

Title: Wednesday, November 23, 2005 Public Accounts Committee

Date: 05/11/23

Time: 8:31 a.m.

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this meeting of the Standing Committee on Public Accounts to order, please.

I would like on behalf of all members of the Public Accounts Committee to welcome everyone in attendance. Perhaps we will start with the hon. Member for Whitecourt-Ste. Anne in going around the table and introducing ourselves.

[The following members introduced themselves: Rev. Abbott, Ms Blakeman, Mr. Bonko, Mr. Chase, Mr. Eggen, Mr. Griffiths, Mr. Johnston, Mr. Lindsay, Mr. MacDonald, Mr. Oberle, Mr. Prins, Mr. Rodney, Mr. Rogers, and Mr. VanderBurg]

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn, Mr. Hug, and Ms White]

[The following department support staff introduced themselves: Mr. Carter, Mr. Klak, Mr. Krishnaswamy, and Mr. Mehr]

Mr. Hinman: Paul Hinman, Cardston-Taber-Warner.

Mr. Horner: Doug Horner, Spruce Grove-Sturgeon-St. Albert.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Thank you.

At this time I would like to advise members that the final written responses outstanding from the spring session were received and were forwarded to the members with their meeting packages for this week. Those were written responses from the Hon. David Coumts, Minister of Sustainable Resource Development.

Item 2 on the agenda is approval of our agenda.

Yes. Ms Blakeman.

Ms Blakeman: Thank you, Mr. Chairman. I'd like to give notice of some motions which I will either give to the clerk now to distribute to the committee for discussion next week, or you might want me to bring it up under Other Business.

The Chair: That would be preferable. If we could bring it up under Other Business before the meeting concludes, I'd appreciate that.

Ms Blakeman: Done. Thanks.

The Chair: Also note that the hon. Member for Edmonton-Calder has provided the chair with a motion as well, and we will deal with both those matters under Other Business. Thank you.

May I have approval of the agenda as circulated? Thank you. Mr. Prins moved that the agenda for the November 23, 2005, meeting be approved as distributed. All in favour? Carried. Thank you.

Now for our meeting today with the Hon. Mr. Doug Horner, Minister of Agriculture, Food and Rural Development. If the hon. minister would like to also introduce other members of his staff, he is encouraged to do that.

Mr. Horner: Okay.

The Chair: Also, we would like to remind you that you have 10 minutes for opening comments, to allow sufficient time for question-

ing. Mr. Minister, you will be interested to note that there is already a long list of questions developing.

Mr. Horner: Excellent.

The Chair: To all members: we are dealing with the annual report for 2004-05, the Auditor General's annual report for 2004-05, the government of Alberta's annual report, and also the Agriculture Financial Services Corporation annual report for 2004-05. Thank you very much.

Mr. Horner.

Mr. Horner: Well, thank you, Mr. Chairman. Good morning to everyone. I would like to introduce some of the staff that's with me today. I won't introduce the staff that's at the table. They've already done that. Just wave as I'm doing this, you guys. We have John Donner, assistant deputy minister, Alberta Agriculture; Colin Jeffares, assistant deputy minister, Alberta Agriculture; Jason Krips, executive assistant in my office; Brian Rhiness, assistant deputy minister, Alberta Agriculture; Cheryl Ryder, special assistant to the minister's office; and David Hennig in communications, Alberta Agriculture. Who else have we got there? Oh, yeah, Merle Jacobson with Alberta Agriculture Financial Services Corporation. Did I get everybody? Okay. I did that without looking at my notes.

I am pleased to be here this morning to discuss Agriculture, Food and Rural Development's 2004-2005 annual report as well as the Auditor General's recommendations related to this portfolio. Within our annual report you will discover some extraordinary initiatives and results from what I believe to be a very extraordinary ministry.

I don't think there's any doubt that our ministry has been working under some difficult circumstances in the past few years. Drought and BSE pushed the ministry and staff to the limit, but if there's one good thing that occurs from any crisis, it's the need to drive for change and for more positive reinforcements of what we're doing. Our industry has changed and will continue to change, whether it's how we prepare for or mitigate drought or how we're steering the recovery of our beef industry. Crisis certainly pushes you to look for better ways of doing things. Our ag industry is doing this, and we're working with them as they move forward. The ministry is committed to assisting that growth, and we continue to focus all of our efforts and resources on fulfilling the vision of prosperous, sustainable Alberta farms, processors, ag businesses, and rural communities.

I want to quickly go through some of the initiatives the ministry carried out this past fiscal year. Of course, the most high-profile announcements involved BSE-related programs. We've developed a very strategic approach to BSE recovery in the form of the six-point plan. The strategy co-authored with the industry at the table focuses on all areas of recovery from the BSE crisis, including the slaughter capacity, new product and market development, herd inventory programs, income assistance, research initiatives, and, of course, surveillance. To this end we invested approximately \$713 million as of March 31, 2005, in BSE-related programs and, more importantly, have laid a strong foundation for the industry to renew and revitalize itself.

Programs such as the \$30 million beef market development and retention fund and the four and a half million beef product and market development program are initiatives that put our industry on more solid footing. They are an investment in our industry's future. While we all breathed a sigh of relief when the US border opened up to Canadian cattle earlier this summer, we also recognize that there's still a lot of work to be done. We're going to continue pushing the envelope in pursuing new markets and growing our value-added

industry because that's where the growth of the future success of our industry lies.

For any commodity the more that we can process and refine here in Alberta, the better off we will be in the end. More jobs, fewer trade issues are some of the perks associated with processing products here at home. We shouldn't just focus on growing a great product but also look at the benefits of marketing your raw product right here at home instead of abroad in a processed way. I don't want to see cattle leaving our province on the hoof. I want to see them leaving in a box. That's where we need to put our focus right now, and the six-point BSE recovery strategy is the guide for us to do that. In the end, when the dust has settled, we'll have industry that's stronger, more resilient, more self-sufficient, and more diverse than ever before.

On the food safety and environment front we're continuing to lead the way in several directions, including environmental farm planning and food safety initiatives. Last January I held a round-table meeting, my third in the last 12 months, with a broad cross-section of agricultural groups, and one of the most important opportunities that they brought up was food safety. They are recognizing the importance that traceability and quality control will have in gaining market access globally and at home. It's consumer driven. It's not just industry that places importance on food safety. Consumers are demanding it, and their buyers are demanding it. In fact, it's become a global focus with major implications for market access. It's a focus that we take to heart and have invested some serious dollars into.

For instance, the hazard analysis critical control points, or HACCP, programs are a key for the industry. It's a universally recognized system that's vital for entry into many markets. We've developed an Alberta HACCP standard and are working with the processing industry to implement it. We're also working with producers to develop on-farm food safety programs. Our focus has been to help industry efforts to adopt these programs. If we're serious about demonstrating to the world the superiority of Alberta's products, then we have to back it up with the systems that prove it.

8:40

Another area is environmental sustainability. We're making great progress with programs such as the environmental farm plan and the work done by the Alberta Environmentally Sustainable Agriculture Council. These are industry-driven programs that are practical and effective, and they are examples of how providing the right tools to producers and industry will result in the right directions. Producers are well aware of their environmental responsibility. There's no question they have the most at stake in ensuring that their land, air, and water are well taken care of, but they still need our help. New research, new techniques, new developments: these are where we provide the most value.

The response has been phenomenal. Nearly 2,000 producers have signed up so far to develop an environmental farm plan, and this is in addition to the thousands more who instinctively treat the environment with care and attention every day. It's the basis of their livelihood, and I wouldn't anticipate anything less from them.

Along with a healthy environment we also need healthy rural communities, and that's the foundation for the rural development initiative, officially launched last February. It only makes sense that everything in agriculture is closely related. This will be a major focus of our ministry in the future as well as for the entire provincial government. It's going to take the efforts of many government departments to move forward with the rural development initiative. We're committed to ensuring rural Alberta has the initiatives, the programs, and the tools they need to remain sustainable. A healthy

and vibrant Alberta will strengthen the entire provincial economy and enhance quality of life for all Albertans.

As we work to maintain the viability of Alberta communities, it's just as important that we ensure the viability of Alberta's farmers and ranchers. One of the ministry's most important responsibilities is to ensure that producers have access to effective business risk management programs. We've made significant progress on the Canadian agricultural income stabilization, or CAIS, program. I know that there's still work to do, but it is the best risk management tool we've got, much better than the ad hoc approach we were forced to go with before. That being said, we're committed to making it work better.

Of course, the other type of risk is investment risk. We know our ag industry is full of entrepreneurs and innovators, but those producers and ag businesses need access to investment capital. We've worked hard through AFSC developing loan and insurance programs that give producers and businesses the leverage they need to compete and grow, and this is an area where we'll continue to refine. As for our direct involvement in industry growth, the department has facilitated capital investment into the industry valued at \$151 million to expand processing and slaughter capacity and an additional \$80 million in primary agricultural opportunities. We also know that through AFSC there have been additional investment opportunities facilitated.

We're also involved in research partnerships and capital projects such as the agrivalue business incubator in Leduc, the level 3 lab, and Agri-Food Discovery Place here in Edmonton. There are many other good news items that our ministry has made progress on, too many for me to detail here today. All of these initiatives are taking place because of the vision that I described earlier, a prosperous, sustainable agricultural industry and rural communities.

I am proud to say that this ministry does and is doing amazing things in support of agriculture, food, and rural development in Alberta – amazing, yes, given the unique challenges that have faced this industry. We've proven ourselves adaptable and creative and will continue through partnerships and innovation and working with the industry to help the industry move forward.

Moving over to the financial highlights, consolidated revenues of \$794 million and consolidated expenses of \$1.3 billion created a net operating result of expenses exceeding revenues by \$543 million, \$176 million lower than in 2003-04 and \$131 million higher than the budget. In 2004-05 ministry revenues were \$794 million, 4.1 per cent lower than last year, which is a \$34 million decrease from '03-04 and is \$245 million higher than budget. Revenues exceeded budget mainly because of federal contributions to the Canadian agricultural income stabilization, or CAIS, program and for the Canada/Alberta calf set-aside and fed cattle set-aside programs and some other miscellaneous revenues. Ministry expenses were \$1.3 billion, as I mentioned, down \$211 million from last year and \$375 million higher than budget.

Farm income support payments were \$309 million over budget, mainly due, again, to the payments from the Canadian ag income stabilization program being higher as a result of the impacts of the BSE crisis.

Insurance expenses were \$163 million lower than budget because of favourable crop conditions in that year. BSE recovery program payments were \$147 million in '04-05, representing provincial and federal funding for the Canada/Alberta calf set-aside and the fed cattle set-aside programs. Federal contributions for these programs were \$62 million.

At this point I would like to take the opportunity to discuss some of the highlights of the Auditor General's report concerning our ministry. Overall we're very pleased with the Auditor General's

report, in particular his comments on the progress we've made to implement the recommendations from previous years. Most notably, we accept his final recommendation concerning grant management in the department. We're dedicating the appropriate resources to implement processes that will demonstrate how we are evaluating the performance of our grant programs. We have accepted the Auditor General's recommendations on the beginning farmer loans program, and the AFSC is working to address these concerns. We're also working on the national level to ensure that the CAIS program not only meets the needs of our producers but also the recommendations of the Auditor General.

This covers a brief snapshot of the accomplishments, financial results, and what we're doing as a ministry to build a sustainable and competitive industry. We're doing a lot of good work, but we realize that there is much more to be done to ensure that our producers, our consumers, and our province are moving forward with new ideas and innovative solutions.

I hope that I've given you somewhat of a good picture of the work we're doing in all corners of the province and all sectors of the industry. I thank you for your attention this morning, and I'm prepared to answer your questions, Mr. Chairman.

The Chair: Thank you, Mr. Horner.

The chair neglected to note that we also have before us this morning the report of the Auditor General on Alberta BSE-related assistance programs. We have through the diligence of the clerk additional copies of that available if anyone forgot to bring it this morning. That is certainly within the scope of this meeting.

I would like to remind all members of the committee and the visiting member from the Assembly, Mr. Hinman, and the minister and his staff that there is a long list of questions this morning. If we could be concise and clear in our answers, the chair would appreciate it.

We will start this morning with Ms Blakeman. Please proceed.

Ms Blakeman: Thank you very much, Mr. Chair.

The Chair: Oh. Pardon me. Mr. Dunn, I apologize.

Mr. Dunn: That's all right. I would have put it even later.

Thank you, Mr. Chairman. I will be brief. To committee members, the comments that we have on this ministry start on page 109 of our last year's annual report. However, I want to pick up on the comments made by the minister.

Our systems audits at the department last year focused on following up on several of our prior years' recommendations, including those recommendations in the report you just referred to on the Alberta government's BSE-related assistance programs. With respect to our recommendations in the BSE report we found that the department implemented our recommendation that the department, working with the Canadian Food Inspection Agency and the beef and related industries, ensure that Alberta meets its contribution to Canada's BSE testing quota. That was a major item. You'll see the update in our comments on page 112 of our report this year.

The department also implemented our recommendation that the department, working with other governments and industry, develop a contingency planning process. That was a difficult process for them to go through. The department has made satisfactory progress in developing a risk assessment to analyze the probability and impact of major risks to the agriculture and agrifood industries. The department has also made satisfactory progress toward establishing measurable targets for its emergency financial assistance program.

We also followed up on a 2001 recommendation that the depart-

ment evaluate the performance of its grant programs in meeting ministry goals, which the minister has just referred to. We found that the department has not made satisfactory progress on this recommendation. Without an evaluation of the grant programs and the individual grants themselves the department may not achieve its intended results.

At the Agriculture Financial Services Corporation we examined controls over payments under the Canadian agricultural income stabilization program, known as CAIS, and controls over loans awarded under the beginning farmer loans program. For the CAIS program we found that the corporation has increased the risk of making inappropriate payments because its controls are inadequate. For the beginning farmer loans program we found that the corporation has increased its exposure to credit losses by not complying with its lending procedures. Also, by not clearly defining eligibility criteria, the corporation may not achieve its intended program.

Mr. Chairman, those are my brief comments, and similar to the minister we'll answer any questions that the committee directs to us on our reports. Thank you.

8:50

The Chair: Thank you, Mr. Dunn. I appreciate that.

Ms Blakeman, proceed please.

Ms Blakeman: Thank you. The questions I have appear based on notations in the Auditor General's report, and they appear both on page 6 of the report and around key recommendation 20, seen on page 113 of the Auditor General's report. The Auditor General, as he mentioned, is concerned that not once but twice there have been recommendations about tightening up that grant program. He notes that the grant programs aren't evaluated, that quantifiable targets and measures are not set, and that postcompletion evaluations are not completed.

My questions are to the Auditor General. You state on page 6 that "the Department must evaluate the performance of its grant programs." My question to you is: what are the principal risks for continually ignoring your recommendations to evaluate the performance of this program? I'm asking you to expand on the very narrow comment you made earlier.

Mr. Dunn: Thank you. Yes. If you look at page 115, we do talk about the implications and risks – and it's very brief, Ms Blakeman – that it will "not achieve its intended results if it does not complete periodic evaluations" on the individual grants it awards. So the objectives it is trying to achieve: it is pouring some dollars into trying to achieve those objectives. If it doesn't step back periodically and evaluate its overall accomplishments, then it will continue maintaining the very same pattern or program without any change in the achievement of the objectives. So I think we have briefly summarized what you are trying to get at here. The major risk is that you will not achieve your intended objectives.

The Chair: Mr. Horner, do you have a brief addition to this?

Mr. Horner: I just wanted to comment on what we are doing as it relates to that recommendation. We do accept it, and we have agreed with the recommendation completely, and the appropriate resources will be allocated and have been allocated to implement the recommendation. Some progress has already been made in some of the program areas on the recommendation. However, we have not made sufficient progress to allow the Auditor to say that the recommendation has been fully implemented.

To fully respond to the recommendation, we are implementing

processes in the three grant programs in the rural development sector that house the majority of the individual grants impacted by that recommendation. Appropriate processes will be developed to fulfill the criteria identified by the Auditor General to address the evaluation of individual grants and grant programs as a whole. Following that initial work, the methodology developed is going to be utilized for the other six grant programs.

I think it's important to indicate that the financial controls attached to the grant program administration are sound. It's about ensuring that the processes are in place to evidence that evaluation work is documented. To be more specific, when we provide a grant to support a specific agricultural initiative, we confirm that the event occurred and that the provision of funds did provide the intended result for the community, but we haven't done a good job of documenting that that work has occurred. Now that we no longer have a need to dedicate senior resources to the development of emergency response programs, we are dedicating those resources to ensuring that the Auditor's recommendation is fully implemented.

The Chair: Thank you.
Ms Blakeman.

Ms Blakeman: Thank you. I'm going to go back to the Auditor General again then. What is an acceptable risk tolerance level for these risks in these programs? What's acceptable? What's the margin that's acceptable in your terms here?

Mr. Dunn: I'm not sure if I can answer that specifically by way of a percentage or some sort of absolute number. What we're looking at is that if the program is intended to achieve an objective, the objective is understood, that the eligible criteria under which those who are entitled to receive those programs are well understood, and as the minister just mentioned, that it's documented. Yes, there will be under many programs an inadvertent payment to maybe an ineligible person, but that will be identified through its control or detective processes.

So if you're saying, "Is it so tight that there will be no ineligible payments?" no, I don't believe we could expect that. But what we expect is that there will be a high degree of compliance with it. Thus, you'd expect that in a very, very large number there will be very, very few exceptions and that those few exceptions will be identified and followed up on by the department.

Ms Blakeman: And right now we don't know.

Mr. Dunn: We don't know that exactly.

Ms Blakeman: Thank you.

The Chair: Thank you.

Mr. VanderBurg: Mr. Minister, I see that you've got Brian Rhiness in the back, and he may be able to help you out on this. A couple of years ago you shut down my ag field office in Sangudo. You know, we saved a big hundred thousand dollars, but I think that since then I've paid for it in my constituency office and my constituents have and, I think, your office has just with the letters that you have to reply to on my behalf. Did you evaluate in this business plan whether that was a true savings to your department, closing down my field office?

Mr. Horner: We didn't zero in on Whitecourt or Mayerthorpe.

Mr. VanderBurg: Sangudo.

Mr. Horner: Sangudo. Not being the minister at the time, I can't answer to the intent of the previous minister. What I can say is that I think you will find that we are creating more partnerships with industry now and partnerships with the industry groups. That is the direction that we are heading.

I think there was a value-for-dollars analysis that was done that indicated that we needed to refocus our resources in various areas that were, let's say, lacking in terms of where we were going with our drought management, our industry growth, the 20-10 strategy. Certainly, as we move forward, the plan that we have today is to move forward with those partnerships to provide the extension that those offices in a limited way used to do. I believe there's a better opportunity for us to utilize the AFSC offices to provide extension as well as the applied research groups that we have across the province, to build their capabilities and then partner with industry, AFRD, and the research groups to provide the extension that we all had in our rural communities. There was probably also some question as to the value for dollars that we had in a lot of those offices.

In answer to your specific question as to whether or not this business plan did an analysis of the dollars saved, I don't believe that that was done in this business plan, but I believe there was an analysis done prior to that, when the decision was made.

Mr. VanderBurg: To follow up, I read in the rural development report that there may be an opportunity to redeploy some of your staff back into rural Alberta. Is that meaning some of the staff that we see back here in this room, that instead of the large offices we have here in Edmonton, relocating those out in Sangudo or Coronation?

Mr. Horner: I think the issue is not so much – and the term escapes me right now – the decentralization, I guess, of agriculture offices because there has to be a reason for doing it, and the reason for doing it shouldn't be just to put people out into rural Alberta to sit at a desk there as opposed to somewhere else. There has to be a reason for them to be there, and that's where I'm talking about this partnership.

By doing this partnership – I call it a customer service point of reference or customer service representatives – in those areas where AFSC is present, because we have those facilities already, you're going to get the type of extension that I think producers are looking for. More importantly, you're going to get the type of extension that will help them recognize what their value chain is. Really, that's where we want to go in agriculture: to have the partnership across the entire value chain so that you drive margin across the value chain, including down to the farm level. I think you will see some more presence in the country of AFRD, but it may take the form more of a partnership than a direct individual.

Mr. VanderBurg: Thank you.

The Chair: Thank you.

Mr. Bonko, followed by Tony Abbott, please.

Mr. Bonko: Thank you, Mr. Chairman. Mr. Minister, has your ministry re-evaluated the level of support given to bison, elk, and deer farms given the increase in chronic wasting disease and the decrease in market prices for these products?

Mr. Horner: Have we re-evaluated it? Actually, earlier this year we

increased our support to those industries by way of the marketing, similar to what we did with the beef industry and relative to the size of those industries. On a recent visit to Asia that I was on, quite optimistic about the future of the markets for those products and, just taking elk as an example, not necessarily the elk velvet products but also the meat products and some of the other products that are processed here for export to those marketplaces.

9:00

Similarly, in the bison area we've seen an increase in the consumption of the bison product, the meat and cuts from bison. As well, there has been a recent announcement of a large carcass processing facility in the Lacombe area that will be processing product for the European market, which is now opening for these areas. So there's a growing optimism in the marketplace for those "other ruminants," which would be the description that we would use.

I think that there is certainly still some angst in some of those industries as to whether or not their markets are going to return, some of their historical markets, but very similar to the BSE situation, a crisis pushes us toward new and innovative ideas, and that has happened in the other ruminant industries.

Mr. Bonko: Okay. Then my follow-up question. After speaking with numerous ranchers over the summer, some are barely able to make it and are considering turning to bankruptcy. What would your response be with regard to them asking for perhaps a bailout to get out of the industry completely?

Mr. Horner: Well, actually the Alberta Elk Commission, the Alberta White-tail and Mule Deer Association, and the Alberta Bison Commission are on exactly the opposite page. Certainly, the CAIS program is also there for those industries that are involved in that. There are certain producers out there that are looking at alternative methods of marketing their animals. I've not had producers come to me and say that they are requesting a bailout of the industry because the industry commissions – again, the Alberta Elk Commission and the Alberta White-tail and Mule Deer Association – are both as optimistic as I am about those future markets and the markets that are opening up today, as we speak, and certainly with the new facilities that are coming on stream.

One of the problems that did cause some considerable concern in the other ruminant industry was the slaughter capacity, similar to the beef industry. That is starting to be alleviated with the new announcements of two that I'm aware of, including the Lacombe one, as well as some custom slaughter that's starting to occur because the market is pulling it. As the market pulls it, that custom slaughter will also generate some new opportunities.

The market development fund that we put together last December, I believe it was, with the other ruminants is starting to bear some fruit now. So, as I said, there is an optimism in the industry right now that wasn't there perhaps 18 months ago. A number of the producers that I've talked to around the country are starting to feel that optimism as well and, in fact, taking advantage of some of those opportunities.

The Chair: Thank you.

Rev. Abbott, please, followed by Mr. Chase.

Rev. Abbott: Thank you, Mr. Chairman, and thanks, Minister, for being here. I think you're doing a great job, Doug, in Agriculture. I think the last year has probably been a little better than the previous ones with regard to a good time to be taking over the ministry.

There are still a few issues out there that farmers are concerned about. I know that the ministry of agriculture has been vocal in promoting marketing choice, but I think marketing choice for wheat and barley is still a big issue. I know that over the past year, at least in your reporting year here, you have undertaken a few initiatives, I guess, on this. I'm wondering how many dollars have been spent on that, what initiatives have been taken, and what results have been achieved.

You've got them all in one there, so there's no need for a supplemental.

Mr. Horner: In terms of the dollars that we spent on marketing choice – I'm just trying to find that – we work that through a number of different areas. We've got a website, an ad campaign to share the message. It's a message that does need to get out. There's been a great deal of transition occurring in our cereals industry over the last five to 10 years. It really doesn't benefit the industry if they're only hearing one side of the story.

Coming from the grain sector, in my past life, and coming from a sector of the industry that does have choice, the oat sector, I can tell you – and this is just anecdotally, to kind of give you a feeling for what market choice can mean for a producer. I got a phone call earlier this fall from a producer up in the Peace Country who was calling me from his truck as he was hauling some oats to one of the three oat plants that are now in this province because it was the only grain that he could deliver. He was getting value for it and a premium for the oats that he grows because that's what the plant wanted him to grow, and he was selling direct to the plant. He was phoning me because my family was one of the first families to build one of these oat facilities within six months after oats were taken off the board in the late '80s.

That gives you an example of what marketing choice can mean to a producer. It means that we want to be able to create the opportunities here in the province to further value and further process the cereals that we have here and thereby provide a choice of a number of buyers in the marketplace for our producers.

The Canadian Wheat Board was set up in an era when we were the breadbasket of the world. It was set up in an era when producers, quite frankly, did not know what was going on beyond the farm gate in terms of marketing. Today producers understand how to market their canola. They understand how to market their oats. They understand how to market their flaxseed. They understand how to market a whole raft of different things, but for some reason we continue to say: well, you can't do wheat and barley because you're just not smart enough to do that.

I take exception to that because I've seen the growth in the oat industry. Prior to oats coming off the board, there were no oat processors for human consumption in western Canada outside of Saskatoon and Winnipeg. Today we have several, and in fact the majority of oat processing today is done in western Canada, not in eastern Canada in Peterborough, where Quaker was located. In fact, we sell what we call oat groats to the Quaker plant in Peterborough, Ontario. That's the type of shift that we believe would happen if you had that kind of situation. Over and above that, in today's era do we want to be the exporter of commodities? Do we want to be chasing the price down as opposed to trying to add value to that price and becoming price makers as opposed to price takers? In my mind, it's an extremely critical item that has to happen for us to move down that value chain, that we want to do.

In addition to that, at the World Trade Organization discussions that are ongoing right now and coming, hopefully, to some sort of a conclusion within the next month in Hong Kong, I believe that the rest of the world is looking at that state trading enterprise and

saying: you know, the rest of us have moved on, and you should too. There may be a lot more outside influence brought to bear on something that is only covering half of Canada right now anyway than what Alberta is doing. By doing the marketing choice information and by also providing some alternatives to the current structure that we have, Alberta, quite frankly, has taken the lead on what we could have in the future.

We believe it could be a very positive future for even the Canadian Wheat Board. It is not the Alberta government's intention to get rid of the Canadian Wheat Board. By far, I think there is some opportunity there for the Canadian Wheat Board to become a very strong force in domestic marketing and international marketing if we unshackle them somewhat, but by unshackling them, we also want them to remove their monopoly powers. So we're continuing with that. We're not going to give up on it for those reasons that I've mentioned because it is critical to western Canada's cereal industry.

Rev. Abbott: Excellent. Thank you.

The Chair: Thank you.

Mr. Chase, please, followed by Doug Griffiths.

Mr. Chase: Thank you very much. My questions have to do with the grant management system, recommendation 20, page 113, and also the BSE bailout. We're aware that American packing plants did extremely well at the expense of Alberta ranchers: bought low, sold relatively high for their finished product, and then got a \$33 million bailout on top of it. So they were doubly awarded within this province.

Yesterday in the tabling there were payments to persons directly associated with Members of the Legislative Assembly. I note that the Lund family got a grant for \$64,000, the McClellans got almost \$54,000, the Prins family got a little over \$20,000, the Danyluk family got about 12 and a half thousand dollars, and then we have the princely sum for the Hinman family of \$225. My question is: how do we know that grants are being awarded fairly and consistently, and as a part of that fairness, is a name on the application or is it a blind, numbered type of application? That question goes out to Mr. Dunn, and I'd be very pleased if the minister of agriculture could reply as well.

9:10

Mr. Dunn: Actually, I would like it to be answered through the minister through to his staff, who will have more specific details around that.

Mr. Horner: Well, I want to answer that too. First of all, I think the numbers that the member is talking about are not grants. Those are probably CAIS payments. Not having that in front of me right now, I can't confirm that, but I'd be 80 per cent sure that those are CAIS payments because those individuals are involved in the operation of farming in this province, and I commend them for doing that because it's been a very tough couple of years.

Simply because you choose to serve your province as a member of this Legislature should not discount you and your family from the programs and the opportunities that this government offers to all of our producers. I think to bring it up in the context and tone in which it was done is somewhat disappointing. I would take exception to it if I were one of those individuals. I take exception to it as the minister of agriculture.

I also would question this \$33 million bailout of the American meat packers. I'm not exactly sure what the hon. member is referring to there, but I can say that if you're raising cattle in the

province of Alberta, part of your customer value chain is those meat packers. Without the meat packers in this province and without the increase in the slaughter capacity that we've had in the province not just by Americans but by Canadians, by Albertans, and by in fact producers in this province, you would have nowhere to sell those animals. They would be shipped on the hoof as opposed to in a box. So by developing the slaughter capacity in the province, we have actually benefited the cow-calf producers by having more buyers in the marketplace, which creates a competitive atmosphere for them to raise the price.

I would say that in terms of the price levels that we see today and even before the border opened to live animals under 30 months, what this government did in terms of our programs actually raised the price for those producers, not to the level that they were at before but certainly to a level that allowed that marketplace to work. That was the intent of the program, and I think the Auditor General's report actually outlined that the BSE recovery program that we put in place achieved the goals that we set out for it to achieve.

I hope, hon. member, that that answers some of your questions. Certainly, if you'd like to talk about some of those other payments that were made to individual producers in our province, I'd be more than happy to discuss those with you on a one-on-one basis.

Mr. Chase: Thank you very much.

My supplemental has to do . . .

The Chair: Mr. Chase, excuse me, please.

Mr. Dunn.

Mr. Chase: Sorry.

Mr. Dunn: Now may I try to answer. I won't deal with the individual payments made to the names that you mentioned.

Back to what we looked at and what we reported on, indeed in the program that we discussed at quite a length in our BSE report, there were payments made to all owners of cattle, which included the feedlots that the packing plants had. We also produced within this report, if you'll remember, quite a history of the packing industry in Alberta. Certain of those which are now referred to as foreign-controlled were previously Canadian-controlled, and it was because of the challenge in the industry through the '90s that a consolidation took place. So, yes, the one in Brooks and, yes, the one in High Level are American-owned.

What has happened, after everything is said and done, is that those have increased dramatically. I believe, if I've heard it correctly – and I may ask the deputy minister here to confirm it – that the packing capacity in Alberta has increased by more than 20 per cent since that time, and certainly in western Canada I believe it is maybe more than 25 per cent now. We are in a much stronger position because of the investment that they were able to achieve.

Just as one other reminder, the packers did receive, as we mentioned here, \$45 million as a result of their feedlots owning cattle, but there was also a program that was discontinued where they were entitled to \$25 million, which was not paid out to those packers as a result of a revision made to the program.

Thank you, Mr. Chairman.

Mr. Horner: Thank you, Mr. Dunn. Just for clarification, Alberta is well over 24 per cent in terms of our increase in slaughter capacity today. We anticipate that number to continue to rise because there are a number of new slaughter plants that are announced and under construction as we speak. Certainly, one of the issues was that there were animals over 30 months that we didn't have a slaughter facility

in Alberta for, and it was partly because of that consolidation that the Auditor General mentioned that it became easier to ship over-30-month animals live across the border than it was to maintain that slaughter industry in the province.

That has now totally changed. We have an industry, as I mentioned in my opening comments, that is going to be a much stronger industry because it's going to be much more flexible in terms of reaching those international markets with products that are developed here at home. Certainly, in western Canada the slaughter capacity has increased over 30 per cent to date, the majority of that being in Alberta because we are, quite frankly, 80 per cent of the beef industry in Canada.

The Chair: Thank you, Mr. Horner.

Mr. Chase, please.

Mr. Chase: Thank you. My supplemental. I just want to begin by saying that I'm not suggesting that these members aren't deserving. It has to do with how the grant process and acceptability is dealt with.

Mr. Horner: It's not a grant.

Mr. Chase: Payment, CAIS payment. Thank you.

To Mr. Dunn and to Mr. Horner: are you confident that Albertans are getting value for their money with the agricultural program?

Mr. Horner: Which ag program are you talking about?

Mr. Chase: The agricultural grant program.

Mr. Horner: No, it isn't a grant program.

Mr. Chase: Sorry.

Mr. Horner: Which program are you talking about?

Mr. Chase: The grant management system.

Mr. Horner: That's a different issue, hon. member, than the payments that you're looking at. I think what you're looking at is the Canadian agricultural income stabilization program, which is probably those payments. If that is your question, "Am I confident that we're getting value for our dollars?" – and we're probably going to know something fairly soon about what the federal government thinks. The Canadian ag income stabilization program I believe is the best business risk management program that we have ever come up with because it's targeted. It's targeted to those operations that have that financial need. It's a complex program. It has issues as it relates to producers understanding the program, but because of its complexity it can be targeted to the operation.

It is a much better approach and much better value for taxpayer dollars because we're not blowing a whole bunch of money out into the wind in an ad hoc way, giving money to people who quite possibly may not really be in that type of a need. Under the CAIS program we're able to identify those operations that are viable operations but that through no fault of their own, weather or other circumstances, need to have their reference margin topped up. That's what the CAIS program does.

I believe, as do many of my provincial counterparts, that the CAIS program is something we should be supporting. We should be making it better, we should add value to it, and we should move away from ad hoc payments totally. An ad hoc payment is not good value for your taxpayer dollar, whereas the CAIS program is.

The Chair: Thank you, Mr. Horner.

Mr. Chase: Thank you.

The Chair: Mr. Dunn, please.

Mr. Dunn: Very briefly Mr. Hug is going to answer you.

Mr. Hug: Just to pick up on your question, I believe you're asking about whether or not the various grant programs were achieving value for money. Quite frankly, that was the essence of our recommendation: to have better evaluations, performance measures established, targets established for these programs, postevaluations done for that very purpose so that the department would be in a position to evaluate how effective these programs are.

Mr. Horner: And we are doing that too.

Mr. Chase: Thank you.

The Chair: Thank you.

Mr. Griffiths, followed by David Eggen, please.

Mr. Griffiths: Thank you. Mr. Minister, my question is more philosophical, so bear with me, please. I've been advocating for a little while that there are three types of performance measures that can be adopted by a ministry. There's the satisfaction survey, so sort of what clients think of the initiatives. There's an output measurement, which really delves more into a program and talks about inputs and then outputs. Then there is the third measure, that deals with outcomes: actually, what sort of results are attained by the program that's being run? I know that most ministries are very good at adopting one and two but not so good on adopting the third way, the outcomes measure, because it is something difficult to measure. I'm wondering if your department has any plans to work on more outcome-based measurements to see the impact that programs have, you know, how they benefit agriculture in rural communities.

9:20

Mr. Horner: Well, a very good question and three good ways to look at things. I am, as the member knows, more of an outcome-oriented type of person. When I look at things like the slaughter capacity, as an example, there's a prime example of how what we've done has created the outcome that we were trying to get to. The fed cattle set-aside program created the outcome because there was a measurable way that we could check it by way of the price in the marketplace.

In terms of the value chain initiative that we're working on, there will be outcomes from the perspective of: what are we changing in the operation on farms, and how are we educating those producers with what that total value chain is to the consumer, whether that consumer is in Japan, Mexico, or Edmonton?

There are measurable outcomes in the effect that we're going to have in rural Alberta on the template that I was talking about earlier with the hon. Member for Whitecourt-Ste. Anne about having that extension. The outcome will be: are we getting applied research answering the questions and needs that the producers have through that partnership? The rural development strategy is going to have measurable outcomes from the perspective of community involvement, the development of economic activity in rural Alberta, the ability for rural Albertans to partake in the Alberta advantage. So I'm very much attuned to measurable outcomes, and we do that.

Getting it into the business plans is somewhat more of a difficulty,

as I know you're aware, because you can get rather voluminous on how much you're going to put in there. Certainly, the department and I think the executive team that we have, who are mostly here today, I would say are very much attuned towards finding out what the outcome is and the objective that we want to achieve, figuring out how we're going to get there, and then measuring it when we get to the end.

Mr. Griffiths: Good. I guess for a specific example, my follow-up question: on page 139 of your business plan performance measure 3.b talks about the "number of producers provided with specific training and technical support to enable development of environmental farm plans." That's what I would refer to as an output-based measure. It measures how many producers were actually provided with the training. Will your department be specifically addressing output measures like this, performance measures like this to deal with outcomes, whether or not the environmental farm plans have a benefit, what kind of benefit it has, and how it improves agriculture in general?

Mr. Horner: We're certainly going to be looking more at outcomes as opposed to outputs. I recognize your example, Doug.

Mr. Griffiths: Okay. Thank you.

The Chair: Mr. Eggen, followed by Mr. Lindsay, please.

Mr. Eggen: Thank you, Mr. Chairman. Thanks for coming this morning, Mr. Minister. We appreciate your time. My questions are to do with, I guess, a basket of things that I see in both your report and the Auditor General's report. It seems to me that both circumstances and policy from the agriculture department create a stacked deck against single-proprietorship family farms in Alberta. There are a number of circumstances, as I say, and then some policies from this department, perhaps a problem as well that we could fix through the lack of effectiveness with the income stabilization corporation, the beginning farmer loans program. They seem to require more measurable outcomes.

Also, there seems to be a bias in the market these days towards larger operations, larger intensive livestock operations, factory farms, ag field offices closing. I just would like to ask: where can we focus this past budget and the next to supporting single-proprietorship family farm operations in this province?

Mr. Horner: Well, I guess I would respond by saying that I disagree with you that it's a stacked deck against single proprietorships. I would offer to you that the majority of our ag producers today are single proprietorships. Ninety-seven per cent of our agricultural operations that are out there today are family owned, whether that's by a group of brothers or whether it's by mom and dad or whether it's by, you know, the son taking over from the father.

I would encourage you to get out and about and look at the ag tourism initiatives. Just north of Edmonton we have a single proprietorship who has one quarter of land, gets 20,000 visitors a year. That's an agricultural operation. If we focus only on the big ones, then we're missing the boat.

Our value-added strategy, our value chain strategy is \$20 billion in value-added and \$10 billion in primary by the time we hit 2010. We will not make \$20 billion in value-added if we don't have \$10 billion in primary. That primary, I would suggest to you, is single proprietorships. But we also have to understand that agriculture is a business, the same as the family-owned grocery store on the corner, the same as the family-owned supermarket. It is a business,

and we have to understand that we have to operate it as a business. That doesn't mean that it isn't a family-owned business, but it's certainly a business that has to move with the marketplace.

That's where I talk about the value chain. The value chain doesn't necessarily mean that you have to be big or small. What it means is that you have to meet the needs of your consumer, but you have to identify who your consumer is. It isn't the elevator down the road. It isn't the stockyard. It's the lady in Japan who goes to shop every two days to pick out that product. That's the consumer that we need to meet as a business.

The Chair: Thank you.

Mr. Eggen.

Mr. Eggen: Thank you, Mr. Minister. I would like to ask you what specifically you intend to do with both the income stabilization corporation and the beginning farmer loans program to make them more accountable and to support family and single-proprietorship operations.

Mr. Horner: I'll address the recommendations on the beginning farmer loans program. I believe they're recommendations 21 and 22. I'll ask the president of AFSC to supplement if he so chooses.

Recommendation 21. Following a review of the objectives of the program, policies regarding loan eligibility and incentives will be reviewed and redefined as required to ensure that the criteria are clear, measurable, and can be applied consistently. The criteria are going to be developed to establish the basis on which loan fees are determined as well as how they compare to the lending industry overall. Procedural improvements will be and are being made to ensure that evaluation and analysis of borrowers' repayment capacity is undertaken and properly documented and to ensure that the level of file administration and documentation is appropriate for security evaluation and monitoring and follow-up of delinquencies.

As it relates to recommendation 22, we have also accepted this recommendation. Under a restructuring plan currently in progress all lending staff will become knowledgeable and responsible for delivery of all AFSC's farm and commercial loan products. The required experience and skill sets of staff are being determined and the appropriate staff numbers defined, and this is being implemented. Once the objectives of the program are reviewed and redefined, AFSC will develop measures to assess whether the objectives of the program are being met. Monitoring to achieve those results against the lending tactical plan on a quarterly basis is now documented.

I'll ask the president to supplement, if I may, Mr. Chairman.

The Chair: Yes. Briefly, please.

Mr. Klak: Thank you, Mr. Minister. Mr. Chairman, just briefly to get to the kernel of the question, I think. This is a 30-year program that's got about three-quarters of a billion dollars out primarily. Probably closer to 99 per cent of individual producers are benefiting from long-term, fixed-rate financing, up to 20 years at low interest rates. So that's the reason. We've worked closely with the Auditor General's office on those eligibility criteria, as the minister has mentioned. We want to tighten up the eligibility criteria to make sure that we are making that impact on the lending decisions that we're making. In that review we're also looking at the interest rates that we're charging out there because the business that the corporation is in is to facilitate both intergenerational transfer as well as success to the primary producer.

9:30

The Chair: Thank you.

Mr. Lindsay, followed by Mr. Hinman.

Mr. Lindsay: Thank you, Mr. Chairman. To the minister. On page 17 of your annual report you talk about the Farmers' Advocate of Alberta. I guess that I'm just looking for some clarification on the role. With the increased economic growth and activity in the province it seems like there are more and more conflicts between farmers and industry. Some of the concerns that come forward in my constituency are issues around stray voltage arising from transmission lines and land purchase dealings with industry. My question, Mr. Minister: is the advocate an avenue of recourse for these folks when they run into problems regarding these things?

Mr. Horner: The advocate's office was set up some 30 years ago, and historically the Farmers' Advocate was set up as an avenue for producers to have someone to represent them at a higher level, reporting to the deputy minister or the minister on issues which are highlighted on page 17. They're continuing to do that. What we have talked about with the new Farmers' Advocate, Mr. Kiss, is about becoming a little more proactive in some of these areas and helping us develop policies to alleviate some of those concerns before they happen.

Certainly, we want to bring in his grassroots perspective to some of the policy and decision-making processes that we have around things like land-use management, sustainable resource development, the Surface Rights Board, and those types of things. His tasking this year has been to re-evaluate the role of the office, to look at ways and means that he and his office could be more proactive in helping those producers so that we don't have the problems. Before, we were more reactive in that office than proactive. We're trying to be both at this point in time, and he's working through that. We've done a refocusing in our entire department, and as part of that the Farmers' Advocate office is looking at how he can be more proactive.

Mr. Lindsay: A supplemental question. On page 29 of your report you talk about a target for value-added agricultural industry of \$20 billion and for primary industry of \$10 billion by the year 2010. Considering the BSE crisis, is this target still realistic?

Mr. Horner: I think we lost a couple years. There's no question in my mind that we lost a couple years in terms of the growth strategy that we have. We're about \$10 billion and \$8 billion right now, which is something to be very proud of in and of itself. We're not as far along as we'd like to be. We certainly are encouraged, although, you know, we talked a little bit earlier about the BSE crisis in the industry that actually generated the opportunities. When you look at the value-added sector, the increase in the slaughter capacity will actually help us achieve part of that target of 20-10 by 2010.

Certainly, with the WTO negotiations coming up, that may actually give us a little bit of a boost if we get the right kind of agreement out of the WTO in our sector because we're in a very, very good position in Canada to be a centre of value-added production and process if the right global environment was to come forward.

Is it a realistic goal? I still believe it is a realistic goal because of what we see coming down the pipe in terms of the value-added and the value chain initiatives that we're working on. Did we lose some traction and some time? Yes. It is going to be a challenge, but I don't want to remove that goal. I think it's a good goal to shoot for.

The Chair: Thank you.

Before we proceed with Mr. Hinman, I would like to remind all members of the committee of Standing Order 53(5), where members of the Assembly other than members of this committee can participate in the proceedings but cannot vote on any committee matter.

Please proceed.

Mr. Hinman: I guess that my first question is to the chair. Because my name was brought up, may I respond to that?

The Chair: No, that's fine. Please proceed with your question.

Mr. Hinman: I don't know where to begin, whether on slaughter capacity, value-added thermal hydrolysis with SRMs, producer check-offs, CFIA interference, not following the AFSC's lending guidelines – perhaps a comment that the one program that you've got out there is the low-interest rates to farmers – the problem that we have with federal intervention in many of our programs, whether that's the Wheat Board or CAIS or whatever. I guess I'd ask the question: if we are to try and take less from the farmers, therefore having to give less to them, are you looking at a program to reduce the taxes on farm inputs, for example on farm fuel? Fertilizer costs have gone astronomical. You give many rebates to heating homes and everywhere else. Is this government looking at reducing farm input costs in any way?

The Chair: Mr. Hinman, you have to recognize that we're dealing with the annual report on the department, the annual report from the Auditor General, the annual report on BSE, the annual report on the Agriculture Financial Services Corporation. This is not a policy committee; this is a committee to examine the books of that respective department. If you could proceed with your question.

Mr. Hinman: Okay. I apologize, Mr. Chairman.

I guess I'll go with the AFSC not following its lending guidelines. Any explanation on why we're lending poor loans? The guidelines are there. Why wouldn't we be following them? It seems like a simple procedure to follow guidelines and not set up these loans that are not meeting them.

Mr. Horner: I guess I could repeat the answer that I've already given in terms of the recommendation. I'm assuming, hon. member, that you're talking about recommendations 21 and 22 with regard to the beginning farmer loans program. As the president has stated, we have put in place a process to be onside with what the Auditor General's recommendations were.

As a 30-year program with a very admirable loan loss record, I wouldn't say that they're bad loans that we've done. I would say that in many instances producers and certainly young producers, young farmers entering the business, would tell you that it's a very good program and that it's part of the reason why they are farming today. I have a number of friends who started farming when they were quite young. Some of them bought the operations from their fathers or a brother in one instance. They're still farming today and have paid their beginning farmer loans back and are quite successful operators.

I won't, Mr. Chairman, repeat what I've already read into the record, into *Hansard*, as to the acceptance of the recommendations and our commitment to make good on those recommendations through AFSC nor will I get the president of AFSC to repeat the answer to the question because I think that would just be not conducive to the timing of the committee.

The Chair: Thank you.

Supplemental question, please.

Mr. Hinman: My supplemental question then. I mean, I just don't know what to say if the Auditor General says that they're not following guidelines. It just seems like we should follow guidelines. Has there been any reprimand or anything given to those people that aren't following the guidelines on those loans? It's in the report. How can we say that we're doing a good job? Are those people that aren't following the guidelines being told, "Look; get back within the guidelines"?

Mr. Horner: Well, I guess I'll reiterate my answer, Mr. Chairman. We are not in the business of throwing money out the door without any type of guideline. The Auditor General's report essentially indicated that we're not following the proper guidelines that a bank would follow, and we're saying that we're going to follow those and implement those types of guidelines that will satisfy the Auditor General's concerns that were in those recommendations on the eligibility and the criteria.

I think, again, that over the 30-year history of the program and the loan loss record that we have, we're quite comfortable that there's no serious concern as to bad loans being out there. Obviously, as brought up in the recommendation, there may have been some concerns over the eligibility criteria and how that was applied. We intend to tighten that up. So I would suggest to you that it's more of a tightening up than it is: gee, there wasn't anything out there, and now we've got to put something in. Obviously, when the program was developed, there were guidelines on the criteria that was used. Whether it's been applied in an effective and as tight a manner as the Auditor General wanted us to is really the meat of the recommendations, and we have accepted those and are going to tighten those up.

The Chair: Thank you.

Mr. Prins, please, followed by Ms Blakeman.

9:40

Mr. Prins: Thank you, Mr. Chairman. Thank you, Doug, for your knowledgeable input and thank you, Brad and company, for coming up from Lacombe and answering some of these questions.

My question relates also to the AFSC beginning farmer loans. In fact, I was one of those beginning farmers back in 1974 that took advantage of a beginning farmer loan. That was a 30-year loan. It was retired in 2003: so there you go. I'm still farming, and that's why I'm still accepting risk and involved in a risk-management program called CAIS, which has been a good deal for farmers and the government and I believe consumers.

I was going to ask a question on somewhat the same area as the last question: on the criteria for eligibility for beginning farmers. I think the answers are clear, but I'm wondering: by not following the criteria, are we actually putting some ineligible farmers at risk by acquiring financing that may not enhance their farm but put them at risk?

Mr. Horner: I think that really is the concern that was expressed, perhaps not brought out in terms of the wording of the recommendation but certainly the concern that was expressed. It's been a concern that's been expressed, I think, around that program for some time. Certainly, in discussions with fellow rural caucus members we've had that discussion, that we need to tighten up how we're putting those dollars out there so that we're not actually becoming a part of the problem as opposed to a part of the solution. I certainly believe that the direction of AFSC now is to take a better look at

tightening up those criteria to ensure that we're not a part of the problem down the road.

As you mentioned, Ray, overall the program has been, I would say, quite successful in bringing forward entrepreneurs in our industry over the last 30 years, but we have to be cognizant of the fact that we don't want to be part of the problem for some smaller producers or larger producers who see this as a way to get some cheap money and may indeed cause them more harm than good. So part of the review that we're looking at is to ensure that we're not doing that.

The Chair: Thank you.

Please, second question.

Mr. Prins: I guess a follow-up would be: if this is a process that we're working on tightening up, is there any timeline or target for concluding that? I guess the whole program is a way of actually rolling over farms from one generation to the next. I think that's the advantage of it. But for tightening up the criteria: is there a timeline to meet that?

Mr. Horner: It's expected that the entire process will be completed and new measures implemented by the end of March 2006.

The Chair: Thank you.

Ms Blakeman, please, followed by George Rogers.

Ms Blakeman: Thank you, Mr. Chairman. My questions are on indicators. On pages 33 and 53 of the annual report for the department it indicates that the indicator used for measuring success in the beginning farmer program is the number of loans awarded. Given that you can just keep giving out more and more loans, which makes the program look very successful, my question is: why did you select this indicator?

Mr. Horner: Simply from a criteria basis to give us a quantitative value. I'm not a real big fan of that type of criteria or indicator myself. I think, given the answer I just gave to the last question, what we may want to look at is the loan loss provision as opposed to the dollar value out in terms of those loans.

Given the tightening up of the criteria that we're going to have on those beginning farm loans, it would be my opinion – and we'll be discussing this, and it's a good question as to what type of outcomes. Going back to the hon. member for Wainwright's question about outcomes as opposed to outputs, we do need to take a look at this type of criteria. It's a good suggestion.

Ms Blakeman: Okay. My second question is around the indicator for percentage of customers satisfied with business risk management program delivery, appearing on page 62 of your report. It appears that that measure has been discontinued from future reporting and business plans. While I'm in favour of really good indicators, I get crazy when they keep getting dropped so that we have no continuum to evaluate over a longer period of time. My question is: why is the data no longer being collected and used for this particular indicator?

Mr. Horner: Well, at this point in time the business risk management program is changing fairly rapidly. It would be tough to get anybody's assessment of your satisfaction level when you're not really sure what the program is going to be in the next month. Our hope is that we're going to have a business risk management program at the end of the day, the national program, that if we can get the components to it that we want to get into it – we've made an

announcement as to what we wanted to do just in the last month. We have a meeting this weekend with our federal and provincial counterparts to get a couple more components added into it, notably the inventory valuation and the disaster components. Once we have that type of a whole package, that, in my view, should be the package for the future and without any changes to it, I think you'd be able to get a better handle as to whether or not you have satisfaction from the producers.

The other thing is: are you measuring satisfaction as to how it responded to your operation? Or are you measuring satisfaction as to how easy it was to get into the program? Are you measuring satisfaction as to the information that you're getting back or the information that you're providing? All of those types of output-type measurements really wouldn't tell you a whole helluva lot about whether or not the program is successful as an industry program in business risk management. My belief is that if you have a business risk management program that is responsive and reactive to the needs of the producers, as an outcome that's a good measurement. Now, how do you measure that? We'll have to figure out how you're going to measure that. It's a difficult measurement.

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

Mr. Rogers: Thank you, Mr. Chairman. Mr. Minister, I'd just like to commend you and your staff – I think this is a very well done report – and for your answers this morning.

My question relates to page 22 of your report. You talk about an additional 7 and a half million dollars over budget because of the new Canada-Alberta BSE surveillance program. Could you explain to this committee the impact of this additional investment? What does it really mean on the ground?

Mr. Horner: I'm trying to find, George, where you've – this is on page 22?

Mr. Rogers: Page 22. It talks about an excess of 7 and a half million dollars because of the new Canada-Alberta BSE surveillance program.

Mr. Horner: Okay. In 2004 we enhanced the surveillance program. Partly it was to ensure that we had the number of samples and the surveillances coming in. As the Auditor General had pointed out, we were somewhat behind on that. The program has been very, very successful. In fact, it's enabled us to exceed those targets that were set out in the first place. That was part and parcel of following up on a recommendation that had been made previously because we wanted to prove to the world that we were doing what we were doing, that we were exceeding our surveillance targets, which we have done and which we continue to do. In terms of impact, the impact is that (a) it's put a little more dollars into producers' hands for animals that they normally would have got very, very little for.

Secondly, we're now using that as a marketing tool. We're using it as a marketing tool when you talk about food safety around the globe. Certainly, in our recent visits to Asia food safety is numero uno in terms of consumers' minds. But it isn't so much that you have to prove that the food is safe as that you have to prove that procedures you have will give you safe food. By that, you're looking at traceability. Surveillance is a key component of that, which this is of. So in terms of an investment: a very good investment, not only to achieve the results of the Auditor General's recommendation and to achieve our OIE conditions but also as the groundwork for a future marketing campaign, if you will, in the global marketplace.

9:50

Mr. Rogers: Thank you. Just a short supplementary, Mr. Minister. What are the criteria that determine the cattle that actually qualify for this program?

Mr. Horner: Well, really, you're talking about the four Ds: the dead, the diseased, the downers . . . The OIE came out with recommendations that said that you want to have a surveillance program that hits those animals that are most likely at risk. That's a world-wide standard that we've accepted and the globe has accepted, with the exception of one or two countries who want to go well beyond that, Japan being one of those. But in the surveillance system those eligible animals would be animals over 30 months that have been presented with the higher risk to be at the disease or have the prions detectable. So those are the animals that would be falling into the program, by way of the veterinarian. It has to be approved through the veterinarian process.

The Chair: Thank you.

We still have many members with many questions, and time is always a factor at these meetings, Mr. Horner. In the past ministers have been gracious and co-operative and have agreed to provide written responses to any questions that the members may have remaining, written responses through the clerk to all members of the committee. We would like to continue that this morning in light of the fact that we have very little time and we have other items on the agenda to deal with.

So, perhaps, Mr. Chase, if you would like, if you could read your questions into the record briefly, please.

Mr. Chase: Thank you very much. It has to do with the CAIS program. Have you considered removing the name from the application, substituting a file number, so that the application can be judged solely on its own merit? That'll be part of the record.

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

Mr. Hinman: Yes. Going with beginning farming loans again, I guess on the reverse side, and as the good member brought up, too often it's an enticement. I'm wondering if you're looking at changing some of the criteria in those beginning ones so that they don't get enticed into doing something for money that does have a negative effect.

Mr. Horner: That's exactly where we're going.

The Chair: Thank you.
Mr. Danyluk. You've been very patient.

Mr. Danyluk: I want to, I suppose, ask a couple of questions and make a couple of comments at the beginning. I was sort of disturbed with the comment that came forward that said that we need to tighten up our lending practices. I want to say that from what I understand . . .

Mr. Horner: Criteria, not practices.

Mr. Danyluk: Criteria. I understand that when we look at the risk factor of farming and risk factor to AFSC, we probably have one of the lowest risks of most occupations, so it concerns me that you would want to tighten it up. I think that that criteria should be loosened up. That is a preamble for my question.

Mr. Horner: Maybe I'll get the Auditor General to answer that one.

Mr. Danyluk: Well, I think what happens is that when we look at rural development and the approach that's being taken, one of your comments, as well, was the question saying: are you going to move some of the people from the urban centres to the rural centres? You said: well, you know, I'm not going to look at it just for moving them out; there needs to be some need. Well, I want to say that in some ways I feel that that was done the other way. You know, the business of agriculture is in rural Alberta, and we centralized. I don't think that ever should have been done to start out with, for some aspects anyway. So I have some concerns about the approach that was taken to centralize.

So I go back to the rural development and the multiministerial approach. I am interested in what you believe have been successes in the last fiscal year, not only of yourself but keeping in mind how other governments are trying to address the fiscal management of agriculture and their approach and advancement into rural development strategies.

The Chair: Thank you.

Mr. Horner: Did you want me to respond, Mr. Chairman?

The Chair: If you could respond in writing, the chair would be very grateful.

Mr. Horner: I would be pleased to do so.

The Chair: Thank you.
Mr. Eggen?

Mr. Eggen: Thanks. My question has to do with slaughter capacity. I would like to know what this department has done to not just increase slaughter capacity but to perhaps diversify and to regionalize slaughter capacity in support of smaller local abattoirs around the province. I think part of the problem that we ran into in the last couple of years is the concentration of our slaughter capacity and three big operations. So I'd like to encourage diversification.

Mr. Horner: It's happening. We'll get a response.

The Chair: Thank you.
To conclude, Dr. Morton.

Dr. Morton: My question is: did the Canadian Wheat Board adversely affect value-added initiatives and opportunities for wheat and barley farmers?

Mr. Horner: It'd be my pleasure to respond to that question.

Dr. Morton: On page 27 you talk about future challenges and the influences of federal government programs and policies. You talk about marketing constraints and regulations, which I assume is the Canadian Wheat Board. Then, of course, on your core business 1, as somebody else pointed out already, you have a target of \$20 billion in value-added by 2010. So I'm interested in the intersection of those two issues.

Mr. Horner: It's a good question. We'll provide a detailed response.

The Chair: Thank you.

Mr. Horner: My pleasure. Thank you, Mr. Chairman.

The Chair: I would like to on behalf of the entire committee thank you and your department for your time and your patience with us today. I would like to also thank the Auditor General.

That concludes this part of the agenda. You and your staff are free to exit if you would like. You're welcome to stay.

Mr. Horner: Thanks very much to the committee.

The Chair: Could I have the attention of the members of the committee, please. Item 4 on the agenda, the 2006-07 Summary of Committee Budget Estimates, has been circulated. I would like to refer members to the one-page summary of committee budget estimates of 2006-07. This is basically a status quo budget. The only change is a decrease in the travel category to reflect the anticipated costs of the conference in Charlottetown next year. This budget does not provide pay for members for travel associated with meetings held outside session, of course, so there's no budget for that. Are there any questions about the budget?

Rev. Abbott: Yes. I notice that it says, "pay to Members of Leg. Assembly," and that's increased for '05-06. I understand that that's the chairman's pay. Is that a voted increase or an automatic increase, or how did that go up?

Mrs. Sawchuk: Mr. Chairman, I can respond to that. That is the standard increase that's been put in place for all staff and members for the next year. We project what the increase will be. In this case, I believe it was 3 per cent that was added on over last year's figures, and then, of course, they round it up.

Rev. Abbott: Okay. I didn't know that it went up automatically in previous years. Is this the first time that's happened?

Mrs. Sawchuk: Whenever we're doing budgeting, we always provide an increase based on what we believe it will be. It's not always right on. I think last year it was 3.9 per cent, and most had only budgeted 3 per cent. So it's a guesstimate.

Rev. Abbott: Oh, I see. Then does the chairman get paid that only on the months that we meet, or does he get that year-round?

The Chair: The chair gets that in 12 equal payments.

Mr. VanderBurg: As all chairs do for all committees: I do, you do, whoever chairs a committee.

Rev. Abbott: Thank you.

10:00

Ms Blakeman: Two questions. I note that again there is no allowance for the committee to meet outside of session, which very severely limits our ability to carry out our mandate, and I would have liked to have seen money included there.

Secondly, under the travel I believe that the locations of the annual meetings move back and forth east to west. Next year it's Charlottetown, which is a more expensive travel bill. What was it this year? Where was the location this year?

The Chair: The location was in Niagara-on-the-Lake, I believe.

Ms Blakeman: Oh, Ontario. So it was central, not west. All right.

Could I at some point get a detailed breakdown, just in writing, of the \$1,000 supply budget? I'm just interested in what's being covered there.

The Chair: We will provide that to you, Ms Blakeman.

Certainly, the chair would like to add that if the committee wishes, it could pass a motion to be forwarded to the Members' Services Committee requesting an increase in budget funds to accommodate an increased meeting schedule, or perhaps the House leaders could negotiate this. The chair after the election last fall provided a letter requesting that from the respective House leaders.

Ms Blakeman: And this House leader did bring it up.

The Chair: But the chair must note that no formal correspondence was received from any of the three House leaders.

Ms Blakeman: That's shocking. I apologize.

The Chair: Anyone else here have questions?

Rev. Abbott: I move approval.

The Chair: Reverend Abbott moves approval of the budget. I thought you wanted to change it.

Rev. Abbott: No.

The Chair: Okay.

Mr. Dunn: Can I offer one comment?

The Chair: Yes. Certainly, please.

Mr. Dunn: Just back to: where does this move? It moves in accordance with a defined program, and I'm going to strongly encourage that the chair attend the next program because in 2008 Alberta hosts this; in 2006, P.E.I.; in 2007 I believe British Columbia. In 2008 Alberta hosts it. I think it's appropriate to have some connection with that program, and I believe that the members who went there this year got a great deal out of it. Indeed, our province will be the host, and we should be prepared to receive all the rest of the jurisdictions in a consistent and uniform manner.

Thank you.

The Chair: Yes. The chair certainly appreciates that comment and that advice. The chair, as you know, has been . . .

Mr. VanderBurg: . . . well represented by the assistant chair.

The Chair: Well represented by the assistant chair, certainly. But it is my personal view, not reflective of this committee, that we spend the money on additional meeting times instead of on travel. If this meeting is in the province of Alberta, I would be delighted to participate and work in any way if I was the chair of this committee. It is my view that we should be using the money to hold additional meetings instead of travelling. If it's a budget constraint, let's use the money to hold additional meetings outside of session. That has been my silent protest, and it will probably continue until the meeting is held in this province.

Now approval of the budget.

Rev. Abbott: I move approval of the budget as presented.

The Chair: Thank you. All in favour of the budget as circulated? Thank you. None opposed?

Ms Blakeman: Yes, and I'd like my opposition noted, please. Thank you.

The Chair: Okay. Thank you. Ms Blakeman opposed. I appreciate that.

Okay. Now the next item on the agenda, Other Business. The chair would like to know . . .

Dr. Morton: Point of order.

The Chair: Yes.

Dr. Morton: I thought this committee only meets till 10 o'clock.

The Chair: You are correct.

Dr. Morton: Some of us have appointments elsewhere at 10 o'clock.

The Chair: That is true. The chair will ask for a motion to continue past 10 o'clock.

Mr. Eggen: I move that we try to tidy up as quick as we can but move past 10 o'clock. We already have.

Dr. Morton: I think the issues that are being proposed are important issues, and they can't be disposed of in three or four minutes. We're either here for 30 or 40 minutes or we leave, and I've got to leave.

The Chair: I can understand that.

Ms Blakeman: These are notices of motions. There's no intent that this be discussed today. As a courtesy I'm tabling them and giving notice of a motion that I'd like them discussed at the next meeting. I just need to present them, but we're not going to talk about them.

Mr. Eggen: Mr. Chairman, the document that I just passed around: I would like to have people read it and consider it.

Mr. Danyluk: David, that's not what it says.

The Chair: Okay. Both motions that have been circulated to the committee, by Ms Blakeman and David Eggen, will be discussed next week.

Mr. Danyluk: How can you do that? You can't give his notice of motion.

The Chair: No. That's not what she's doing, Mr. Danyluk.

Mr. Danyluk: Well, she did.

Mr. Eggen: No, no, no. Let me just reiterate that. I'm asking, considering the time and the length of the motion that I have put forward today, if you would just consider this a document to look at, to consider for next week. I think that would be the most appropriate.

The Chair: Okay. Thank you. That is also applicable to Ms Blakeman's circulated motion.

Ms Blakeman: Yes. There are eight of them, and if people could consider them and if they could be on the agenda for discussion next week.

The Chair: Yes.

Mr. Danyluk: Mr. Chair, I do have a problem, then, with the wording because what happens is that this is not here for information for somebody to consider. It very explicitly says, "Mr. Eggen to move the following motion." That's explicit. It says, "Be it resolved." That's explicit. So it's not something that is there for the intention of information.

The Chair: The hon. member has indicated that we are going to deal with this matter next week, and that is fine with the chair.

Mr. Danyluk: Okay.

Ms Blakeman: Okay.

Mr. VanderBurg: I don't have an issue with discussing this next week, but can we maybe have Mrs. McClellan – she'll be here next week – leave at 9:30 and make her aware of that so that we have half an hour that we can discuss this?

The Chair: Certainly, if that's the direction of the committee, but it's the Minister of Finance. There are a lot of issues to be discussed

there, and an hour is hardly enough time to deal with such an important ministry. I don't mean to be disrespectful to other ministries.

Mr. VanderBurg: Well, I don't want to be disrespectful to these two members, and I want to give them time due. Otherwise, we may have to deal with it quickly next week.

The Chair: Is it possible for the members to agree to go and put it in our schedules till 10:15, like we are today, for the next meeting?

Ms Blakeman: I'm loath to give up time, but maybe we could compromise and invite the conclusion of the minister's remarks at 9:40 and spend the remaining 20 minutes working on this and others.

Hon. Members: Agreed.

The Chair: That's agreed? Okay. Fine. Thank you.

Now, the date of our next meeting, of course, is next Wednesday, November 30, with the Hon. Shirley McClellan, Minister of Finance.

Could I please have a motion to adjourn?

Mr. Rogers: So moved.

The Chair: Thank you. Mr. Rogers. All those in favour? Okay.

[The committee adjourned at 10:09 a.m.]