone down that much. I was wondering if the corporation could give me an assessment of how they feel that program is working, if there are many of these loans that aren't repaid, or if they have a pretty good percentage repaid, and just how they feel it's working.

MR. MOORE: Perhaps Mr. Chairman I could make some initial remarks. This program was established in 1973 I guess to provide a vehicle whereby young people could get some experience in the actual business of financing some kind of an operation and trying to see if they could make a profit at it and repaying the funds. A good deal of the loans -- \$300 maximum for the first year, \$400 for the second year and \$600 for the third year -- were used to purchase livestock. A youngster on a farm would buy a beef animal or some such and then raise it to a heavy feeder or a fat animal and then sell it and make his profit. Unfortunately, during the years that are before you in the annual report, we had some very tough times trying to make ends meet, and many youngsters were not able to repay their loans in total, and some not at all.

The board of directors reviewed the program in December of 1976, just four months ago with me, and it was the decision at that time that while this program may have been useful for the period of time that it did operate, that it would be better for us to have the parents actually involved in assisting in financing of those kinds of enterprises. It wasn't as useful a program as we originally intended. So in fact, Mr. Chairman, the program is no longer in place as of January 1, I believe, of this year.

MR. MUSGREAVE: Mr. Chairman, I had a question on the matter you ruled out of order, so I withdraw.

MR. CLARK: I'd like to go back to the comments that Mr. Ordze made with regard to the statement made by Mr. Horton. That is: "There is no doubt in my mind that Mr. Hutton has in his possession documents which definitely commit the government of Alberta to support him in the enterprise that he embarked upon."

MR. CHAIRMAN: Hon. members, the chair has accepted that this document was ruled out of order. I'm wondering if we should continue questioning on it.

MR. CLARK: Mr. Chairman, the comment that Mr. Ordze made was made before you made your ruling. I put my hand up as soon as the comment was made by Mr. Ordze. The question is this, Mr. Chairman, and it's very important. Mr. Ordze indicated to the committee this morning that he did not discuss this with the writer of the memo. In fact I got the distinct impression he discussed it with no one. And yet, Mr. Chairman, here is an organization, the St. Paul Auction Mart, on which this government has written off \$300,000 through the Alberta Export Agency's fiascos previously. That itself should be enough for Mr. Ordze to see some red lights going on and do some checking.

Secondly, Mr. Chairman, and I say this in all sincerity, a former partner in the St. Paul Auction Mart is now a member of this Assembly. And that in itself should have flashed some lights for the chairman of the corporation also. When he sees a report from one of his senior officials that indicates that in that person's opinion that the gentleman at the St. Paul Auction Mart is in receipt of a document which guarantees that the government is going to support this person, that should indicate to the chairman of the Ag. Development Corporation

that there's a definite need for him, as chairman, to look into this area, or cause an investigation to take place.
Now, my question to Mr. Ordze is, Mr. Ordze did you not follow up on those comments? You indicated to us earlier, sir, that you did not. I'm amazed if that's the case, in light of the facts that are before us.

MR. MOORE: Mr. Chairman, I think your ruling should stand. I really don't believe that Public Accounts Committee is a place for the hon. Leader of the Opposition to be able to discredit the employees of the Agricultural Development Corporation . . .

MR. CLARK: I'm not discrediting anybody. We're all here looking at the taxpayer's money, and there is \$500,000 involved, Marv. You've already written off \$300,000.

MR. YOUNG: Mr. Chairman, on a point of order. The hon. member may not be discrediting anyone, but he's certainly casting a lot of innuendos with respect to another member of this Assembly.

MR. CLARK: I am not.

MR. YOUNG: You certainly are.

MR. CHAIRMAN: Mr. Clark, would you let Mr. Young have the floor and then we'll hear you.

MR. YOUNG: Mr. Chairman, unless it can be established that there was an interest by the hon. member who may be in the Assembly after commencement of the government involvement through the ADC in this operation, then I think that remark should be withdrawn. Unless the hon. Member for Olds-Didsbury can establish it, then let's have it withdrawn.

MR. CLARK: Absolutely not.

MR. YOUNG: You can't establish it. Well then it should be withdrawn.

MR. NOTLEY: On the point of order, it seems to me that your ruling dealt with the proposal because the proposal is now being negotiated. So that's something which, all right, we won't pursue. The other part of your ruling was that this was not within the year in which the public accounts took place. However, the issue that the Leader of the Opposition raised concerning the political repercussions and the process by which the entire thing has been handled is within the year that public accounts took place and does not relate to the specifics of a proposal and therefore it seems to me that questions relating to this part of the memo are in order.

MR. GOGO: Mr. Chairman, on the point of order, I would welcome a ruling by the chair so we can stop being childish.

MR. CHAIRMAN: Hon. members, I've ruled this particular document out of order on the grounds that I've already given. If the hon. members have questions pertaining to this operation during the fiscal year that they feel will not prejudice the case at the present time and the conclusion of that case, then I think that question would be in order. But the question that the hon. Member for Olds-Didsbury just asked has already been answered by Mr. Ordze.

MR. CLARK: No, it hasn't.

MR. CHAIRMAN: Well, would you ask your question without reference to this.

MR. CLARK: Mr. Chairman, the question to Mr. Ordze is simply, in light of the concern expressed to him by officials of the Ag. Development Corporation that a commitment had been made to the St. Paul Auction Mart by officials of the government that they wouldn't lose any money, Mr. Ordze did indicate to us here he had no discussion about that. He wasn't concerned. I point out to Mr. Ordze that the Export Agency had written off \$300,000 to this same organization, and I simply say to you, Mr. Ordze, as chairman of the corporation, I'm amazed that that didn't cause you to do an immediate investigation to see if those documents are available so you could tell us today whether there is truth to that or not.

MR. CHAIRMAN: State your question, Mr. Clark.

MR. CLARK: Did Mr. Ordze check to see if there are documents which guarantee the St. Paul Auction Mart will not lose money on this deal, and did he discuss it with the people who raised this concern with him in his own organization?

MR. McCRAE: Mr. Chairman, could I just make a point.

MR. CHAIRMAN: Is this a point of order?

MR. MCCRAE: It's a point of order. I don't know how I'm going to get at it without some reference to the memo, Mr. Chairman, but the hon. member, under the guise of asking a question, draws in some other matters. He used the words, the Huttons would be assured they would not lose money on this particular enterprise. There is nothing in the record this morning, or anywhere else that I'm aware of, no suggestion that the Huttons would be guaranteed they would not lose money. We can't refer to the memo, but my recollection of the earlier discussion here was that there was some assurance in someone's mind that there had been a commitment to support a particular project. There is no way that there is any suggestion implicit in that that there is a commitment that someone will not lose money.

What I'm getting at, Mr. Chairman, is that under the guise of asking a question we have a lot of innuendo coming out, and I think we should be much more precise with questions. If there's a question to be asked, let us ask the question. Let us do without the narrative which, in fact, in some cases casts a bit of doubt about the propriety of the conduct of certain individuals. I think it's entirely inappropriate. We saw a lot of that going on here last spring. We had the Auditor's examination. We had the Auditor's report. To paraphrase what I said earlier, that was much ado about nothing. It was a management review, which is certainly beyond the scope of this particular committee or the Auditor's normal function.

I would ask, Mr. Chairman, that when the hon. gentleman is asking a question, that he ask the question and leave aside the innuendo.

MR. CHAIRMAN: Mr. Ordze, do you care to answer the question.

MR. ORDZE: Whatever it was.

MR. CHAIRMAN: The question is, well, we've had it twice. Have you forgotten the question?

MR. MOORE: Mr. Chairman, I answered the question previously in saying that I'm not aware and Mr. Ordze is not aware either of any documents in the possession of Mr. Hutton that would definitely commit the government to support that project other than the fact that two guaranteed loans were made, one from the Alberta Export Agency and one from the Agricultural Development Corporation. Quite naturally that would indicate some degree of commitment and some interest in ensuring that he did indeed sell his livestock in a good market. Mr. Ordze may want to supplement that.

MR. ORDZE: I hope I'm answering the right part of this, or something. We seem to be quite concerned about this third paragraph and the use of the word political and the allusion to what may be a document. I said I didn't get overly concerned about this word "political" here and the reason I said that was that everyone here knows of the past discussions that have gone on relative to St. Paul Auction Mart and there are obviously people in St. Paul who wonder what ADC is going to do. We know what we're going to do. We're trying to negotiate something that will reduce our losses as much as possible. If we want to bankrupt the whole auction market, the Huttons and everything else, I suppose it could be done and we would realize next to nothing. We know this because we have checked it. Now we are trying to resolve it in a manner that would allow the corporation to recover as much money as possible.

MR. CLARK: Mr. Chairman, I would like to ask Mr. Ordze or perhaps the minister if they'd be prepared to table the report done by officials of the Department of Agriculture on the quality of cattle. Mr. Ordze referred to the 1,000 head earlier -- I believe it was about 1,000 head -- and said that they had an assessment done on those cattle by officials of the Department of Agriculture. My question is, would the minister be prepared to table a copy of that assessment that was done?

I don't want to unnecessarily offend the minister from Calgary again, but I happen to have seen those cattle. I could enjoy giving you my assessment of them.

My question to the minister is, can we get a copy of that assessment done by officials of the Department of Agriculture about the quality of those Holstein cattle?

MR. MOORE: Mr. Chairman, there was more than one assessment done. Whether they were in writing or not, I don't know. I do know that the federal Health of Animals Branch routinely, as they are required to do, checked the herd for brucellosis and so on. Insofar as any report that might have been developed by the Department of Agriculture and relayed to the Agricultural Development Corporation, Mr. Chairman, that falls in the category of interdepartmental correspondence and it's simply not available.

MR. CLARK: So, Mr. Chairman, to Mr. Ordze, was there a written document that the Ag. Development Corporation received about the quality of these cattle that you, as chairman, sir, took a second mortgage on that you've told us here today you are having difficulty getting the \$200,000 plus the interest back? Was there a written document that you, as chairman, have seen, Mr. Ordze?

MR. ORDZE: That's going back two years, and I'm afraid I can't tell you whether we had a written report or whether we received a report over the phone. I can check.

MR. CLARK: Would you check and bring it back to us next week?

MR. MOORE: Mr. Chairman, if it's a written report, interdepartmental correspondence, it will simply not be available to the Leader of the Opposition. I've made that quite clear.

MR. CLARK: All we want to know is -- you can't even remember now if one was done. We want to know if one was done.

For my third question, Mr. Chairman, to Mr. Ordze, I would ask Mr. Ordze to bring back to the committee next week substantiating information that would bear out his comments this morning on the bottom falling out of the Holstein business in Alberta during the period of time that Mr. Ordze made that statement. Mr. Ordze, if you could just bring back some substantiating information that would deal especially with heifers, one to two years old. Could you bring that information back to us? I don't think that would fall in the area of interdepartmental memos.

MR. MOORE: Mr. Chairman, that statement arose not from the corporation's view of the situation, but rather the Department of Agriculture's view. If the hon. member wants to be brought up to date in terms of the dairy cattle business over the past two or three years, I'm prepared to do it right now. It will take a little bit of time. But certainly there was a period of time before and just after the announcement was made by the Canadian Dairy Commission with regard to the cutback in industrial milk quotas . . .

MR. CLARK: That wasn't in 1975.

MR. MOORE: I said prior to, during and after that announcement, . . . where livestock in the dairy business was not selling nearly as well as it had before that time or as it presently is. Indeed, dairy cattle are bringing a better price now than they have for about three years.

Now I don't know if the Public Accounts Committee is really the place to debate what the market has been or what it might be in the future. But assuredly, Mr. Button and others who were involved in selling dairy cattle during the period of time that he had these were not in a very good market position. There is no question about that.

MR. NOTLEY: Mr. Chairman, I wonder if we could go back to the \$230,000 loan which is contained in the information that the minister tabled before the committee today. Mr. Ordze, you may have answered this, but I wasn't sure if I got the details down. Will you break that guarantee down among the financial institutions -- the Treasury Branch obviously have advanced money under that guarantee. Obviously the Canadian Imperial Bank of Commerce has. Is there any other financial institution, and what is the breakdown?

MR. MOORE: Are you talking about St. Paul?

MR. NOTLEY: Yes, this is the one to the St. Paul Auction Mart.

MR. ORDZE: We made the guarantee cut to the Treasury Branches of Alberta in the amount of \$200,000. The outstanding amount as of December 31 is \$238,807.

MR. MOORE: It's all to the Treasury Branches.

MR. ORDZE: It's just one guarantee.

MR. NOTLEY: Is there any guarantee at all pertaining to this \$110,000 loan to the Canadian Imperial Bank of Commerce. Without relating back to this document, it's difficult to raise the question, but that is obviously one of the things under consideration. I don't want to get into the consideration, but I want to know in what way that \$110,000 comes into the picture.

MR. ORDZE: Where it comes into the picture is the fact that they owe that amount of money. It is not guaranteed. For the reason that that much money is owed is why this particular proposal didn't go ahead.

MR. NOTLEY: Mr. Ordze, is Mr. Bawden, who is now a member of the AEC board the Mr. Bawden who was the manager of the Bank of Commerce in St. Paul at the time the \$110,000 was loaned?

MR. MOORE: Mr. Chairman, I appointed Mr. Bawden to the board of directors of the ADC. I think the date is in the front of the report, March 17, 1976. He's had long experience in banking in rural Alberta at a number of points, and his appointment was made on the basis of a number of recommendations I had that indicated that he would be an excellent board member and bring a point of view to the board that was not there among the farmer members. There is no

connection whatsoever between Mr. Bawden and any loan that has been made to the St. Paul Livestock Auction Mart.

MR. NOTLEY: Just to clarify this.

MR. MOORE: I might say, Mr. Chairman, Mr. Bawden's last bank appointment was in Wetaskiwin, not in St. Paul. He was there for some time.

MR. NOTLEY: My final supplementary, then, just to clarify the matter, just so there's no misunderstanding. I'm not questioning anyone's integrity here. Is the Mr. Bawden who is now on the board of directors, appointed as of March 17, 1976, the Mr. Bawden who was the manager of the Imperial Bank of Commerce in St. Paul? Was St. Paul among his postings? Was he in the St. Paul region at or about the time the \$110,000 loan was made to the St. Paul Auction Mart?

MR. MOORE: Mr. Chairman, I'd have to check and see, but I don't recall any information I had on making Mr. Bawden's appointment that he was a banker in St. Paul at any time. He may have been, but I don't recall that he in fact was.

MR. BATHUK: Mr. Chairman, . . .

MR. NOTLEY: Mr. Chairman, on a point of order, I wonder if the minister would check on that and report back to the next meeting of Public Accounts Committee?

MR. MOORE: Mr. Chairman, I can check on it. I fail to see what bearing it has at all on this. As a matter of fact, the loan that we're involved in here was made some time before Mr. Bawden's appointment to the board of directors. I would expect maybe that the member could direct his question to the Royal Bank or to Mr. Bawden if it's that important that he find out. I simply don't have that information.

MR. BATHUK: Mr. Chairman, earlier the minister, in responding to Mr. Stromberg, stated that when applications for loans are rejected they can go back to the local Ag. Development Corporation committee. Could the minister advise whether there have been incidents where the Ag. Development Corporation has rejected loans or do not approve them and they go back to the local ADC committee, whether the recommendations would be different or whether they would still recommend that approval be given? Whether the local ADC, regardless that the Ag. Development Corporation would reject an application whether the local ADC would recommend its application if it made an appeal?

MR. MOORE: I'm not sure, Mr. Chairman, if I totally understand the question. There are loans that are turned down by the corporation staff that go to the local ADC committee for recommendation. Sometimes the local ADC committee will concur with the corporation staff and recommend that the loan not be provided. On some occasions they will differ with the corporation staff on reviewing it and say the loan should be provided, in which case their recommendation goes to the full board of directors of the ADC. The board of directors do not always approve a loan that has been recommended by the local ADC committee. Sometimes they have a recommendation from the ADC committee that is favourable, but they don't make approval on the loan. On the other hand, there are some very odd occasions where the local ADC committee will make a recommendation to refuse the loan and the corporation's board of directors will pass it. Those are very rare, because if you have the staff and the local ADC committee all saying the loan shouldn't be given, it's doubtful if the corporation's board of directors would provide it. However, oftentimes there is additional or supplementary information, or conditions change when this process is going on, that allow them to make a different decision.

MR. BATHUK: Thank you, Mr. Minister. This is the information that I wanted. Every page of the report is very important and I'm particularly impressed with the cover page of this report. Could the minister tell me where this has been taken from? It looks very identical to a farmstead in my constituency.

MR. LAWRENCE: I'll have to plead guilty that we stole this from the Department of Agriculture. I hope we don't get jacked up for that. We tried to get something that pertained to agriculture without putting on a Holstein or something else, and it was a generalized picture of farming and this seemed to serve our purpose.

Thank you for your compliment on our cover.

MR. BATHUK: Mr. Chairman, I was just wondering if you could get that information. I've seen it in a number of places -- the location of this picture.

MR. STEWART: Mr. Chairman, I have one question that I would like to have cleared up. I understand that an applicant cannot make an application for a loan and be qualified unless he has a specific piece of property or something that the loan is to be for. The criticism that I've heard is that the time element in being qualified sometimes leaves them in the position that land is put onto the market

and by the time they are qualified, the person disposing of the land has had an opportunity to sell it to someone else. I wondered if there was any way that applicants could qualify themselves for a loan prior to having a specific piece of property to purchase?

MR. MCCRE: Mr. Chairman, it raises a problem that we do have. Because if you first of all have to approve the land location, the type of land, the price, and so on, it does occur that other buyers come in and buy it before the individual can get approval from the ALC.

However, we're a lender of last resort, and we have to be very careful that we're not instrumental in pushing up land prices. That's one very familiar problem. So we have to know in advance what an individual is going to buy so we can have some assessment of that value. We don't want people borrowing money from ALC to pay inflated land prices. Indeed we, and so has Farm Credit Corporation, have turned a number of loans down in the last several months because the asking price was simply too high. Much of that land is still sitting there not being sold. You have to bear in mind that the price of land is matched very closely with the availability of credit and the interest rates. If there is lots of credit available at low interest rates, the price of land will keep increasing. So for that one reason, and there are others, we have to know what the individual is going to purchase before we grant a loan.

On the second question of the time frame, we did, in the early years of the corporation, have a problem. It was growing very fast. We didn't have the number and kind of loan officers in place that we needed because we are a new corporation. But about June of 1975 we were able to get into a position where the staff of the corporation in Camrose is directed to deal with every application that comes to them within ten working days, which is two weeks, on the basis of either approving it, rejecting it, or asking the applicant for additional information. So at one point in time we did have some difficult problems with very long periods of time when loan applications were not acted upon. The situation has been largely rectified in that once the loan application leaves the local loan officer and gets to Camrose, he should have an answer within ten days that either approves, disapproves or asks for additional information as sometimes is the case.

MR. CHAIRMAN: Hon. members, I have two hands still that have gone up. It is now 11:40. What is your pleasure.

MR. CLARK: I'd move that we adjourn and ask the gentlemen from the Ag. Development Corporation to return next week.

MR. CHAIRMAN: Moved by Mr. Clark, seconded by Mr. Nctley, that the ADC be requested to return next Wednesday. Is that the pleasure of the members?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Is that satisfactory? Will you be able to be here next Wednesday? Okay, since Mr. Mandeville was next on the line, perhaps we should put him down first for next week.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The meeting stands adjourned.