

8:31 a.m.

Wednesday, November 28, 1990

[Deputy Chairman: Mr. Moore]

MR. DEPUTY CHAIRMAN: I'll call the Standing Committee on Public Accounts to order. This morning we have the Hon. Ernie Isley and the Hon. Shirley McClellan with us and a number of their officials, along with the Auditor General and his staff.

Before we get into the actual proceedings, I'd just like to point out to the committee that we have a little bit of business to do at the end, and if we're getting close to the cutoff time of 10 o'clock, we may cut in on the questions and clear that business up before we adjourn at 10. So be prepared for that.

If you look at your agenda that you were mailed, there are a couple of items there. We were going to do budget estimates today, but because the chairman is not here today, we'll just leave that until next week when he is here, to discuss budget items for next year. So with those few comments . . .

Hon. ministers, I think you've both been here before. You know the program that we carry on here. We would like you, first of all, to introduce your officials, give any overview either one of you may have of your various areas of responsibility, and then proceed to questions by the committee. We do it fairly informally. We hold our questions to the year of 1988-89 and the Auditor General's report and the Public Accounts report. I would ask you in your replies to try and hold to that area rather than coming into present areas, because that is beyond the scope of this committee. With that, Hon. Ernie Isley, I would turn it over to you.

MR. ISLEY: Thank you, Mr. Chairman, and good morning, members of the committee. It's a pleasure to be back and to discuss the Department of Agriculture with you one more time. I'd like to, first of all, introduce to you the staff that we have present with us to deal with many of your more specific questions. First of all, to the immediate right of the Hon. Shirley McClellan, Ben McEwen, the Deputy Minister of Agriculture; to his immediate left, our director of financial and administrative services, the man that stands head and shoulders above the rest, David Yakabuski. Immediately behind me, our budget branch head, Larry Lyseng; and next to him is the director of administration and finance for the Alberta Hail and Crop Insurance Corporation, Mr. Ray Block; then the general manager of the Alberta Hail and Crop Insurance Corporation, Glenn Gorrell; the vice-president, administration, of the Agricultural Development Corporation, Mr. Dave Schurman; the managing director of the Agricultural Development Corporation, Bob Splane.

I think it would be fair to say that 1988-89 was a challenging year for farmers in the province. A drought affected many regions of the province, and we came out with a rather comprehensive drought response program. I think I could also mention that during that year the very popular farm credit stability program was increased as far as its limits were concerned from the \$200,000 that had previously been in place to \$250,000 per farm family. That program extended over 3,500 loans at 9 percent interest during that year. I would view that year as probably the turnaround year for the Agricultural Development Corporation, and you may want to come back with some specific questions related to the health of that agency at this point in time, the new vendor mortgage program that was recently introduced, or whatever so motivates you.

With those comments I would turn to the Hon. Shirley McClellan, the lady that really carries the clout in this department, for her opening comments.

MRS. McCLELLAN: Thank you, Mr. Minister, and thank you, Mr. Chairman. I'm also pleased to appear before this committee. I'd also like to thank our staff for joining us today.

There are a number of events and programs that I would like to draw the committee's attention to. First, the water supplies assistance program, which the minister alluded to, is a very effective program which provided not only immediate relief to farmers through water hauling but long-term drought-proofing by constructing dugouts and drilling new wells.

Secondly, and I think very importantly, in 1988 Alberta and the federal government developed plans for a Canada/Alberta soil conservation initiative, a program which has now been in place for over a year.

I'd like to also comment on our network of 66 district offices and the excellent staff who serve Agriculture's front lines. The provision of extension services remains one of this department's priorities. These offices and the expertise that they are linked to help thousands of farmers with their production and management concerns. Thanks in a large measure to this support and assistance, Alberta producers have become among the most productive and progressive in the world.

I would thank the committee for the opportunity again to appear and look forward to your questions.

MR. DEPUTY CHAIRMAN: The Member for Rocky Mountain House.

MR. LUND: Thank you, Mr. Chairman, and good morning, ladies and gentlemen. I can't help but observe that a number of the members of the committee that were posturing to have it start at 6:30 had difficulty making it here at 8:30, and I find that very interesting. When you want to talk about the Alberta livestock drought assistance program, on page 8.5, vote 2, we see that some \$19,350,000 was a special warrant for this program. I'm wondering; could you explain why it was necessary for such a large special warrant?

MRS. McCLELLAN: The special warrant of about \$19 million on the livestock drought assistance program? I'm not sure I'm as fast as you are on the pages.

MR. LUND: You'll find it on 8.5, vote 2. It's under the special warrants.

MRS. McCLELLAN: I want to make sure we have the right one here for you. The special warrant covered a green feed program, one, and that was an incentive to utilize summer-fallow land to produce forage, and two, the livestock assistance program, which was a per head payment on breeding herds to provide funds to purchase additional feed supplies or the cost of moving the herds to areas where pastures existed.

Under the green feed program there were 4,820 applications. Under the livestock assistance program, which was the per head part of the program, there were 13,756 applications covering 1.2 million animals. The reason, of course, for the program was to maintain our breeding herds in this province. It is very important that we keep that breeding base, and it would appear that it was very successful as, in fact, there was even a slight increase in the breeding herds after that time. So those would be the reasons. If you have anything more specific . . .

MR. LUND: Mr. Chairman, the supplementary. The only question I would have: it seems like \$19 million was authorized and only \$17,070,000 spent. Why quite such a large discrepancy?

MRS. McCLELLAN: Well, as I pointed out, the number of applications really determined the amount that was spent. Under the green feed program there were payments made to about \$4 million, and under the livestock, the per head part of the program, \$12.7 million. So depending on the number of applications as to the amount of dollars spent.

MR. LUND: The final supplementary: do you have the number of recipients? How many farmers benefited from this program?

MRS. McCLELLAN: Okay, 4,820 applications under green feed. Can I give them to you separately? They were done separately. And 13,756 under the per head program. Oh, did I miss your . . .

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MR. LUND: Well, no; that's okay. That's what I thought you said the first time, and then when you went through the numbers of dollars, we were talking about \$4 million and \$13 million. I thought I had heard you wrong the first time. So there seems to be . . . Okay.

MRS. McCLELLAN: There were really less green feed applications than we had anticipated. That is really why we were on the underside of the spending.

MR. DEPUTY CHAIRMAN: The Member for Innisfail.

MR. SEVERTSON: Thank you, Mr. Chairman. My question's on page 3.12, vote 3 of the public accounts. It states that the marketing and processing division received \$19,747,880 to be used for grants, yet only \$18,292,000 – it was a shortfall of just about a million and a half dollars. Could the minister outline to the committee the reasons for the underexpenditure?

MR. ISLEY: That, to the best of my knowledge, hon. member, is a demand driven program, by the number of applications that come in and are approved under it. Obviously, it was a case where the estimate exceeded the demand somewhat.

MR. SEVERTSON: To supplement it: can you see that maybe these grants are becoming less necessary in the agriculture sector, or is it just a one-year thing?

MR. ISLEY: Just to make sure that I respond to the right program, we're talking under the agriculture processing marketing agreement?

MR. SEVERTSON: Yes.

MR. ISLEY: No. I would say that that has turned out to be a good program to provide an incentive to develop value-added plants across the province in the food sector, and I would hope that such a program will be renegotiated with the federal government and continue.

MR. SEVERTSON: Could I ask the minister what type of grants and what different processing opportunities that has created throughout the province?

MR. ISLEY: Grants under this program flow to virtually any type of plant that will value add to agricultural products. Money from this program has flowed through to many of the abattoirs across the province. It's flowed through to dairy production plants in the province. It's flowed through to grain value-added plants such as the recent oat plant out at Manola. A different type of grant that the federal government didn't participate in has flowed into the larger segments of the meat packing sector. So it's virtually any type of a plant that is value adding, like Wing's Food downtown here, Heritage Foods: any plant of that nature.

MR. SEVERTSON: Thank you.

MR. DEPUTY CHAIRMAN: Further supplementaries?

The Member for Calgary-North West. I just misplaced my speaking order here for a moment.

MR. BRUSEKER: Heaven forbid. Thank you, Mr. Chairman.

Good morning, ministers. I'm glad to see you here. My question today comes from the Auditor General's report. There's a reference on page 30 regarding Lambco. Actually, what I'm looking at is recommendation 14, and it says, "It is recommended that if Lambco is to continue to be operated . . . the Department of Agriculture obtain proper legislative authority." My question is really regarding that particular recommendation. Has anything occurred to change the recommendation? Has the recommendation been addressed?

MR. ISLEY: Hopefully, we will have the recommendation addressed by the end of the current fiscal year by selling Lambco back to the private sector so that the concern is no longer raised by the Auditor General. Members may be aware that we did call for tenders on Lambco a number of months ago, and I should hasten to add that in that tender there are certain public policies that have to be addressed by the new owners, such as the ongoing operation of this plant in Innisfail for the benefit of the sheep producers in the province.

We had a number of expressions of interest in it. It zeroed down to, I believe, a short list of four. We are now carrying on some extensive discussions with what we feel was the best proponent from that short list, and hopefully before the end of the fiscal year we will have privatized Lambco.

MR. BRUSEKER: Thank you. In supplement to that, on the previous page there is a reference that says, "The agreement requires the Province to reimburse the Corporation for Lambco's operating losses." I wonder if you might have that figure as to what kinds of dollars we've had to put into Lambco. Or has it been necessary even to put dollars in?

MR. ISLEY: I would defer that question to Mr. Splane.

MR. SPLANE: In fact, Lambco has shown a cash profit over the last three years, I believe.

MR. BRUSEKER: We haven't had to put anything in it. All right; thank you.

Just one final supplementary, then, sort of along the same kind of line but a little divergent. I noticed in the book that we've had some special warrants in terms of a total of \$31 million. I know that the hon. associate minister has referred to one program there, but I'm wondering why in one year there is an additional \$11 million over and above the livestock program that

was referred to earlier, why we have to have that kind of expenditure in one year.

MR. ISLEY: I'll respond in a general way, and if that isn't adequate, then I'd ask one of our experts to add to my comments.

Many of the programs that we run in Alberta Agriculture are demand driven. I'm thinking of programs like the fertilizer price protection plan, where you attempt to estimate how much fertilizer the farmers are going to use a year ahead of time and you attempt to estimate what the price of that fertilizer will be to plug in the figure that you think you need for your program. If the variable of price or use changes significantly, we may come in with a shortfall and hence need to go back for a special warrant in that particular program.

The same observations could be made with respect to the Crow benefit offset program, where we're paying the money to the feeder for farm fed or homegrown grain consumed at the farm to offset the distortions caused by the Crow benefit that flows to the railways. Again, it's a demand driven program, and although we don't have a variable of price there – the amount today is a fixed rate of \$10 per tonne – there is the variability of the amount of consumption. So if consumption exceeds what we anticipate, we would then go back for a special warrant.

I think probably that's our two major demand driven programs that would trigger the need for special warrants late in the year.

MR. McEWEN: If I could just add, Mr. Isley, the biggest discrepancy in what was authorized versus what was expended relates to the authorization to buy preferred shares in Alberta Terminals Canola Crushers Ltd; \$6.9 million was authorized and \$2.55 million expended in that fiscal period. So there's over \$4 million of differential, which is the largest amount of the difference in the bottom line between \$35 million authorized and \$30 million expended.

MR. DEPUTY CHAIRMAN: Calgary-Fish Creek.

MR. PAYNE: Thank you, Mr. Chairman. While reviewing the list of special warrants issued to the department during the fiscal year we're looking at, I noticed on page 8.5 of vote 2 that a \$2 million Crow benefit offset warrant was authorized. I don't have any particular problem with the size of that warrant except that only \$185,000 of that warrant in fact was expended. I wonder if either of the ministers could explain to the committee the background or the reasons for an underexpenditure of this magnitude. Don't get me wrong; I'm not preoccupied with spending less than we're authorized. By and large, I think my constituents think that was a marvelous idea. But the size of this underexpenditure I think warrants some explanation.

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MR. ISLEY: That refers back to the comments I made earlier about the Alberta Crow benefit offset program being a demand driven program. I think, if my information is correct, we went for a special warrant in January of '89 based upon the claims received up until December and anticipating that that flow of claims would continue to the end of the year. There was a falling off in the claims in that January through March period; hence the amount had been overestimated and we left some money on the table.

MR. PAYNE: Mr. Chairman, I wonder if I could just ask the minister to stick his finger in the book at that page and flip back

to vote 2.2.9 which is on page 3.14. So back to page 3.14 and vote 2.2.9. Now, that vote indicates that the approved budget for the program we're talking about, the Crow benefit offset program, was roughly \$50.5 million. However, the actual amount expended was roughly \$50.1 million. In other words, there was a surplus of about \$345,000. Now, that surplus more than adequately covers the amount that was expended under the special warrant, so could the minister please indicate why under these conditions a special warrant was necessary? Or was it again simply a matter of anticipation of demand that didn't materialize?

MR. ISLEY: It was a matter based on the \$50.505 million budgeted and during the assessment in January of '89 deemed not to be enough to get through to the end of the year if the flow of claims kept on as they were up until the end of November. So what in essence happened is that we went for a special warrant to cover anticipated expenditures, the anticipated expenditures didn't materialize, and we could have theoretically got along without the special warrant.

MR. PAYNE: That takes care of the additional supplementary I had as well, Mr. Chairman, so thank you.

MR. DEPUTY CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. Good morning. My questions are relative to the Alberta Hail and Crop Insurance Corporation. Obviously, there was some difficulty with the computer-based system that was put in the department, and the general manager suggests that perhaps in large part this was due to time and manpower constraints. But there were a number of problems identified by the Auditor General, and that's on page 31 of the Auditor General's report by the way. I wonder if someone could tell us how you've coped with this problem. In fact, have you got it under control, and if not, what are the plans to rectify the situation that seems to exist there?

MRS. McCLELLAN: First of all, I should say that the computer systems development is progressing, I think, very well. The offices are now computerized and in sync with the main office in Lacombe, which has assisted greatly in good financial control in the offices. I think you asked me something beyond just the development of the systems. Or did you?

MR. EWASIUK: The Auditor General made some suggestions in his report. That's on the bottom of page 31. He identified at least seven areas where he felt there were some inadequacies in the whole system. I'm just wondering how you've handled it, what you've done to rectify those obvious problems.

MRS. McCLELLAN: Well, I might as well ask Mr. Block, who is the director of finance and administration, to take you through the process that they've followed.

MR. ISLEY: Now he wants his sheet back.

MRS. McCLELLAN: He doesn't know without reading his paper either.

MR. BLOCK: I guess, first of all, the information services department is committed to the systems development methodology which is known as SDM/70. Since that report we have

applied that methodology to our development. It's a detailed program which lists how the user walks through from the development to the initiation of a new program system, and we are following that as of now.

The specific comments I think referred to the claims processing system that we were having difficulties with. These have since been corrected, and we have much more review processes in place to handle the difficulties that were previously experienced.

MR. EWASIUK: It was suggested at the time that perhaps largely time and manpower constraints were what created the difficulties for you. I assume you have taken care of that as well, have you?

MRS. McCLELLAN: I guess I could help you on that one. There have been two new positions created, the director of finance and administration and the director of human resources, and two personnel were put into existing positions, manager of customer services and controller. I think that has assisted greatly in the financial controls of the corporation.

MR. EWASIUK: Do I have another question, Mr. Chairman?

MR. DEPUTY CHAIRMAN: I have you down for three.

MR. EWASIUK: It was a clarification, I thought.

MR. DEPUTY CHAIRMAN: Oh, the second was a clarification. I've just clarified that here, so final supplementary.

MR. EWASIUK: Thank you, Mr. Chairman. Going back to recommendation 15 on page 30 of the Auditor General's report, as has already been alluded to previously, you intend to privatize this corporation, but there is this matter of the loans to employees to purchase their computers. How is this going to be handled in light of the sale of the corporation?

MR. ISLEY: You're on page 30 of the report, the audit observation with respect to the Alberta Ag Development Corporation?

MR. EWASIUK: Yes.

MR. ISLEY: Mr. Splane, would you like to walk through that one?

MR. SPLANE: The two are not connected. I think the note on Lambco we've dealt with. The item with respect to the computer purchase plan has to do with ADC's own employees where we provided funds for them as part of our training budget so that they could buy computers on time, because we were decentralizing. We have a conflict, I guess, in terms of legal opinion as to whether we have authority to do that. The computer purchase plan was completed in the year in which we instituted it. We haven't carried on with it, and we don't plan to carry on unless we have some pretty clear legal opinions and an agreement between ourselves and the Auditor's office on it.

MR. EWASIUK: We've recovered any moneys that were loaned to purchase this equipment?

MR. SPLANE: They're paying them back according to the contract.

MR. DEPUTY CHAIRMAN: Drayton Valley.

MR. THURBER: Thank you, Mr. Chairman. On page 3.15 of the public accounts book under vote 5.4.2 it is indicated that there was an approved budget of \$3.1 million for research under the Agriculture Research Institute, but it further shows there that under actual expenditures that only came up to \$1.5 million. Could the associate minister please account for this underexpenditure and what happened to that?

MRS. McCLELLAN: The \$3.1 million budget indicated for the institute was the amount that was requested. This request was under consideration in March of 1988 when the budget books were printed. However, the approved budget for the institute in that year was \$1.5 million, so there really wasn't an underexpenditure amount.

MR. THURBER: This doesn't demonstrate, then, a decline in demand for this program provided by the institute?

MRS. McCLELLAN: I think there is not a decline in demand in research. It's a matter of stretching our resources to the point that we can. In fact, we would find that the demand in research is rising rather than lowering.

2:01

MR. THURBER: Final supplementary, Mr. Chairman. Could you indicate what type of research is carried out under this particular item?

MRS. McCLELLAN: Of course, by the very nature of the name of the institute, it is agricultural research. The research institute co-operates with the private sector and with industry on projects. Some of them are in applied research, some of them are in basic research, but I think it would be fair to say more in basic research through the research institute. We co-ordinate very closely between the research institute and the Farming for the Future research program to ensure that there isn't overlap or duplication of research projects. They could be in variety crop production or development, biotechnical types of research projects, and there's about as broad a base of applications for projects under that as agriculture has now. I think we're finding more interest in market research and development.

MR. THURBER: Thank you.

MR. DEPUTY CHAIRMAN: The Member for Three Hills.

MRS. OSTERMAN: Thank you, Mr. Chairman. A couple of questions, and they're just specific numbers. If we go to the large public accounts book, page 3.14, in the first item, 1.0.5, the Surface Rights Board, there is a fair amount of underexpenditure there. Does that mean good news? Does it mean that the board has not had the activity, that there are less quarrels going on out there or just less activity in the energy industry? Is there an explanation for that that's been given over to the ministers?

MRS. McCLELLAN: I would say that it's indeed good news. It would signify that we are having less problems in the area. There is also, of course - no question - a lessening of activity in that period in the sector.

MRS. OSTERMAN: The other area deals with a large overexpenditure, and it's on the right side of that page, 3.2.7, Agricul-

tural Processing Sector Assistance. Can we have an explanation as to the major difference in the two figures, Estimated and Expended?

MR. ISLEY: That is 3.2.7, Agricultural Processing Sector Assistance, the \$3.6 million to the \$6.3 million?

MRS. OSTERMAN: Yes.

MR. ISLEY: Who knows this one off the top of their head? That isn't ATCCCL, is it?

MR. McEWEN: No. Well, I could comment on that.

MRS. OSTERMAN: I'm hoping somebody will remember \$3 million that they spent that they didn't have.

MR. McEWEN: This is the special warrant for ATCCCL, the Alberta Terminals Canola Crushers, that we mentioned earlier, which shows on the special warrant page on 8.5 that \$6.9 million, of which \$2.55 million was actually expended. So the difference there is pretty close to exactly the \$3.6 million estimate plus the \$2.55 million of expenditure to buy the preferred shares for the crushing plant in Sexsmith. That was facilitated through our marketing services division within this element of Agricultural Processing Sector Assistance.

MRS. OSTERMAN: I see. I didn't realize that shares would show up in this kind of accounting. In other words, that's not an operating expenditure. They're held, are they not? This is a value that is accruing to government. This is not an operating . . .

MR. McEWEN: Larry, do you want to comment on that? This has then been deducted, if you look at that page. You're on page 3.14, Mrs. Osterman?

MRS. OSTERMAN: Yes, I am.

MR. McEWEN: The "Less: capitalized as a voted non-budgetary disbursement" in the middle of the right-hand side, less the \$2.55 million. I can't quite answer why it's set out that way, but it's shown and then subtracted.

MRS. OSTERMAN: I see.

MR. McEWEN: Larry, do you or Dave have a comment on that accounting procedure?

MR. YAKABUSKI: No. That's just the way that Treasury prepares the public accounts.

MR. McEWEN: The shares had to be attached to some expenditure element, and this is the one, but then . . .

MRS. OSTERMAN: I thought it would show up in a capital . . .

MR. McEWEN: Well, it's deducted later on because it is a capital amount.

MRS. OSTERMAN: Okay. Good. I appreciate that; thanks. That's it, Mr. Chairman.

MR. DEPUTY CHAIRMAN: The Member for Smoky River.

MR. PASZKOWSKI: Thank you, Mr. Chairman. General questions. Vote 7, crop insurance. Could you explain what the process is? I note that there is an amount that's authorized and then there's an amount that's expended. What basis do you use for the authorization, to achieve the number for authorization? Is there a formula that's used? Just how do you achieve that number?

MRS. McCLELLAN: You've lost me. Start over.

MR. PASZKOWSKI: Vote 7, Crop Insurance Assistance.

MRS. McCLELLAN: Yeah, I've got it; just found it.

MR. PASZKOWSKI: The total authorized is \$15 million-plus, and the total expended is \$14 million-plus. How do you achieve the number that's to be expended? What's the process in setting that number? Is that an anticipated number? Is there some sort of formula that derives that number? Just how is that number derived?

MRS. McCLELLAN: I'm going to ask Ray or Glenn to be more specific on how the grants are . . .

MR. LYSENG: Okay. First of all, I guess how the corporation is funded would probably be worth explaining. For this particular fiscal year the administrative costs were funded by the province of Alberta, whereas the premiums were shared 50 percent by the farmers and 50 percent by the federal government, which is part of the explanation. Then, of course, the normal process is to submit a budget, which the corporation would do, and it would be approved, which would authorize us to expend up to a certain limit. In this particular fiscal year there were special warrants requested over and above that, and that would, I guess, be our authorization to spend over and above the budgeted amount. If you can be more specific in your question as to a number, perhaps . . .

MRS. McCLELLAN: I think the calculations are found on 3.15, where there is more explanation on how it is expended.

MR. PASZKOWSKI: No. What I was really wondering was: just what is the general process of budgeting for crop insurance, just a general question, and how do you establish your budget? Because it's such a hypothetical thing and something that I really don't know how you could anticipate. I was more interested in knowing just how you go about establishing your budget.

MRS. McCLELLAN: I guess it shows that the people in charge of handling that do a very good job, because they're very, very close in something that is hypothetical. Of course, that has changed now. The cost-sharing arrangement has changed since this element, so it appears differently again.

MR. PASZKOWSKI: A supplementary referring back to vote 4.3, Rural Services, a fairly large budgetary item in excess of \$21 million. What all does Rural Services entail? Because farther up I see in basically vote 3 that there are Market Development services and other services throughout the region. What all does Rural Services entail? What are the specifics of Rural Services? It's part of Field Services, but what is Rural Services? That, I'm

sure, is the DAs and some others. But what's the differentiation between them?

MRS. McCLELLAN: I think if we're on the same line, we're really looking at the engineering services. The whole area of Rural Services captures all those things: the DAs, the DHEs – the home economists and district agriculturalists, I should say, for those that may not be as familiar with the short terms – and engineering services . . . It's a long list if you look on page 3.14. Farm financial services were included in that area. All of our regional services are included. The 4-H, ag societies, ag education, and a number of others are all encompassed in the Rural Services vote.

9:11

MR. McEWEN: That particular year there was a large special warrant for the water program, the drought program, which was added in that same element.

MRS. McCLELLAN: And it came under the engineering services.

MR. PASZKOWSKI: The last question. In vote 5, Planning and Development, you were underexpended by in excess of \$2 million. Again, is that good, efficient operating, or just how did that come about? That's the total of vote 5, Planning and Development, support services and so on.

MR. ISLEY: One point six million dollars of that is that difference in . . .

MRS. McCLELLAN: Yeah, it really is in the difference in the research institute budgeting, that question on earlier, that we had requested.

MR. PASZKOWSKI: Okay. Thank you.

MR. McEWEN: The research institute is now a separate vote. In that first year of the institute it was part of vote 5, Planning and Development.

MR. DEPUTY CHAIRMAN: The Member for Calgary-Bow.

MRS. B. LAING: Thank you, Mr. Chairman. Good morning, ministers. In the public accounts book, page 3.15, vote 5.2.3, Statistics, I'd like to ask – vote 5.2.3 states that the Department of Agriculture has budgeted \$460,012 for its own statistics program. How does this program differ from the statistics program already provided by the government through the Alberta Bureau of Statistics?

MR. ISLEY: This statistical information would be more specific to agriculture, as to the number of arable acres of land in the province, the number of various types of livestock out there, and that type of thing: the kind of working statistics that are needed for program development and program implementation.

MRS. B. LAING: My supplemental. Is there any duplication or overlap as a result of the existence of both the agricultural statistics program and those provided through the Alberta Bureau of Statistics?

MR. ISLEY: I would hope not, and if we can identify any, we will eliminate it.

MRS. B. LAING: My last question. Could the minister list the major users of data provided by the agricultural statistics program? Who would basically be using this information?

MR. ISLEY: I would say the major users for any practical purpose would probably be Alberta Agriculture, in the development and implementation of programs; and in industry our pesticide companies and possibly our feed companies, in trying to get a handle on what the demand is going to be for insecticides, fertilizers, livestock feeds, medicines, et cetera. So it would be primarily the agricultural service industry and the Agriculture department.

MR. DEPUTY CHAIRMAN: The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you. Good morning, minister and associate minister and staff. On page 3.14 of your public accounts, vote 4.3.6 shows that a \$2,452,519 expenditure was budgeted for Agricultural Engineering Services. However, the actual amount expended for the '88-89 fiscal year was over \$12 million. This is an overexpenditure of approximately \$9 million. Could the associate minister or the staff please provide an explanation for this overexpenditure? I'll save the easy questions for the minister.

MRS. McCLELLAN: The difference in the program vote is the water supplies assistance program. Alberta Agriculture's share of that special program is identified under the engineering services. That was the one we discussed earlier that was put in place to address the widespread drought across the province. There were dugout pumping programs, dugout construction and rehabilitation programs, and the water hauling program, and that is where it's identified in the elements.

MR. CARDINAL: Could the associate minister please outline by order of expenditure, from the greatest to the least, how much money each of the six regions received for Agricultural Engineering Services?

MRS. McCLELLAN: Under that program? The program that caused most of the expenditure, the water program? Is that the one that you really wanted identified?

It is interesting; the grants area we do have by region. If I go to just region 1 and you assume the next ones so I don't take too much time, region 1 is Lethbridge; I guess I'd better tell you what they are. There was about \$1.997 million in that region; Airdrie, region 2, \$1.3 million; region 3, which is the Red Deer region, \$1.2 million – I'm not giving the exact; I'm giving you rounded-off figures – the Vermilion region, \$1.6 million; Barrhead, \$1.3 million; and the Fairview region, \$852,000. Those were moneys that were expended in grants under that program. I certainly could give you the exact figures if you wanted them. The interesting thing is that it was fairly even across the province, with the exception of the high and the low.

MR. CARDINAL: The final supplementary. I know you identified some of the programs provided under that vote. Are there other programs besides what you've mentioned already under that vote that are provided? What is the total?

MRS. McCLELLAN: Yeah. The regular engineering program is under that vote, and there are a variety of things that are covered under that, such as home planning for designing homes

or, indeed, farm buildings. That part of it is under engineering services help. It's hard to remember all of the . . .

MR. McEWEN: Well, we do a lot of work on ventilation of buildings, in particular poultry and hog buildings. We have a farm machinery research institute in Lethbridge which is part of that program. That's a significant part of it, but it's not a major part of the department. But there are a variety of design and other kinds of engineering services offered and then the machinery testing in Lethbridge.

MR. DEPUTY CHAIRMAN: The member for High Prairie.

MS CALAHASEN: There's no such member. Lesser Slave Lake.

MR. DEPUTY CHAIRMAN: Lesser Slave Lake. Pardon me.

MS CALAHASEN: Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: No wonder you didn't recognize.

MS CALAHASEN: No, I'm not a member for High Prairie. I live around there.

Good morning, ministers and staff. I'm really pleased that you're here today so I can ask some of the questions which are important to my constituents. On page 3.14 of the public accounts book, in vote 2.4.7 it indicates under Farm Fertilizer Price Protection Plan that it has exceeded its budget by approximately \$1.7 million. I note that the minister gave one possible indication of why there was such an overexpenditure. However, what other reasons are there for these expenditures?

MR. ISLEY: The basic reason is the one I've already given. The farm fertilizer price protection plan is a demand driven program where we attempt to give our best estimates to the Legislature as to how much we're going to need to offset the fertilizer costs, and in this particular year we simply underestimated by a wee bit. I'm not sure, and maybe someone else may want to comment, whether there was any significant increase in the price of fertilizer that year. If there was, that could be a factor, but I've got no knowledge to say that there was.

9:21

MR. McEWEN: There was. Another way of saying it is that we were 90 percent right and 10 percent wrong, because the overage is about 10 percent of the estimate. But the minister is correct: there was some increase in the price of fertilizer. It was more quantity versus price. You know, the reasons were more a quantitative increase than a price increase, but there was a price increase.

I might add that we monitor prices very carefully so that this program isn't abused, so that the benefit does go to the user, to the farmer, not to the fertilizer companies or the fertilizer dealers. But as I say, we were 10 percent off, mainly because of a bigger demand than anticipated and, to a lesser extent, some increase in price.

MS CALAHASEN: When we're looking at particularly the whole element of estimates and the overexpenditure, how many producers received assistance under this program? Is there a number that you have?

MR. ISLEY: I'm pretty sure we have it somewhere. I'm just trying to lay my hands on it. The associate minister just found it. The number for that particular year was 24,758 producers receiving assistance on 871,774 tonnes of fertilizer.

MR. DEPUTY CHAIRMAN: Final supplementary?

MS CALAHASEN: Yes. What are the total administration costs of this program?

MR. ISLEY: Total administration costs: 2.4 percent of the total budget, at \$447,000.

MR. DEPUTY CHAIRMAN: The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I've been looking through this book that lists off grants, and I'm trying to identify how these grants fit into the actual budgeted numbers. I guess I'm going to ask you some general questions. Maybe you can tell me why groups such as the Alberta Pork Producers' Marketing Board and the Alberta Potato Marketing Board would in fact receive grants. When they do, where do they fit in this overall picture, and what would the grant be for?

MR. ISLEY: The grant could quite possibly be for market development, to support jointly activities that they may be doing in developing new markets for their products. If it were a market development grant, it would fit . . . Tell me real quick, Dave: where would it fit?

MR. YAKABUSKI: It would be in vote 3.

MR. ISLEY: It would be in our vote 3 under the ag processing and marketing services, right?

MR. YAKABUSKI: It could fall under 3.2.2.

MRS. McCLELLAN: Or 3.3.

MR. YAKABUSKI: Yeah.

MR. McEWEN: If I might just add to that, Mr. Minister. The biggest grant to the Alberta Pork Producers' Development Corporation, then called the Alberta pork board or whatever, is payment to them to co-administer the red meat tripartite program, the stabilization program for, in this case, pork producers in the province. They have all the statistics and records of pork sales and so on, so it's more efficient to pay them for their information and to collaborate with them on the administration, the calculations of price and payments, and so on. So that's the major grant to the Pork Producers' Development Corp.

To the potato people, it's more, as the minister said, market development and association development support.

MRS. BLACK: The first supplementary then. When we get down a little farther, we have the Alberta Sheep and Wool Commission and the Alberta Sheep Breeders Association; one received \$48,000 and the other one \$17,000. There seem to be an awful lot of associations and societies that are again getting grants throughout the province, evenly distributed. Where do they fit into this, and what would they be for? Specifically, why would the Alberta Sheep and Wool Commission get \$48,000?

MR. ISLEY: Many of those associations, such as the sheep and wool and some of the particular breed associations, will possibly qualify for some assistance in the operation of their administration and also in their market development activities. We've got cost-shared programs that will assist them to become self-sufficient and cost-shared programs that will assist them in marketing their products outside the province.

MRS. BLACK: That's separate to the marketing board?

MR. ISLEY: The Sheep and Wool Commission is not a marketing board; it's a commission established to represent the interests of that industry, to do research with respect to that industry, and to promote that industry. It's those types of activities that we will cost share with them.

MRS. BLACK: My final supplementary, Mr. Chairman. The Alberta Women's Institutes received \$24,500. Specifically what was that for?

MR. ISLEY: I defer that one to the Hon. Shirley McClellan.

MRS. McCLELLAN: We have in Alberta Agriculture each year supported the Alberta Women's Institute, which is probably the oldest agricultural women's group in Canada, I think it would be fair to say. I could get the specifics of how they would expend that money, because they would report that back to us. The support that we give them is, one, for their annual meeting; also, for them to travel to the world women's institute meeting, they may use a portion of that; and to assist them in operating their ongoing activities.

We also, I would add, support Women of Unifarm and other farm women's groups, because we in Alberta Agriculture recognize the very significant contribution of rural farm women to that industry. So we support their groups.

MR. DEPUTY CHAIRMAN: The Member for Rocky Mountain House.

MR. LUND: Thank you, Mr. Chairman. Looking at the income on page 3.16, I notice that the revenue of the department has dropped substantially. It has decreased by about \$7 million from the '87-88 level, and most of the decrease appears to be in the refunds. A substantial increase is shown in the sales of assets. Could you please explain why these large changes in the dollar value?

MR. ISLEY: Have you got that on the top of your head, Dave?

MR. YAKABUSKI: The previous year refund drop was due to - the previous year we received a large reimbursement cheque from the federal government, and it went into the 1988 year. In 1989 the refunds from the federal government dropped substantially because of one specific claim that was received in the previous year but not in the next year. I can't remember off the top of my head which one it was, but it was contributions from the federal government.

MR. LUND: A supplementary, Mr. Chairman. In '88, then, did you receive two payments from the federal government? It just happened that the two came in the same year, or is it just a decrease in the amounts for '89?

MR. McEWEN: If I may just comment on that. I wanted to set out another reason for this reduction in revenue on the federal government one, but do you have a further comment, Dave?

MR. YAKABUSKI: I can get the exact details. I just can't remember what it was for, but I know it varies from year to year. It jumps up and down, and sometimes the reimbursement will fluctuate between \$2 million and \$10 million. This happened to be a higher versus a lower year. It's depending on the number of claims we submit.

9:31

MR. LUND: Is that the only one, this federal money, that's changing these numbers?

MR. YAKABUSKI: Mr. McEwen has one other item too.

MR. McEWEN: Well, the minister has that now.

MR. ISLEY: The significant change, as I understand from the note I just found, was that 1987-88 saw the end of the feed grain market adjustment program. So when that program terminated, there were no funds being refunded from it the next year.

You had an additional comment, Mr. McEwen?

MR. McEWEN: No, that was the point. When we changed how we dealt with feed grain merchants going from the feed grain market adjustment to the Crow benefit offset program in '88-89, there was quite a reimbursement in '87-88 which showed a 4 and a half million reduction in revenue in that area in '88-89. It was the timing and the same program under different conditions reflected in this reduction of over half that \$8 million difference.

MR. ISLEY: And your other question, hon. member, with reference to the sale of assets: the significant increase there is caused by the fact that in this current year we started selling shelter belt trees.

MR. LUND: You know, there's such a large sum of money there. Is that the only thing, the shelter belt trees?

MR. ISLEY: The selling of shelter belt trees increased the sale of asset figure by \$150,000, so that's the bulk of the increase.

MR. DEPUTY CHAIRMAN: Final supplementary.

MR. LUND: No. I think I'm pushing it; I've already had three, thanks.

MR. DEPUTY CHAIRMAN: I thought one was clarification.

MR. LUND: Oh, I'm sorry.

MR. DEPUTY CHAIRMAN: Okay.
The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to begin, if I could, by just asking for clarification of an answer that was given earlier to make sure I understand. It had to do with, under vote 3, this 2 and a half million dollar capitalized figure. Did I understand the answer to be that that was for the

purchase of shares in its entirety? Did I understand that correctly?

MR. McEWEN: That's correct.

MR. HAWKESWORTH: Then for my first question, Mr. Chairman, I could ask the ministers to turn to page 7.7. It has to do with the accounts for Alberta Terminals Ltd., and it's notes to the consolidated financial statements. Note 8 indicates that \$11.6 million of shares were issued; that is, \$8.6 million for class A preferred and \$3 million for class B preferred. So I wonder if somebody could explain to me the relationship between \$2,550,000 under vote 3 and the figure \$11.6 million for purchase of shares in Alberta Terminals Canola Crushers Ltd. Is there some relationship, and if so, what is it and how is the difference accounted for?

MR. ISLEY: You're referring, hon. member, to page 7.7 of the public accounts, right?

MR. HAWKESWORTH: Yes; note 8.

MR. ISLEY: Note 8. Now, are we not talking two different years?

MRS. McCLELLAN: Two different companies.

MR. ISLEY: You're looking at notes in the consolidated financial statements to the end of July 31, 1988, right?

MR. HAWKESWORTH: Note 8.

MR. ISLEY: I believe what that is saying is that – and I may have a summary sheet here somewhere. Remember, there's been an ongoing relationship between ATL and ATCCL. When ATCCL was acquired by the province, it was turned over to ATL to administer as a subsidiary. Any purchases of shares have been done through ATL. We made a commitment to ATL that we would not let losses in ATCCL reduce the strength of ATL, so any losses incurred by ATCCL were flowed right through ATL. That's what we're basically talking about in the current fiscal year. In the year you're looking at here there was possibly some other restructuring going on.

MR. HAWKESWORTH: I appreciate that, yes, ATL has been consolidated with Alberta Terminals Canola Crushers Ltd. as a subsidiary. What this indicates to me is that over a period of a couple of years there's been a significant injection of cash, I presume to offset losses at Alberta Terminals Canola Crushers Ltd. In fact, if you look at the changes from the year 1987, again sticking to the public accounts for Alberta Terminals Ltd., there's a significant erosion between 1987 and 1988; for example, a retained earnings under the consolidated statement of income from slightly over \$3 million to just over \$155,000 in 1988. Or if you were to look at the bottom of page 7.5, the changes in financial position, again it's a similar erosion from a little over \$3 million at the end of '87 to a little over half a million dollars in 1988. I wonder if either of the ministers or the staff here this morning would give us an explanation as to the reasons for those changes. Is it primarily a result of consolidation of Alberta Terminals Canola Crushers Ltd. with Alberta Terminals Ltd?

MR. ISLEY: I think it would probably be fair to conclude – but I'll get these figures reconciliated for the hon. member – that it's

partly an issue of the timing on when we picked up losses of ATCCL and their being carried on ATL's books until that point in time.

To go back and try to clarify your original question, the \$8.6 million on page 7.7 was an investment in shares at the time of the plant takeover. Since that plant takeover and without counting the current year, we've picked up 5 and a half million dollars in operating losses, invested \$3.9 million in capital improvements, picked up another \$6.9 million in operating losses of ATCCL, and written off \$36 million of the original debt by the previous company, NARP, less some sale proceeds when the transfer of ownership took place. So the total loss we've absorbed on ATCCL as reported publicly to date is \$52,355,000. I can get you some figures reconciling those flows with these flows so it comes through a little clearer.

9:41

MR. HAWKESWORTH: Final supplementary, Mr. Chairman. I read the statement from the Auditor on why these financial statements are consolidated. I think it would also be interesting, perhaps given the nature and significance of these losses, if the two companies were to appear as segmented or separated financial statements. But notwithstanding that, I'd like to ask the minister, who's often been, I guess, an advocate for the privatization of government enterprises, what were the reasons that persuaded the government to assume the ownership of a company that's resulted in such a significant loss of money, and is he indicating that by purchasing or by assuming the ownership of Alberta Terminals Canola Crushers there is some role for government to play in Crown corporations assuming corporations like this that are a significant drain on taxpayers' dollars? Is there some other value for owning this that cannot be determined simply by looking at the bottom line?

MR. ISLEY: Well, let me say at the outset that the minister is not totally averse to government playing a role in the marketplace to kick-start secondary processing of agricultural products in western Canada and try to bring some of the natural advantages to the west that should exist. Having said that, though, it's my preference that we don't have to. We got into the ownership of ATCCL by having extensive loans out there to the previous owners and eventually having to foreclose because of their inability to pay those loans off. Then we were faced with the decision: do we continue to operate the plant in Sexsmith or do we simply dismantle it and recover what we can out of the assets? The public policy decision was made that to provide additional market outlets to the producers in the Peace River region it was important to keep the ATCCL plant operating; hence we have continued to do so.

I might say that we are still looking at options of privatizing it. It's a rather difficult one to privatize at this point in history. We are looking at options to privatize ATL, and I think we are within weeks of putting Alberta Terminals Ltd. into the private sector after owning it for the past 10 years. I have some confidence that if we can achieve success in this GATT round of negotiations and get the tariffs wound down on processed canola products such as crude oil and meal to the same level as the tariffs on canola seed going to places like the U.S.A. and Japan, the canola crushing and processing industry in Alberta can become a strong industry.

In addition to that, if we can ever achieve the pay-the-producer concept with the Crow benefits so that the natural advantage of processing on the prairies that should exist on the prairies close to the raw products falls into place, it will strength-

en those industries. For that reason I think we've got to hang in there, bite our tongues, and take some losses until we can unwind the artificial barriers man has created to work against secondary processing on the prairies.

MR. DEPUTY CHAIRMAN: Before we go to the next member, I'll just remind committee members that we did set the business section of our meeting to the last, so we will close off with the next member. That gave each of you an opportunity to question ministers. So I'll ask the Member for Clover Bar to be brief in his questions and the ministers to be brief because we have a little bit of business to clear before 10 o'clock.

MR. GESELL: Thank you, Mr. Chairman. I'll try to do that as quickly as possible. I think it's appropriate for this Public Accounts Committee to scrutinize its own budget thoroughly, and I look forward to the time that we might have available.

First of all, good morning to the ministers, Mr. Auditor General, and staff.

My question is related to the financial and legislative controls that are discussed in the annual report on page 31. They start on page 31 and carry over to page 32. There are some comments the Auditor General makes regarding the Alberta Hail and Crop Insurance Corporation, and I quote: "improve the effectiveness of its financial and legislative controls." Then he goes on and says "financial and legislative controls were absent, inoperative or were exercised too late to be effective." He lists some seven specific examples where these conditions prevail. Could the associate minister describe what steps are being taken to ensure adequate financial and legislative controls for each of those examples that have been cited? What steps have been taken there?

MRS. McCLELLAN: Okay. I hope I can match them up here. First of all, claim deficiencies are noted due to the implementation of a new claims system. The weaknesses in control have improved and will continue to improve as staff become more familiar with the claims system and the computer problems are rectified. It was noted that there were problems in the implementation of the computer programs, and steps have been taken by the management of the corporation to see that those are rectified. The controls will be implemented during the current fiscal year, which will ensure proper recording and controlling of premium adjustments and refunds. This will include, as was recommended, the accountant checking all transactions processed by the accounts receivable clerk. Cash receipts are now stamped immediately to ensure adequate control over cash.

I should say too, and should have said at the outset, that in fairness to the Alberta Hail and Crop Insurance Corporation, it has gone through a number of changes. Changing over to a computer system always brings a number of problems, I guess you could say, that you don't really recognize at the outset or they wouldn't occur. They're working hard to correct them.

Claims and premiums that were processed through the subsystems will be grouped separately. That will enable reconciliation with the general ledger. So that is being taken into effect.

The payroll and fixed asset subsystems are going to be completed on a timely basis. We've endeavoured to give the corporation a bit more staff, as I indicated in earlier comments.

Wildlife claims, which we have the privilege of dealing with, are now checked before cheques are released. That enrages the

farmer but soothes the Auditor General. That's the way it should be.

The board approved all insurance elections extended past April 30. Legislation will be changed in the future to provide for approval of extensions when warranted. So we will be dealing with that.

The excess premiums charged were applicable only in some cases where farmers had individual coverage. Premium indexing has been introduced, which eliminated those rather excessive charges.

I should say again that we have undergone a number of changes, and I would say very positive changes, in Alberta hail and crop. But with change does come some difficulty with staff managing the change, and the fact that we have tried to maintain and operate the corporation in a good, sound fiscal way on our administration side - and maybe sometimes you shouldn't try and save money in that respect, but we're working.

9:57

MR. GESELL: Mr. Chairman, I appreciate the answer. I'll forego my other question because I'm anxious to get into our own budget.

MR. DEPUTY CHAIRMAN: Thanks very much, hon. member. You weren't here when I made my opening statement. We'll get back to that budget eventually.

I want to thank the hon. ministers, their officials, and the Auditor General and his officials for attending this morning. We appreciated your frank responses, and I'm sure you clarified a lot of areas for the members. Thank you very much for coming here, and to your officials a safe journey home.

We'll continue quickly into our area. First of all, I'd like to have approval of the committee minutes for June 13, 1990. They were distributed previously. Are there any questions about them? The Member for Calgary-Foothills moves approval. All agreed?

HON. MEMBERS: Agreed.

MR. DEPUTY CHAIRMAN: What I said about the budget at the start, hon. member, was that we were going to set that aside until next week, when the chairman is here. It will give you a week more to prepare your concerns, and I'm sure you'll come in more than ready next week.

Now, let's go on to next week. The minister that will appear before us is the Minister of Labour. The Minister of Labour is responsible not only for Labour; she is the minister responsible for the Human Rights Commission, personnel administration, and women's issues. Now, the question I want to put to you as committee members: do you want her to appear before us representing all those or just her portfolio as Minister of Labour? I remember when the minister of public works came before us he was responsible for many areas, and there was a great amount of concern that he was representing too much to ask in one meeting. Whatever this committee decides is what we'll go with for next week, and we'll advise the minister.

Have we any comment on that?

MR. EWASIUK: Mr. Chairman, in light of the fact that I'm sure that will be the only appearance of the minister before this committee, I would think it appropriate that she be able to respond to all questions in her portfolio.

MR. DEPUTY CHAIRMAN: Are there any other comments?

MRS. B. LAING: Mr. Chairman, when the hon. Minister of Public Works, Supply and Services was here, I found it was very informative for him to give us that short overview of each of the departments. Perhaps the minister could do that at the beginning of her presentation.

MR. DEPUTY CHAIRMAN: You're supportive of her representing all her responsibilities.

MR. GESELL: Mr. Chairman, if I recall correctly, when the Minister of Public Works, Supply and Services was speaking on five different areas he had responsibility for, he was stopped before he could give the preamble of each of the areas of his responsibility. I think that's where the problem arose. I would want to hear the minister provide a brief overview of each of those areas of responsibility and then ask questions. If we could perhaps give some indication to the minister to allocate a few minutes to each area and be concise and brief, I think that would solve our problem so that we could ask questions on all the areas of responsibility.

MR. DEPUTY CHAIRMAN: Any other comments before we put the question?

All those in favour, then, of her appearing before us and answering questions on all areas of her responsibility?

HON. MEMBERS: Agreed.

MR. DEPUTY CHAIRMAN: Opposed? Carried.

I will bring this to her attention. Hon. Member for Clover Bar, your suggestion was an excellent one.

Our next meeting will be December 5 at 8:30 a.m., when the Minister of Labour will appear and cover all her areas of responsibility. So we look forward to that day.

MRS. BLACK: Mr. Chairman, would you entertain a motion for adjournment at this point?

MR. DEPUTY CHAIRMAN: Motion to adjourn. All in favour?

HON. MEMBERS: Agreed.

[The committee adjourned at 9:55 a.m.]

