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PUBLIC ACCOUNTS MEETING

April 27, 1977

MR. CHAIRMAN: The committee will now come to order. With us once again is Marvin Moore, the hon. Minister of Agriculture, and Mr. Ordze and Mr. Lawrence from the Agricultural Development Corporation.  
The first item on the agenda is the minutes. What are your comments, additions or deletions?

MR. YOUNG: Mr. Chairman, I'd like to suggest that we simply receive the minutes rather than approving the minutes inasmuch as we get a verbatim report. It's very difficult for us to expect you or anyone else to get everything that was said that was important in the record.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: Is that satisfactory?

MR. CLARK: There is no reflection on the fine job that is being done at this time. None at all.

Moved by Mr. Young that the minutes be received.

MR. CHAIRMAN: The job of the minutes, and I think it's quite a good job, is due to the work of Mrs. Mary Adams.  
Now we'll continue from where we left off last week.

MR. NOTLEY: Mr. Chairman, I wonder if we could just pursue the questions I raised last week on Wanapel for a moment or two. Mr. Chairman, the first question was with respect to the issue of a manager. Mr. Minister, in your comments last week you indicated that one of the problems had been that Wanapel had not secured or had not engaged a fully qualified manager. But as far as the local people are concerned, their argument is, and I put the question to you, that in fact they had engaged a Mr. Scunny Bird, who had been approved by the ADC and that Mr. Bird was available for the final phase of the construction stage.

MR. MOORE: Mr. Chairman, that is correct in the very latter stages of the development of the plant. I'm not exactly sure of the time frame, but for a period of about a year the Agricultural Development Corporation, as one of the conditions of the loan to Wanapel, had requested that they hire competent management that had experience, not only in the operation of an alfalfa pelletizing plant but in the development of the plant. And while I don't want to attach any particular blame for the failure to the board of directors, I think it's unrealistic to expect that a former board of directors who have not had experience in the development of a plant such as this should, in addition to raising the share capital and negotiating for loan funds and so on, be expected to enter into contracts with suppliers of equipment and buildings and so on and complete a plant to operational stage without hiring some expertise in that area.

As the hon. Member for Spirit River-Fairview, Mr. Chairman, would know, the plant largely was being managed by a chap by the name of Mr. Lewis who, although a fine calibre of individual, did not have the kind of business experience and so on that was necessary to see the plant construction complete and ensure that everything was being done in an orderly fashion.

MR. NOTLEY: Mr. Chairman, a follow-up to Mr. Moore. With respect to the DREE grant, the minister had indicated, as I look at the transcript, that the DREE grant application had not been made, but as I understand it, the initial application for the DREE grant in fact had been made and that it was not possible to make the final application until such time as the plant had actually been in operation.

MR. MOORE: Mr. Chairman, that is partly correct in that an initial application was made. All I said was that the DREE grant was not pursued. An initial application is required to be made to obtain a nutritive processing grant cost-shared by the federal and provincial governments before any commitments at all are made with regard to the construction of a nutritive processing plant.  
In other words, if an individual or a company go out and make commitments with respect to the purchase of land or enter into contracts with respect to the supply of equipment and so on, they have then, according to the rules under which both our department and the federal Department of Regional Economic Expansion operate, made a commitment to proceed. The basis of the DREE grant is

that the grant moneys are required before any commitment can be made to proceed and build a plant that would employ people and so on. So they had to make that application before even making any kind of an application for a loan or a decision to go ahead. They did that.

Over the course of time there are a great variety of things that have to be done in addition to the initial application to get final approval. What I suggested was that that was not pursued, in my view, as well as it should have been. I talked with the people in Wanham. I also talked with our representative on the joint committee on nutritive processing, Mr. Norm Thompson of my department and said, where is the Wanham application and why is it not proceeding. He indicated that there were additional information requirements that had to be met by Wanapel before it could be approved.

Insofar as the plant going into operation is concerned, the initial part of the DREE grant, which is not 100 per cent, is usually paid after the plant comes into operation. There is, however, a clause in the agreement that allows the Government of Alberta to provide funds before a plant goes into operation if it's our judgment that that is necessary for its viability.

In that particular case, however, we are subject to paying 100 per cent of that grant in the event that something happens causing the plant not to go into operation. For example, in the case of another alfalfa plant in Mallard, which had been in operation for a few months, I took the risk of paying part of their DREE grant when the federal government did not want to pay it, on the basis that if the plant did not continue in operation that we, as a province, would have to pay 100 per cent of the cost.

So the DREE grant was simply not pursued, in my view, in the manner that it should have been. Part of that was due to the fact that the Wanapel people were operating, quite frankly, with part-time help, with people who had other jobs and were trying to provide the management for this plant on a part-time basis. I don't think that there is any situation in which you can build a \$1.5 million processing plant with that kind of situation. You simply have to go out and pay the kind of money you have to pay these days to get competent people to work full time.

MR. NOTLEY: Mr. Chairman, to follow that up. What steps were taken, Mr. Minister, to advise the board of the specifics of the DREE grant after the initial application had been made by the board so that the board itself was aware of the ups-and-outs and the ups-and-downs and the backs-and-forths and the dotting of "i"s and the crossing of "t"s and the incredible amount of bureaucratic red tape that is involved in any application of that nature?

MR. MOORE: Mr. Chairman, the Agricultural Development Corporation of course did not take any steps in that regard. It was not their function to ensure that the plant followed up on its DREE grant, aside from suggesting to them that it was an important part of the overall development of financing of the project.

The federal Department of Regional Economic Expansion and the Department of Agriculture provide, as a matter of course, the information that is needed for the initial application, and then follow that up by advising, usually in joint consultation where they sit down together in a meeting which is most often held in Edmonton, and advise them of the requirements before the DREE grant can be approved.

One of the difficulties that Wanapel did have was a lack of equity capital in the total project and one of the requirements of the DREE grant provides that they have a certain equity in the project before the grant is approved.

I'm not aware specifically of what the Department of Regional Economic Expansion or the representative from my department did in correspondence with Wanapel, but certainly it was my understanding that Wanapel was aware of some of the requirements that had to be met. Mr. Chairman, it is true that some of the requirements could not be met and they were proceeding to try to meet them. One of them was the equity financing. What some of the others were, I'm not entirely sure.

MR. NOTLEY: Mr. Chairman, to the minister, was there any meeting? The minister mentioned that from time to time the Department of Agriculture would provide meetings so that there could be a follow-up on DREE grants. Was there any such meeting after the order-in-council with respect to the \$125,000? After the order-in-council had been approved, Mr. Bird, as I understand it, took on his responsibilities as the manager and was, in fact, present for the final stages of the project. My question really is, at this time, with a manager in place who was acceptable to the ADC, and the \$125,000 order-in-council passed, what steps were taken by the department to facilitate, if you like, the necessary additional information required for the DREE grant?

MR. MOORE: Mr. Chairman, the Wanapel group were, of course, well aware of who was involved on both the federal and provincial side so far as the DREE grant was concerned, and were free at any time to pursue discussions with those people. Whether or not they availed themselves of that opportunity, I don't know.

I did not have any correspondence from Wanapel that I can recall relating to the DREE grant in that short time frame you are talking about from about July 1 on into September. We're really talking about a time frame of about 3 months.

I did not have any correspondence either from the manager, but I did have from Mr. Lewis who had, in my view, been acting as manager. I don't know if that was his title, but certainly he was the individual who, insofar as my office and our department was concerned, was trying to lead the way with respect to the development of the plant.

Late in 1976, I guess it was September, I received a letter from Mr. Lewis which indicated the financial situation had changed quite drastically from what I understood it to be in June of that year. I don't recall that that letter mentioned very much, if anything, about the hiring of a manager. Quite frankly, I was not aware until now if it was the case that the manager was there for any length of time that would have even allowed him to kind of find out what was going on and take over the reins. In my view, he was only in a position to have had a cursory look at the operation and begin to get his feet on the ground when, in fact, the plant was put into receivership.

MR. MANDEVILLE: Mr. Chairman, I have a question to the chairman of the board. Does the corporation own any land, or have they purchased any land in the name of ADC?

MR. ORDZE: We did purchase one piece of land. It had been earmarked for sheep pasture. It turned out that it wasn't too practical to develop it for those reasons and it was then disposed of. I remember that it was just about a saw-off -- the price we purchased it as to the price we sold it.

MR. MOORE: I'd like to just supplement that briefly. We do, of course, on a great variety of loans, take land as security and by way of realizing on our security wind up in an ownership position on perhaps individual quarter-sections, or in larger dollar sums I guess the example would be the agrimart in Calgary where, with other bond-holders, we own 40 per cent of 20-some acres surrounding that complex. So there are numerous cases where, by way of our taking out land as security, we wind up in an ownership position. That, of course, usually ends in a disposition of some kind, but not always.

MR. MANDEVILLE: Mr. Chairman, just to follow up what the minister said, that in numerous cases they are taking over land. Is it that extensive at this stage that the Alberta Agricultural Development Corporation is foreclosing on mortgages or taking over farm land?

MR. MOORE: It's not that extensive. The foreclosure, particularly with regard to loans that were under the old Alberta Farm Purchase Board -- there have been a number of those. They require, according to the act, my authorization as the minister responsible for the Agricultural Development Corporation before proceeding. I've authorized a number of those in recent months. We only do it, quite frankly, when we've exhausted all other avenues of refinancing and management assistance and so on and we can see no practical way for the individual to carry on.

It's one of those unfortunate things that has to be done, Mr. Chairman, if you're a lending institution. While we bend over backwards, we recognize as well that the success of any financial institution does depend to some extent on their ability to collect and their desire to do so. So there are some foreclosures. But it would run in my mind that in the first four months of 1977 they wouldn't amount to more than perhaps six or eight in total.

MR. MANDEVILLE: Mr. Chairman, what procedure does the corporation use in disposing of this land once they foreclose or take the land over? Do they auction?

MR. ORDZE: We put them up for public tender and usually accept the highest bid unless somebody who is not, in fact, a farmer puts in a bid and if he wants financing from us. It is usually a farmer who puts in a bid and the highest bid is accepted.

MR. CLARK: Mr. Chairman, to Mr. Ordze. You said you usually call public tender. My question to you is, has that always been followed?

MR. ORDZE: I'm sorry, I shouldn't have said usually. We do put them out to public tender.

MR. MOORE: Mr. Chairman, I'd like to supplement that so we don't get into a difficult position. There are situations where an individual who has farmed for a long time and perhaps has reached retirement age is in a difficult position and we may be forced into a position of putting that land into receivership and ultimately obtaining ownership of it. I think it should be understood, Mr. Chairman, that in the event there may be other family members who may be interested in farming and who show a good case and so on, that there could be exceptions to the rule of public tender, and I think quite frankly there should be. I'm not suggesting there have been any in the past. I wouldn't want the committee to believe that we didn't have some sense of responsibility towards the development of viable farms and family farmers who may want to pursue the

occupation. I just put that, Mr. Chairman, as a caveat so that that possibility exists.

MR. CLARK: Might I just ask one other question of the minister or Mr. Ordze. The minister's comment about not going to public tender when it's a matter of a member of the immediate family I completely support. But my question to the minister or Mr. Ordze is, can you assure us that other than members of the immediate family -- brothers, sisters, cousins, let's say that's the immediate family -- but would you be prepared to check to see that there have been no circumstances outside of the immediate family where public tenders haven't been asked?

MR. MOCRE: I can recall of one instance several months ago where we advertised some land by public tender and the high bid that we received was from a corporation who owns what I would consider to be far in excess of the kind of land that is required by a family farm unit. I'm not sure it was indicated in the tender, but certainly people were aware of the possibility of financing that purchase through ADC because of our mortgage on it.

The corporation refused to sell to the high bidder and finance, because quite frankly it was outside of our terms of reference to be using ADC's revolving fund to finance an operation that already owned something like 22 sections of land. That company, in fact, wrote to me protesting that decision, and I informed them that it was a judgment decision and one on which I would strongly support the corporation and that we were not in the business of financing additional purchases for corporations such as that.

Ultimately, because we did not finance it, we had to take a somewhat lesser -- not much, but somewhat less -- amount. Those are the kinds of situations you get into, and I think, Mr. Chairman, it's fair to say that they do call for some judgment from time to time and I only mentioned the family one because that's one I can think of where our judgment may be that we would do differently than take the highest bidder. But I think we can assure the hon. members, Mr. Chairman, that we will try in every case to do what's in the best interests of Albertans and the agricultural industry.

MR. CHAIRMAN: Before Mr. Speaker starts his questions, the committee decided last week that the members should stand when questioning and the witnesses stand also when answering.

MR. R. SPEAKER: Thank you, Mr. Chairman. I feel more at ease standing anyway. I certainly wanted to do that.

My question to Mr. Ordze is with regards to ADC farm loans and the involvement of MLAs. The question that I have is that a number of the ADC farm loans that are in difficulty where farm loans were recommended very strongly by MLAs. I was wondering, if you look at your list of bad loans or loans that are in difficulty, do you find that those are loans that were recommended by MLAs where we MLAs involved ourselves very intensely? Is that a truism or is that not a truism?

MR. ORDZE: I can't comment on the MLA part, but then I don't know how many discussions the MLAs have with the local committees. We do, I must admit, find that many of the loans that have been recommended by local committees are having problems. But here again I think that possibly this is understandable because if they went to the local committee, there must have been reasons that we saw why we didn't think they would succeed. They must have come up with ideas that made them feel that they should succeed and that's probably why there is a little more of a problem there.

MR. R. SPEAKER: The comment was made by a couple of members of the staff -- I guess I was applying pressure for some particular loans and I said I think my recommendation is legitimate and the comment was that, well, many of the loans that we've approved after the pressure of MLAs just haven't proven out well. So I've checked that very carefully with my colleagues who have been involved in it and they are not aware of any that they have become involved in in their constituencies that have gone bad. So I just wanted to check to see whether that was true or not.

If it is true, maybe there are some terms of reference or some other ways that MLAs should look at the recommendations that they make to the board or to your staff. My question is, are we, as MLAs, asking too much of the staff at certain times, outside of terms of reference?

MR. MOORE: Mr. Chairman, I'd like to say a word or two about MLA involvement in direct lending from the Agricultural Development Corporation. I'll begin initially by saying that I've instructed the MLAs in the government caucus to be very careful about the kind of pressure they might apply to the staff of the Agricultural Development Corporation with regard to loans. Quite frankly, I think it's the duty and responsibility of an MLA to provide an individual with all of the information that's required with respect to how to apply, how to appeal, what kind of application he should make in order to be successful, and those kinds of things.

While I don't think we've got any serious problems with them, and I really do believe when it comes to anything beyond that, providing information about how to apply and helping the individual be successful in that regard, I really think that as a member of the Legislature we, as individuals, are treading on rather thin ground if we apply pressure to staff of the corporation to approve loans without perhaps bringing forward some additional good, valid information about why it should be done.

Maybe I shouldn't be making these remarks, Mr. Chairman, in this committee, but I think they are important because in my view the corporation has to function outside of the political sphere. Indeed, even as Minister of Agriculture and the individual responsible for the overall operation of the corporation, when my constituents approach me with regard to a loan from the Agricultural Development Corporation, I do just as I've said. I give them the information about where to apply, how to appeal, and I tell them that I am not the loans officer or the approval body. I have a board of directors of 12 people who look at the loans. I have 62 ADC committees throughout the province who sit in judgment on appeals and who make recommendations to the board of directors and I really feel that that's the way the operation should be carried out.

MR. R. SPEAKER: Mr. Chairman, this is a comment rather than a question. I think I agree with the terms of reference of the minister. As MLAs, certainly it's our responsibility to often expedite the process of getting approval of an application. I've found that, number one, that's very important. Number two, supplying new information from the young farmer or the farmer in your constituency to the corporation -- some information that may not have been considered or a different approach. I think that's my own personal approach to the whole thing. Beyond that, I think that we have a responsibility as an MLA at times to tell some of our constituents that they really won't qualify under certain circumstances.

The reason I raise the issue is that the comment was made to me, and I felt that it was questioning my credibility in making these two types of recommendations to the ADC. I had felt that any recommendations I had made personally as an MLA, the payments were being made and the follow-up was there. I checked it out with other MLAs to assure myself that it hadn't happened in our own caucus. So we adhere to those terms of reference. But if it is true and MLAs are breaking down our communication and we're being suspect of the type of recommendations we make, then I want it clarified at this point in time so that our credibility remains stable ahead.

MR. MOORE: Mr. Chairman, I don't believe we keep any records with respect to the success of loans that involve some recommendation of an MLA as opposed to those who go through the normal course. I would certainly not suggest they are any different than any other ones unless they are more successful, because I don't know. We don't keep any records in that regard. The other thing I would say is that it's important, yes, in the one area I didn't mention and that is delays in approval, that MLAs contact my office or Mr. Ordze's office and say, I have a constituent who applied for a loan and he hasn't got an answer. That's one critical area where I think MLAs have a responsibility to follow it up -- not to prejudge or to put pressure as to what the answer will be, but rather to get an answer. That's important.

MR. R. SPEAKER: I've had good co-operation in that sense from the ADC staff and I have no complaints in that area.

MR. NOTLEY: I just get kind of amused when Mr. Speaker indicated that our credibility as MLAs would not go down. I guess we could just assume that it will stay down where it is -- on both sides of the House.

Mr. Chairman, I'd just like to pursue this question of Wanapel. There are several other questions I have. Perhaps this one could go either to the minister or Mr. Ordze. When the application for additional funding was made after the order-in-council for \$125,000 was passed, it was certainly the understanding of the local people that that application could go directly to the ADC in Camrose, but I gather that it was, in fact, taken to the chairman and it was then sent back to Spirit River where it was delayed. Now the reason I raise this question, Mr. Minister and Mr. Ordze, is that at this stage of the game there were some pretty critical time factors here because if the plant wasn't completed, then the chances of its viability were very, very touchy and the local people were well aware of that.

So there certainly has been some concern brought to my attention that the thing got stuck, if you like, in the local office in Spirit River for at least two weeks at a crucial time during that summer building season.

MR. MOORE: Mr. Chairman, a point of clarification. The hon. member is talking about the \$125,000 order-in-council authorization through Co-op Activities to have the Provincial Treasurer guarantee . . .

MR. NOTLEY: No, Mr. Chairman. It was after the \$125,000, as a point of clarification. After the \$125,000 order-in-council had been passed, the Wanapel people at that point, because they did have a larger equity base, wanted to

borrow additional money from ADC. Now the question was, what route would they take. They made an application and that went back to the local office in Spirit River. So it wasn't with respect to the \$125,000. It was with respect to a direct loan application to ADC.

MR. ORDZE: Perhaps, if Mr. Notley could give me the amount of the loan or something, because I'm afraid I don't know just what you're referring to.

MR. NOTLEY: I'll look through my notes here and find that and I'll come back to it, Mr. Ordze. I forget the exact amount at this point, but there was an application beyond the \$125,000. The \$125,000 was a different thing. We're talking about two different things here. But I can come back to it if you like. I'll rustle through my notes here and get you the exact amount.

MR. ORDZE: I don't know if this is the one you are referring to, but on July 14 -- no, that went to the board. You aren't, by any chance referring to the very last request they made for additional funding just before receivership.

MR. NOTLEY: No. Just for clarification I'll get the exact quote here. No I'm not referring to the letter from Mr. Lewis of late August. Mr. Ordze, when the ADC decided to put the Wanapel plant into receivership, what consideration was given to operating the plant under receivership -- having the receiver operate it -- in view of the fact that there was a very large amount of hay out in the field and that as a consequence of that hay being left over the winter and a poor market for sale of hay that a very large percentage of it will not be salvagable? So what considerations were made by the board in terms of operating the plant once the decision was made to put it into receivership?

MR. ORDZE: Consideration was given to appointing a receiver-manager, and we looked at all aspects of it and I can't tell you the figures but I do know that when we looked into it that we just couldn't see that the cost could justify the end. It would have been a very expensive exercise.

MR. NOTLEY: Mr. Chairman, I think it would be interesting if we could have some indication of what the cost figures were, because it was a rather expensive exercise for the people, too, who had this hay and had made the financial commitments, business commitments, management commitments in terms of their own operations to get into the business and then find that -- I've been told by local people that as much as \$300,000 in hay is sitting out there, almost all of which is not salvagable. So I think the cost-benefits of the costs of operating that plant versus the potential loss of the community would be worth having some accurate statistics on. We don't have them for today's meeting, but I think it would be useful if we had them.

I wonder if I could just raise another question. This was after the receivership question. A number of local people set up an organization called Wanham Dehyde Products Limited, and the receiver decided to apply for -- I really suppose one would have to call it requests for proposals because it wasn't bids. It wasn't tenders in the normal sense. The reason I raise this -- this is a follow-up to a question the leader of the opposition raised with respect to farm sales. What is our overall policy, and I'd like that related to the particular example of the Wanham Dehy Products Limited -- what is the overall policy when we decide to sell the assets? Is it put up for bids and are those sealed tenders, or in fact, do we go through the process which occurred in the Wanapel case where bids were made, but before too long it became common knowledge that the Wanapel bid was "x" amount of dollars and therefore other people could bid higher. Is there a different approach than sealed tenders when it comes to the sale of an agribusiness which is in some difficulty.

MR. MOOPE: Mr. Chairman, I think I would be in a good position to answer that because I was involved in it, but first of all, I'd like to just supplement Mr. Ordze's comments with regard to the closure of the Wanapel plant. In every case when an agribusiness industry is in difficulty and we have to make a decision, we certainly discuss the effects of closure as opposed to appointing a receiver-manager that continues operation.

In the case of Wanapel, Mr. Notley is correct in saying that the individuals in the area who had put up hay -- sun-cured alfalfa, incidentally, not dehy -- which is of less value -- it's true that they would have received more for their hay by being able to sell it to the Wanapel plant at the going rate for sun-cured products in the Peace River country. On the other hand, there was also the opportunity for them to move to other plants, most notably the two which were in operation in Fahler, if they chose to do that. Of course the mileage distance of hauling it and so on would have meant they would have received substantially less.

But the overall consideration was the costs that would have to be borne by the Agricultural Development Corporation in additional dollars that were required to get the plant into operation. It's simply not correct that the plant was in good and full operation. It had only been started up and it really couldn't have operated without some additional moneys put into it. Indeed, the costs of doing that, plus hiring the staff and the people to run it, and paying all the

bills that were connected with it, to process the amount of hay that was there would simply have left ADC in a lcss position and so a decision was made that we did not want to put any further dollars into it because we knew already that we were going to suffer a substantial loss.

With respect to your second comment with regard to what kind of decisions are made, there is no set overall policy as to whether or not ADC negotiates a sale or has a receiver negotiate a sale or calls for tenders. In the case of Wanapel, the receiver was appointed. It was the receiver's recommendation, which was concurred in by the board of directors and myself, that it would not be in the best interests of either the community or the Agricultural Development Corporation to advertise tenders and simply accept the highest bid for a variety of reasons.

First of all, we were concerned that the plant stay in Wanham and go into operation there, and we think that's probably what will happen. The breakup value would have brought us much less money. In addition to that, we would not have achieved the original objective of having an alfalfa pelleting plant in Wanham. So a decision was made to negotiate the sale. There was a variety of other reasons for that too. It was common knowledge that it was likely that the best sale price would come from someone who would be further financed by the Agricultural Development Corporation. Of course, when you are taking tenders and just simply accepting the highest tender, then you are operating really on a cash basis. You have to make that clear.

It was the feeling of the board of directors and the receiver that if you simply advertised it by tender and strictly on a cash basis that we wouldn't get nearly the return that we might otherwise receive. Insofar as the group in Wanham who were the original members of the co-op were concerned, I felt that they deserved some opportunity to purchase the plant which was over and above anyone else.

As a matter of fact, having some knowledge about what we might expect on the sale of the plant, I did personally tell the people who were involved in the Wanapel co-op group about what I expected our top bid to be on that plant. I never at any time talked to any of the other people who bid on the plant. But I felt it was proper for me to suggest to the original developers and owners a ballpark figure of what they should be bidding. In fact, their bid was about half of that. Indeed, had it been in the area that I talked about they would have been successful. But the difference in the bids was something on the order of \$650,000 on the high bidder after negotiation, as opposed to \$300,000 or thereabouts by the Wanapel co-op group.

Insofar as knowledge of them having bid lower and people having upped their bid, that was not a factor because the very first bids that came in from the other parties were substantially higher than the Wanapel group. We were able to negotiate the high bidder a little higher yet on the basis that the Agricultural Development Corporation would consider financing his costs of purchasing the plant and his additional costs of getting it into running shape and so on.

That approval of the purchase of the plant has been made by the Agricultural Development Corporation. Approval of the loan that's required for the new individual to purchase the plant has been made by the board of directors of ADC and forwarded to me, and because the amount of the loan exceeds \$500,000, it's now the subject of cabinet consideration and if approved, it would be approved by order-in-council. That has not yet been done. I expect discussions and decisions on that within the next two to three weeks.

MR. NOTLEY: Mr. Chairman, to the minister. With respect to the loan which is now before the cabinet, is it the intention of the government to attach any conditions with respect to the Wanham site?

MR. MOORE: I'm not sure what the hon. member means by the Wanham site, but if you mean, is it our intention to attach a condition that the plant remain there and operate there, yes indeed. The very dollars that the individual is paying for the assets would indicate that there is no possible way that he would just take the machinery and leave the site and not have a pelleting plant there. Insofar as the future success of the plant, we're hopeful under the new proposal that it will operate and operate well. That will depend to a large extent on how well the new operators are able to work with the farmers in the community and get product. I think that's one of the large question marks. I'm hopeful that that can occur.

Insofar as the long-term future is concerned, we can only say that the new operator is one who has had some considerable experience in this area and we're hopeful that he can make a success of the operation in Wanham.

MR. NOTLEY: Mr. Chairman, just back to Mr. Ordze again, I think I've got the exact figure, Mr. Ordze. It was an application shortly after the ploughing match in June of 1976, based on the \$125,000 increase in equity which had already been approved by cabinet. The application was made shortly after the ploughing match for additional funding from ADC. I'm sorry I don't have the exact amount, but there was an application made which, as I understand it in speaking to the chairman of the board, was in fact, made by Mr. Lewis to the ADC in Cambridge.

MR. MOORE: Mr. Chairman, my understanding of the situation was that an ADC loan had been approved before the time period in June that the member is referring to, but had not been disbursed because of a lack of equity on behalf of the shareholders. That is why the discussions were held with regard to a further \$125,000 guarantee by the Provincial Treasurer through Co-op Activities.

It was then my understanding that ADC would be in a position to disburse the balance of the loan which had already been approved that would see construction complete and the plant go into operation. Unfortunately at about that time, July of 1976 or shortly thereafter, the situation with regard to the total costs of completing the plant with respect to capital and the operating dollars that were required insofar as the co-op was concerned changed quite dramatically from what our understanding was in June of 1976 in that there was an application for an additional amount of funds in the neighbourhood of half a million dollars. It was at that point in time that the Agricultural Development Corporation did not disburse additional funds because, in fact, we were aware that it wasn't going to do the job. When we looked at the total cost and cost figures that we had that I first received in September or August of 1976, it was quite evident that that plant simply could not operate with that heavy a debt load so it eventually led to the decision to put it into receivership. Mr. Ordze may want to supplement that.

MR. NOTLEY: May I ask a supplementary question for clarification? I don't want to take other people's questions away. As I understand it, Mr. Minister, the letter from Wanapel which led to the decision to put the plant into receivership was in late August, I believe August 26, 1976. What we're talking about, however, are the procedures the ADC used with respect to the loan application which was in the process of being considered. The concern expressed to me is that instead of the thing proceeding as the people felt it would at the ploughing match, it somehow got sent back to the Spirit River office where it sat. This was long before August 26. So we're talking really about the period before. I just wondered if Mr. Ordze is in a position to advise what the reasons were for this.

MR. ORDZE: I'm afraid I still can't relate directly to your question. I just don't know exactly what you're saying. But I can say that on July 14, 1975, there were two loans that were approved for Wanham, and the reason they were approved was that they were to be interim financing for shareholders loans. In order to disburse these we were asking for fairly solid security because in fact what we were doing was interim financing a lot of them to get the rest of their equity together and repay these loans. Now these were never disbursed because the conditions were never met. But that is in 1975.

MR. CLARK: Mr. Chairman, my question is quite short and to the point. It's a follow-up of a question I asked earlier on the matter of public tenders. I simply ask Mr. Ordze or perhaps the minister if, Mr. Minister, you could, after the committee has adjourned its work, go back and have the appropriate officials of the corporation check to see that on all occasions the corporation sold land that public tender was called unless members of the immediate family were involved. If you could just give me that assurance. From your explanation about some rather sizable farming operations complaining about public tender being called and their not getting the land, it seems to me like the same people may have been to see me and I told them on that occasion I agreed with the decision which you made -- which may surprise you. But my concern, Mr. Minister, is that there haven't been occasions in the past where the corporation has disposed of land without calling a public tender.

MR. MOORE: Mr. Chairman, I don't mind inquiring further into that, but I would not want to leave the committee with the impression that in every case with the exception of an individual family situation that we call public tenders. We just talked about -- and there's land involved there, too -- a process by which we ask the receiver to negotiate. Quite frankly, there are some people who would suggest that that's not a very good situation.

MR. CLARK: I'm just talking about farms.

MR. MOORE: Oh, you're just talking about farms. Okay, I can certainly have a look at that. But had the matter not been brought to my attention by this corporation's bid on some farm land, I would have said a year ago that no, we would always take the high tender. But there may be other situations, Mr. Chairman, where we deem it in the best interests of a farming community that we don't accept the high tender.

Certainly with regard to financing, it's my objective, and I've told the corporation, that as far as possible, the loans that are made by the corporation and loans that are made and assumed by someone else should fall into the category of people whom we would normally approve. Quite frankly, because of The Land Titles Act and some other areas -- and Farm Credit Corporation has the same problem -- we do have a difficult time with people assuming ADC mortgages who we do not consider to be persons eligible for them in the first instance. That concerns me and we made some amendments to the act a year ago that I



thought would help to resolve it. I'm not sure that they have, but it hasn't been a great problem so far with ADC.

At any rate, Mr. Chairman, certainly as a general principle, we follow that basis of selling to the high bidder. How we get that high bidder isn't always by public tender. It may be by negotiation. But I don't mind, Mr. Chairman, having a look to see -- I'm not sure that we've sold any extensive amount of land. It's a very, very small amount thus far. But the principle of selling to the high bidder will continue with some variation with respect to family farms and so on that I've talked about.

MR. CLARK: Mr. Chairman, just to wrap this up, the minister is prepared to see if there has been any farm land -- that's what I'm concerned about -- that has been disposed of -- and I'm not thinking in terms of five or ten acres, but quarter-sections or larger -- without first calling a public tender. I fully recognize that there can be occasions when you may not accept the highest tender. If need be I can argue that on another occasion. But I want to establish the fact here that the minister is going to check to see if there has been land sold by the corporation where a public tender was not called first.

MR. MOORE: Mr. Ordze and Mr. Lawrence say that neither one of them can recollect any such situation, but it is possible that it could occur by way of negotiation. I'm not sure that I'm getting through here, Mr. Chairman, but I want to make it clear that we will, in all cases, try to get the best value for the land, with some exceptions I mentioned about other members of the family and that kind of thing. But whether we do it by public tender or by negotiation in the instance I described with the alfalfa plant in Wanham is a matter that I think we have to have the opportunity to do. I'm not at all sure that the corporation, when you consider the amount of farm land that they have under mortgage and the possibilities of a fair number of quarter-sections from time to time coming into their hands by default on a loan, should be tied to always advertising by public tender. That principle we will try to follow as much as we can but certainly there could be exceptions to it. Those exceptions to it would, quite frankly, only be in a case where we felt it was in the best interests of the agricultural industry in this province, the community there, and in the financial return to the corporation, to perhaps negotiate rather than to go to tender.

MR. CLARK: Mr. Minister, is it fair to conclude that Mr. Ordze, as chairman of the board, knows of no case where farmland, a quarter-section or larger, has been disposed of by the corporation without going to public tender first. Is that right?

MR. ORDZE: I can't think of anything that fits what you are saying. As Mr. Moore has pointed out, on some occasions if we feel we can get more money by a negotiation situation, we do it. Something that everybody should be aware of is that any excess moneys that are over and above the money owed to us goes to the original owner. It does not come to the corporation. We certainly look at this very closely sometimes, because you can see that if an individual is eroding his equity to a point where a year or two down the road he'll have nothing and if the land is sold, he gets the balance of that money.

MR. MOORE: Mr. Chairman, could I supplement that again. I want to just outline very briefly a case that presently is before me and before the board of directors. We have an elderly widow whose husband passed away some two or three years ago leaving a very large debt on three quarters of land, a good portion of which was financed by ADC. We will be proceeding to dispose of two quarters of land and get a return on that. The balance, one quarter, is one on which her residence is located, such as it is. It's not very good. We have under consideration now what to do with that. I can assure hon. members it will not be sold by public tender.

MR. YOUNG: Mr. Chairman, my question relates to DREE grants. As background to it -- it never occurred to me before -- I noticed a report, and I presume it to be correct, that the federal government on behalf of DREE or however it's done, is suing a corporation that has gone into receivership. It isn't one that is involved here. But when I read the report it occurred to me that we ought to know whether the DREE grants and the ability of the government to sue puts the loss to the federal government in a prior position. What's the ranking in terms of debt when we have a DREE grant like this where the government can sue for remission of the grant? We have at least one case here under the nutritive processing section of the DREE program. I perhaps should add that my understanding is that the government can only sue to regain those moneys if the conditions of the grant have not been fulfilled by the receiver of the grant and that means, I guess, that they continue to operate over the three or five years or whatever it is that is the condition. Can you outline for us the priorities of this?

MR. MOORE: Well, there are a good number of different agreements involving the federal Department of Regional Economic Expansion. Of course, every province is different and within the province of Alberta we have some major agreements and

some subagreements. We have the major overall umbrella agreement and then we have the Alberta north agreement and the agricultural nutritive processing agreement, so they all vary.

But insofar as the nutritive processing agreement is concerned, I'm not aware -- and I've read the agreement a number of times -- of any clause or any area in there that would allow either the government of Alberta or the federal government to sue to recover grant funds with the exception of the normal course of law where false or inaccurate information has been provided to get the DREE grant. I would expect the case the hon. member is referring to would involve some such thing. But in terms of whether a plant is successful or not, there is no possibility of recovering grant funds because the schedule is laid out and when the plant goes into operation, a certain percentage of funds are provided of that DREE grant. Then as the operation proceeds down the road, at the end of three years I believe it is, finally 100 per cent of it is paid. If it fails somewhere in that intervening period, the two governments are simply out the DREE grant that was put in there. I shouldn't say they are out, because in all likelihood the plant would be picked up by someone else and put back into operation, and after all, that was the original objective of the DREE grant, to see a plant there with employees being employed and so on.

I don't know the case the member is referring to, but I would obviously think it would have to relate to the provision of false information probably to obtain a DREE grant.

In the case of our agreement, that isn't spelled out in the agreement. It follows in other matters of law, Mr. Chairman, that if someone misled or deliberately gave false information to get a grant, we would have an opportunity to sue for recovery.

MR. YOUNG: Mr. Chairman, the case in point is not, as I mentioned, a case involving ADC. But I would think the principles would follow. As I understand it, the ability of the government to sue was that the plant went into operation, but it also went into receivership before the total grant had been paid out. But as I understand the grants, they are usually a major front sum with sequential payments as the operation continues in progress. My question was simply whether in fact there is any second position that a loan from ADC might ever be in simply because of a DREE grant being in place and if that would be the case, surely it would be known to the officers of ADC because there would have to be, I would think, some colour on the title of the property involved.

MR. MOORE: Mr. Chairman, we would know if the federal Department of Regional and Economic Expansion and our own Department of Agriculture in Alberta were in a position, by way of first mortgage or something ahead of the Agricultural Development Corporation, and we've dealt with a number of loans where a DREE grant was involved and in no case has there been any attachment by way of a first mortgage or some such thing to a DREE grant. I'm not aware that there have been any by way of a second mortgage either. The schedule of payments is simply laid out so that there is every opportunity for the plant to succeed.

I might add that the joint committee involving the federal and provincial governments do a very thorough job -- in fact in my view sometimes a little too thorough -- in that they try to prove that a plant can be viable without the DREE grant before it can get it and I've been saying to the federal side of the DREE joint nutritive processing agreement in Alberta that we really didn't get involved in this agreement to help out businesses that are completely viable without the DREE grant. The purpose is to help out those who are pretty questionable without it. So there is some slowness in the processing of DREE grants because the requirements are pretty stiff in terms of the equity financing and the five-year projection with regard to plant operational costs and net returns and so on.

MR. CHAIRMAN: We have now come to the end of the questions. What is your pleasure?

MR. CLAPK: Mr. Chairman, I would move that we thank the gentlemen from the Ag. Development Corporation and the minister and that next week we have Recreation, Parks and Wildlife ready, present, and available.

SOME HON. MEMBERS: Agreed.

MR. CHAIRMAN: The next week agenda, as I understand it, is the recreational group, not parks and wildlife, and Mr. Adair will be advised to bring whoever he wishes to come. I'd also like to join with the committee in thanking you, Mr. Moore, Mr. Orize, and Mr. Lawrence, for your co-operation.  
The meeting stands adjourned.