

Agricultural Credit Corporation of Saskatchewan

The Chair: — The hour now being 9 o'clock, we will start punctually and commence our review of the 1994-95 annual report of ACS (Agricultural Credit Corporation of Saskatchewan). I'm just looking on my schedule — I wonder, Ms. Woods, could you tell me, are we . . . Is it only '94-95 ACS? Okay, we have outstanding, we have the '94-95 and the '93-94 ACS reports.

In keeping with committee tradition, is it the committee's wish that we deal with both concurrently so that we can catch up on our agenda? That's agreed? Thank you very much.

Mr. Minister, in a moment I will ask you to introduce your officials, ask you or your officials to make whatever presentation you wish. Then I will call up the private auditor to make a statement regarding the annual reports under consideration and call on the Provincial Auditor to make a comment about the annual reports.

I will then entertain questions that members may have specifically of the auditors. After that, I will then entertain questions from committee members directed to you and your officials.

So if you would introduce your officials, please?

Hon. Mr. Upshall: — Thank you, Madam Chairperson. To my right is assistant deputy minister, Terry Scott; to my left is the general manager of Ag Credit Corporation, Mr. Norm Ballagh; and to my far left is the executive director of administration for ACS, Mr. Lorne Warnes. Thank you.

And as far as a statement goes, I don't think I have anything specific to say. I'm ready to go right into the intense questioning that the members might have.

The Chair: — Okay. I would then ask the auditor to make a comment on the annual reports.

Mr. Drayton: — Thank you, Madam Chairman. My name is Brian Drayton. I'm a partner with Price Waterhouse, an engagement partner on the audit of Agricultural Credit Corporation for both of the years under review this morning.

The annual reports are available. Our audit report is presented, I guess, to deal with the '94-95 report on page 11 of the annual report. It is a standard auditor's report, unqualified with respect to our opinion.

Our examination was conducted in accordance with generally accepted auditing standards and that, in our opinion, based on that examination, the financial statements presented in both '93-94 and '94-95 are presented fairly in accordance with generally accepted accounting principles.

In addition to the reports in the . . . the audit report in the annual reports of the corporation, we also issue three reports to the Office of the Provincial Auditor. One concerning the

adequacy of the corporation's internal controls; two, regarding the corporation's compliance with legislative authority; and thirdly, in other matters report dealing with those instances where we may have found either weakness or breaches in internal control and have conducted additional procedures whether or not there was any loss to the Crown due to the fraud, mistake, or other actions of employees or members of the corporation.

All three of those reports have clean opinions in both years, that being that in our view the internal control procedures at Ag Credit Corporation are adequate to protect and safeguard Crown assets; that the corporation has complied with legislative authority; and that there are no instances of loss to the Crown due to the fraud, mistake, or error of any individuals within the corporation. Those are fairly standard reports and they are consistent for both years, and I say all of our audit opinions are unqualified, being they are positive opinions.

The Chair: — Thank you very much. I do appreciate that, and I was just saying as an aside, this is one of the clearer statements from an auditor I've heard and . . .

Mr. Drayton: — Well thank you, Madam Chair.

The Chair: — . . . indicating three very clear principles for judging an annual report. I really appreciate that. I would now call upon the Provincial Auditor for a comment.

Mr. Atkinson: — Thank you. The Provincial Auditor is unable to be here this morning. Just as a point of interest, I would like to note that our office has worked with the accounting firm of Price Waterhouse since 1977, and we've had a long and cooperative relationship with this firm and with Brian Drayton. And I have no further comments. I'll ask Ed Montgomery, the director of audits in our office, to make the comments for Ag Credit because he's the person responsible for the audit in our office.

Mr. Montgomery: — Okay, first of all I'd like to point out that we agree with Price Waterhouse's audit report on the financial statements for both years included in the annual reports. Secondly, I'd like to say in 1995 the audit was carried out in accordance with the procedures set out by the task force on roles, responsibilities, and duties of auditors, and to my knowledge this was the first Treasury Board Crown, or non-CIC (Crown Investments Corporation of Saskatchewan) Crown to follow those procedures. And both management and the appointed auditor, Brian, were very keen to adopt a new approach.

A couple of other things. We're pleased to report that ACS has also tabled, in addition to the annual report, a list of supplementary payment information. And they did that for both years, and I guess the limits were the same as those used by the rest of the government, the executive government.

In addition, we're also pleased that ACS included their planned results in their financial statements for 1995, and that's shown in the statement of operations and surplus on page 13 where

they include their budget for 1995. This information allows comparison between the 1995 actual results and the corporation's planned result. And finally, I'd say there's no new matters raised in the audit of ACS for the years 1994 and 1995.

The Chair: — Thank you very much. Do members of the committee have any questions specifically of either Price Waterhouse or the Provincial Auditor?

Mr. McLane: — Thank you, Madam Chair. First of all I'd like to welcome the minister and his officials here this morning and thank them for coming, as well as the Provincial Auditor and Price Waterhouse as well.

Madam Chair, my question I guess is regarding write-downs in ACS and what role that the auditor and the Provincial Auditor play in reviewing those write-downs to ensure that there is some . . . I guess what role do they play in reviewing those write-downs would be the simple question.

Mr. Drayton: — Madam Chairman, I guess for clarification there are two elements of write-down. One is our actual write-downs on settlement of loans and the other is write-downs with respect to providing provision for loan losses in the financial statements. And really our role on both counts is to assess the judgements and estimates made by management; that is, assessing the policies and procedures applied by management, reviewing historical information, providing statistical-based sampling, if you will, of our estimates of write-downs, comparing those with management, and then assessing the overall adequacy of those write-downs as far as the provisions go.

As far as actual write-downs on settlement, the extent of our procedures is to review those, again on a statistical basis, and ensure that appropriate board approvals have been made for actual settlements and write-downs.

Mr. McLane: — Yes, thank you. And then the Provincial Auditor's role?

Mr. Montgomery: — Yes, we have a similar role to Brian, except that we are not directly involved in performing the work. Our role is more looking at the procedures performed by Price Waterhouse and looking to see if they would be similar to those procedures that we would have performed and forming an opinion on whether that work is adequate under generally accepted auditing standards. And in our opinion, the work performed by Price Waterhouse was adequate in accordance with generally accepted auditing standards and the provisions were reasonable.

Mr. McLane: — Just another question, Madam Chair, to the auditor. Has the auditor noted any changes in policy in regards to those loan write-downs?

Mr. Drayton: — In terms of changes in policy, no. Certainly in our view, over a period of years the procedures with respect to determining the provision for write-downs has improved significantly in the corporation, as we get better historical information and more information is available. And certainly as

those programs mature, the information becomes more reliable. So a change in policy, no. Improvement in the availability of information in which to base assessments, yes.

Mr. McLane: — Thank you.

The Chair: — Any further questions? Okay. If there are no other questions of the auditors, I thank you all very much for your comments. And we will now, through the floor, open to general questioning of the minister and his officials.

Before I do that, since the committee has moved into a new era and we now have the opportunity of having the minister either answer directly or, if he wishes, having his officials answer questions put by members of committee . . . but again it is the minister's prerogative to decide who shall answer. But out of a sense of abundant caution, I'm going to read a statement to the officials to inform them of their rights and responsibilities when appearing before a legislative committee.

And the statement is as follows. Witnesses should be aware that when appearing before a legislative committee, your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action. In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that a witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings except in a prosecution for perjury or for the giving of contradictory evidence.

If the committee requests written information of your corporation, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document. And you are reminded to please address all comments through the Chair. Thank you.

Mr. D'Autremont: — Okay. Thank you very much, Madam Chairman. Mr. Minister, there's been a number of changes that have taken place in your corporation here in the past year, and over time I'd like to pursue some of them at some point. But I think it's important that we find out just what your corporation's goals and objectives are. And I know some of these are laid out in the statement, but it's also important that we find out exactly how you plan on measuring those goals, how you determine whether or not you have actually met your stated goals, and how you're going to meet those goals in the future. So I wonder if you could reiterate for the committee just what the goals of ACS are and how you plan on meeting those goals.

Hon. Mr. Upshall: — Thank you, Madam Chair. The goals of ACS are to provide financing for agriculture producers in the province in order that they may carry out their activities in times when they could not or did not receive lending from other institutions. As far as carrying out those goals, the corporation works in a manner that is not different than any other lending institution in many ways, and that is to put loans out at an interest rate and then recapture those loans over a period of time over a predetermined interest rate.

Mr. D'Autremont: — You must have, when you put out these agricultural loans, some idea as to how much you're prepared to put out and how you intend to collect that and what your goal is in mind — other than just providing agricultural credit. You must have some numbers in mind as to that you want to achieve, specifically as a net return on that investment. And how do you plan on achieving that? You say you have a predetermined interest rate. But how do you . . . you must have a goal in mind that you will get a certain amount of return back on that. How do you set that return, and how do you achieve that goal?

Hon. Mr. Upshall: — Well you're right, Mr. Member, that it's sometimes difficult to, even though you predetermine the interest rate, it's hard to determine what the rate of return will be from the loan. In the previous government, there were a number of loans put forward, as you may know, that were put forward on a political basis and were very, very hard to recoup. That pushed the portfolio up to over a billion dollars in the years under question. That portfolio has come down in each year, and we are continuing to try to mend the ill-conceived practices of the past.

Mr. D'Autremont: — So you're saying that some of the loans were put out on a strictly . . . because on a political basis, that those loans were inappropriate and should not have taken place. Do you not see a Crown corporation having any social impact or social policy involved in it?

Hon. Mr. Upshall: — That . . . (inaudible interjection) . . . are you okay, Madam Chair?

The Chair: — Yes, it was just a brief editorial chuckle.

Hon. Mr. Upshall: — Well the ACS is part of the government as a whole, and every government has a responsibility to social infrastructure in the province. But as far as business is concerned, ACS does do business on a businesslike basis and is trying to recoup and protect taxpayers' dollars, because it's a Treasury Board Crown, from whatever problems may have arisen in the past, for whatever reason. And I think they're doing it very well.

Mr. D'Autremont: — Do you feel that ACS, as a Crown corporation, has a social policy role to play?

Hon. Mr. Upshall: — ACS has a social policy role to play. The depth of that social policy is determined by the government of the day. And in the years under consideration, I think the government has tried to do two things: maintain a businesslike portfolio in ACS, a businesslike attitude in the portfolios of ACS; and also to try to consider the social aspect. And that is, not acting like a — what I might call — typical institution, where the recapture of the loans might be driven more by bottom line than by consideration for the farm family. I think ACS has a consideration of the farm family. It's a delicate balance but it's doing it very well, I believe.

Mr. D'Autremont: — So when a Crown corporation participates in social policy, does that mean for ACS that at some times their policies then might not be solely directed on a

businesslike manner; that there may be some other reason for the policy direction that they take; and the returns are not necessarily always comparable to that of some other private institution that may be in a similar business?

Hon. Mr. Upshall: — During the 1980s, I think your statement might be true. But in the years under consideration, I think it's been a very good combination of a business basis for recapturing loans and putting out loans and all the while keeping in mind that ACS is a Treasury Board Crown and has a responsibility to the economy of this province.

Mr. D'Autremont: — Thank you, Mr. Minister. Although in the beginning of your statements you seem to indicate, and perhaps you can clarify this for me, that some of the policy decisions made by ACS previously were perhaps not appropriate, that they were misdirected. And so I was wondering if you could clarify that in the context of social policy, as to whether or not a corporation should always determine its actions based on the bottom line.

Hon. Mr. Upshall: — Well I think a corporation — and you're speaking about years that are not under review, but I'm willing . . .

Mr. D'Autremont: — You brought it up first, Mr. Minister.

Hon. Mr. Upshall: — And it's my prerogative to answer or not to answer.

The Chair: — Perhaps we will just finish off this line of questioning with the minister's response and then move on to something else. I would remind committee members that we have only until 10:30. We also have Crop official representatives here. This room must be vacated by about 10:25 because it's going to be used by the Private Members' Bills Standing Committee. So it is my intention to call Crop Insurance at about quarter to 10, so I would ask both the Conservative opposition and the Liberal opposition to cooperate in terms of allocation of time. Mr. D'Autremont.

Hon. Mr. Upshall: — Okay, thank you, Madam Chair. As I said, even though it's not under review I'm willing to answer the question. And without being too provocative, what I was referring to of course is the production loan program of, I think it was 1986, and the spring seeding loan, I think of 1988. That may or may not have been programs that were put forward as a response to the social responsibility of the corporation but may have been put forward more as a response to the political climate at the time.

Mr. D'Autremont: — As the social policy though for within ACS as a program . . . I look at a number of other Crown corporations over the years that have provided either direct assistance or indirect assistance to the citizens of Saskatchewan. Some of those may have been done for political reasons at the time, but nevertheless had a social and economic value for their occurrence and have continued to provide assistance for the people of Saskatchewan since then.

I think that ACS, as an arm of government, has a social policy

role to play and that is determined by the government of the day. So I think that there is some value for having the Crown corporations play that kind of role. Now it's certainly open to interpretation by later governments as to whether or not that was an appropriate role at the time. But if you talk to most of the people who availed themselves of those opportunities that were available, which in most cases was a very, large number — if not virtually all farmers of the day — I think those programs served a purpose at that time.

I want to go back to one of the other comments you made as to the role of ACS, and you mention that the role of ACS was to provide financial support loans when someone couldn't receive a loan from another institution. Do you see the role of ACS as that of a lender of last resort?

The Chair: — Mr. Member, and, Mr. Minister, will you try to focus your questions and your comments in light of the '93-94 and '94-95 annual reports which really are the purpose of this committee's meeting today.

Hon. Mr. Upshall: — Certainly, but I just . . . I will answer the questions. You're in control of the years, Madam Chair.

No, ACS is not a lender of last resort and some of the policy decisions that were made in the past for what you deem as social reasons have become social problems in the current years. And ACS has tried very well and managed as best as possible to recoup that so-called social response of the 1980s. ACS is not a lender of last resort, but as I said, with having a responsibility to the economy of this province, there are times when ACS is a partner or lender that may incur maybe a little more risk than what a private lender would likely take on.

Mr. D'Autremont: — In the years of '93 to '95 you made the comment, consideration for family is given even though you deal with the loan portfolios in a businesslike manner. Could you give some examples of how you deal with consideration?

Hon. Mr. Upshall: — The direction that the corporation has taken in the last few years is that we try to handle each individual loan on what we call a businesslike basis. That would mean that if there is a loan that is delinquent, for example, including a sum of money that might be greater than . . . or less than the sum of money that you might expend to recoup that loan, well then that loan might be just written off. And that would save the taxpayers' dollars, and the account would be removed from the ledger.

Mr. D'Autremont: — In times past — and I would assume that it carries on — various farmers go through a debt restructuring process when they become insolvent. Does ACS participate in those restructuring?

Hon. Mr. Upshall: — The answer is yes.

Mr. D'Autremont: — Does ACS participate in the same forum as other lenders may, such as FCC (Farm Credit Corporation) or the credit union system or the banking system, in taking a shared write-down, or does ACS follow some other policy in dealing with the insolvency and the debt restructuring?

Hon. Mr. Upshall: — Well it depends on the position of ACS, whether they have first, second, or latter position on equity.

Mr. D'Autremont: — Does ACS accept a portion of the write-down though? I think back at in times past when I had some experience with, at, ACS, at the time seemed to be perhaps the most reluctant creditor to participate in a write-down. Does that continue to be the role that ACS plays? Or does ACS play a more active role in a debt restructure?

Hon. Mr. Upshall: — Well that may be your perception. I think I'm not sure that's the reality. I think ACS has undertaken to try to be as a responsible lender to, not only the taxpayer, but also to be fair to the clients in their portfolio.

The Chair: — Mr. D'Autremont, out of a sense of fairness to other members who have indicated they want to speak, I wonder if you could perhaps put one more question and then allow Mr. McLane to proceed.

Mr. D'Autremont: — Certainly I'll cooperate in that manner.

The loans that have been in arrears with ACS that have . . . the farmer has exited from farming. They may not have been able to restructure their debt in a sufficient manner. How does ACS deal with those clients that are no longer participating in agriculture?

Hon. Mr. Upshall: — They deal with them in the same manner . . . or not in the same manner but in a manner that they always have, and that is they try to recoup the loan. And it again depends on what type of a contract the client had with ACS. Sometimes if they're no longer farming and the corporation has tried to recoup the loan and can't for whatever reason, and has decided sometimes . . . the loan is written off. Other times when they think it's in a position where they might be able to recoup some of the loan, they continue to carry the portfolio.

Mr. D'Autremont: — Thank you.

The Chair: — Thank you, Mr. D'Autremont.

Mr. McLane: — Thank you, Madam Chairman. Mr. Minister, a supplement with the '93-94 report is a summary or a list of grant payments, and it states that the following is a list of payments in excess of \$5,000 made to banks and credit unions for claims under the guarantee provided by the counselling and assistance for farmers program, CAFF, on behalf of the following clients. Could you tell me what all is included in that list? What types of loans were written off here, and is there any of the production loan money in this list?

Hon. Mr. Upshall: — There is no production loan money involved in that. That's all CAFF money and situations where the corporation took over loans from the institutions that they're involved with.

Mr. McLane: — Thank you. Could you give us some examples of what happens to determine that these loans should have been written off. At this time, there's some fairly hefty loans on this list, Mr. Minister. Could you possibly give us some

circumstances in general terms. I know you're not able to get into individuals here unless you so wish, unless you have that or your officials have that information with them or can recall. So maybe some of the background why some of these loans were written off, and particular the huge loans that were written off.

Hon. Mr. Upshall: — Yes, the list that you're looking at are not loans that are written off. Those are simply . . . The way the CAFF program worked is that the producer went to an institution and then, depending on the circumstance, had a guarantee from the government under the counselling assistance requirements program. And these are . . . this list that you are looking at is a default list from institutions, and we didn't write it off. We just simply lived up to our responsibility, the corporation's responsibility, to cover the guarantee, and we still then try to recoup that loan.

Mr. McLane: — Thank you, Minister. Maybe we should back up a step then, if we could. And could you or one of your officials briefly outline how that CAFF program would work. From what I'm hearing from you, I guess I had a little misunderstanding of how this was working. Could you maybe back up and give us an example or lay out how that program actually works.

Hon. Mr. Upshall: — All these cases were people who were basically looking at restructuring of their portfolio and restructuring their financial plan. And they would be called before a panel of their peers, and that panel would then decide whether or not in the restructuring process they should have a guarantee from the government under the counselling assistance program.

Mr. McLane: — Thank you. I'm sorry, I'm not following, Mr. Minister. Can you tell me what . . . you say these loans are not written off, so can you tell me the procedure. Did these people have loans with ACS? Did they have loans with the bank that they were not able to meet their obligations, or a combination of both?

Hon. Mr. Upshall: — I think maybe just for your benefit, because I don't know all the detail, I'll just ask Mr. Ballagh to give you an overview of how the CAFF program worked.

Mr. McLane: — Thank you.

Mr. Ballagh: — ACS wasn't involved in providing the guarantees to financial institutions; that was done by the CAFF program at the time. And we subsequently took the responsibility for the wind-up of the CAFF program over.

Just to give a little bit of background, as the minister indicated, farmers who needed primarily additional assistance with respect to operating credit would go before a panel of their peers. A determination would be made as to whether or not they did require a guarantee from their financial institution to be able to obtain additional operating money. If that guarantee was provided, they would then get that money from the financial institution, guaranteed by the CAFF program. If they defaulted on repayment of that loan, as these individuals that you're

looking at did, generally the loan would be reduced to judgement by the financial institution. And then when we took them over, we would take them over with a judgement in place and then work with those individuals to try to collect the balance that was outstanding.

Mr. McLane: — Thank you. Then tell me, if you're talking about operating capital, how on earth could we have someone with over \$300,000 in arrears?

Mr. Ballagh: — It may have been more than one year's operating credit that was involved. Some of the guarantees were extended for two or more years. There was also, to a much more limited basis, some restructuring of other debts that occurred in there, although it was primarily operating. But, you know, there are some large amounts.

Mr. McLane: — Thank you. So then some of these write-downs . . . Would write-downs be the correct term to use for these?

Mr. Ballagh: — No. At this stage, all that was was money that they owed the financial institution. CAFF guaranteed it and we paid that amount out.

Mr. McLane: — So in essence this list of dollars on this page is actually a cost to the taxpayers of the province?

Mr. Ballagh: — It's a cost to the taxpayers, less what we were able to recover from those individual clients.

Mr. McLane: — Thank you. Then is there another list to show us what was recovered?

Mr. Ballagh: — Well that information is protected by confidentiality under the freedom of information and protection of privacy. This, and I can't really explain the difference, but this information is information that we have to provide. But when we are dealing with the individual client, then it's protected by protection of privacy.

The Chair: — Mr. McLane, Mr. Bjornerud from your party has indicated that he wishes also to speak, so we can keep on schedule? If you've finished with this line of questioning, could we turn it over to Mr. Bjornerud?

Mr. McLane: — I haven't finished but I'd certainly let Bob ask a question.

The Chair: — Okay. Thanks a lot.

Mr. Bjornerud: — I just have a couple of quick ones, Madam Chairman, and Harvey could have it back.

Mr. Minister, the one question I have is, when you talked about goals before, I would like to know what service your ACS is providing that Farm Credit is not providing. Now it seems to me that we're getting into an area where the same services are being duplicated. What advantage do our farmers in Saskatchewan have by having ACS at this point?

Hon. Mr. Upshall: — Yes, the role of or the portfolios of ACS and FCC were similar and there was some duplication. And although it's not in the year under review, Madam Chair, that was one of the reasons the decision was made to eliminate or phase out ACS and allow FCC and other institutions to carry those portfolios.

Mr. Bjornerud: — Okay. The loans that you make now, are they comparable to the interest rate charged by FCC or do we have a lower rate that we're charging our farmers in Saskatchewan?

Hon. Mr. Upshall: — Our rates are based on cost of funds. That's normally about nine and three-quarters per cent.

Mr. Bjornerud: — So I guess what you're saying is they're very comparable to FCC?

Hon. Mr. Upshall: — They're comparable, yes.

Mr. Bjornerud: — If I'm reading the *Estimates*, right here is all the new money that was loaned out by ACS last year — seven million, three hundred-and-some thousand dollars, or I'm not reading this statement right?

A Member: — I'm sorry. What year . . .

Mr. Bjornerud: — New loans advanced. Is this the total new money that was loaned out by ACS last year? It's page 14.

A Member: — In '94-95?

Mr. Bjornerud: — '94-95 *Estimates*, yes.

Hon. Mr. Upshall: — Yes.

Mr. Bjornerud: — So that was all the total money.

Okay. I only have one other question then. Can you tell me what the cost of wages and administrative . . . the whole administrative end of ACS for the year, that same period? Could you give me that? Would there be a way to get that?

Hon. Mr. Upshall: — For both years or for . . .

Mr. Bjornerud: — No, just the one year; '94-95.

Hon. Mr. Upshall: — You want total administration?

Mr. Bjornerud: — Well yes. I was trying to compare here of how much new cash dollars we have loaned out in here and what it actually cost to run ACS for that year — the administrative end, which would be salaries and offices etc.

Hon. Mr. Upshall: — Well you must remember that even though we put out 7 million — I believe that was the number — and the total administration is thirteen and a half million, but you can't compare one year's loan, because this is administering all the portfolio that has been compiled over a number of years.

Mr. Bjornerud: — Okay.

Hon. Mr. Upshall: — I can give that to you as a percentage, if you want, of the total portfolios.

Mr. Bjornerud: — No. I think that's good. I think that was what I was trying to find out.

The Chair: — Thank you, Mr. Bjornerud. Mr. McLane has a couple of quick questions I assume, before we move to Crop Insurance.

Mr. McLane: — Yes. If we could, there's a few questions I'd like to ask along this line of questioning just to extend it a wee bit, Madam Chair. Thank you.

Back to this list and back to the additional list that I talked about, of finding out how much money of this was collected, and you said freedom of information doesn't allow you to give you that information, as I've already found out through a request. How was that decision made, and what would be the problem with having that list available along with this one so that the people would know exactly how much money has been recovered and/or lost?

And a supplement question I guess was, who makes that decision?

Hon. Mr. Upshall: — You've got the answer to your question in aggregates. But I think you'll understand that, as other institutions don't give out information about their clients, ACS has a responsibility to ensure that the personal, individual information isn't released to the public.

We just deal with it on an aggregate basis. And so we do know what the cap guarantees were, you know, what the losses were and . . . well I guess you know what the total portfolio and the taxpayers' responsibility is.

Mr. McLane: — Thank you. Yes, I guess you'd have to admit, Mr. Minister, that when you are dealing with taxpayers' money, it is a little different than private lending institutions.

However, when this list is available it could leave the impression — certainly as I've got, and certainly for people that aren't really totally familiar with how that plan worked — that this money has indeed been written off on behalf of these farmers.

I guess my question would be then, who has access to this list?

Hon. Mr. Upshall: — Who has access?

Mr. McLane: — Yes.

Hon. Mr. Upshall: — In the corporation? Now I don't know if there's any particular person that you're interested in there, but I just want to inform you that we won't be releasing any individual information, as Farm Credit does not; as the banking institutions do not.

Mr. McLane: — I think you missed the question, Mr. Minister. The question was, this list; who can obtain this list? We have a copy of it; it's in the copy of the annual report.

Hon. Mr. Upshall: — Oh, that list.

Mr. McLane: — Who can get the list? Can somebody off the street walk in and ask for this list?

Hon. Mr. Upshall: — Yes, the list is . . . a hundred copies of this list, document, is handed to the Clerk of the Assembly and in turn the members of the Legislative Assembly get the list, and so basically then it's public.

Mr. McLane: — Just one further question regarding write-downs — and it's to do with the production loan, — can you tell me, Mr. Minister, in '93-94 what there was left in those productions loans that were written off at that time?

Hon. Mr. Upshall: — What the balance was of the total production loan?

Mr. McLane: — Yes.

Hon. Mr. Upshall: — Okay. Or what was written off? I'm sorry, I thought I heard two questions there.

Mr. McLane: — Both.

Hon. Mr. Upshall: — Okay. Did you say '93-94?

Mr. McLane: — Yes.

Hon. Mr. Upshall: — There was 226 million outstanding. And in note 5 of the annual report it explains that receivables at 1993-94 were 225 million, almost 226 million, and we're getting the write-offs for you here.

Mr. McLane: — And I guess supplement to that, Mr. Minister, while you're looking, if we can have for '94-95 as well?

Hon. Mr. Upshall: — In '94-95, the production loan receivables were 143 million so that's a reduction of approximately \$80 million.. Write-offs in '94-95 were 30.3 million. Did you want '93-94 as well?

Mr. McLane: — Yes, I'd like them both on the record and so we know what was written off and what's actually being paid.

Hon. Mr. Upshall: — Yes, we're just looking up the '93-94 write-offs.

The Chair: — If you could do it as quickly as possible because you are now eating into the time for Crop Insurance review.

Hon. Mr. Upshall: — We are just doing it as fast as humanly possible.

The Chair: — Thank you.

Hon. Mr. Upshall: — We don't seem to have the information

for '93-94 but we'll certainly get that to you within a few days.

Mr. McLane: — Thank you, Mr. Minister. I'd appreciate that and if you could just make a note for the next time we're back so that we can have that on the record as well; we'll bring it back at that time too.

Hon. Mr. Upshall: — I can give you a number up to the end of December for that year, which was 8.2 million. So although we don't know the exact figure, it would be in the \$10 million range. But we'll get the exact figure to you.

The Chair: — Thank you very much, Mr. Minister. Thank you, Mr. McLane.

Mr. McLane: — Thank you, Madam Chair. I would . . . I have a few more questions but there'll be another day.

The Chair: — I've received no indication from government members that they wish to address questions at this time to ACS so I would thank the officials from ACS for attending. And, Mr. Minister, if you would now bring forward your Crop Insurance officials. Again I would remind people we're going to have to move along speedily. We do have to vacate this room by 10:25. So that caution is also to the auditors.

Last night at the Commonwealth Parliamentary Association dinner we saw an excellent example of somebody speaking twice as fast for half as long, so maybe everybody else might want to follow the excellent example of Mr. Goohsen.

Mr. McLane: — Madam Chair, I'm sure you're not trying to dictate how we speak and at what pace and the number of questions that we ask. You wouldn't be trying to limit that would you?

The Chair: — No, I was addressing my comments to officials.

Mr. Minister, would you introduce your Crop Insurance officials at this point please?

Hon. Mr. Upshall: — Thank you. To my immediate left is Doug Matthies, general manger of Sask Crop Insurance; and to my far left is Keith Hayward, senior analyst of planning and development.

The Chair: — Thank you. I take it you have no preliminary statement you wish to make.

Hon. Mr. Upshall: — No.

The Chair: — From . . . I'm sorry, which firm are you from . . . (inaudible) . . . Right. KPMG. Would you please make your comment on the '93-94 and '94-95 annual reports?

Mr. Wilson: — Certainly. Good morning, Madam Chair, committee members. My name is Jamie Wilson. I'm an audit partner with KPMG in Regina's office and it's a pleasure to appear before you once again.

We've conducted our audit of the Saskatchewan Crop

Insurance Corporation and the reinsurance fund for the years ended March 31, 1994 and '95 and our reports are contained in the annual reports which have been tabled before the committee. Our audits were conducted in accordance with generally accepted auditing standards, and we report that the corporation's financial statements are fairly presented in accordance with generally accepted accounting principles as at March 31 of each of the two years involved.

In addition to conducting an audit examination on the annual financial statements, we also do additional work to report to the Provincial Auditor on three particular areas. One, the adequacy of internal controls within both the corporation and the reinsurance fund; secondly, on the compliance of both the reinsurance fund and the corporation with certain legislative requirements; and finally, on other matters which may be reportable to the members of the legislature. For each of the years involved, we issued clean reports. We had nothing reportable on either of those three matters.

I might draw the committee's attention to a couple of things. In 1995 the format of the financial statements were changed slightly — based upon work done with the corporation, the Provincial Auditor's office, Department of Finance and our office — to more clearly, I guess, reflect the residual interest in the GRIP (gross revenue insurance program) program on the part of the provincial government, federal government, and producers. So there's a slight change in terms of the financial statement format as you're looking at it.

That's all I have to say, although I'd be pleased to answer any questions.

The Chair: — Thank you, Mr. Wilson. And now from the Provincial Auditor's department.

Ms. Ferguson: — Thank you, Madam Chair, and hon. members. I'm Judy Ferguson from the Office of the Provincial Auditor. I've had the pleasure of working with Jamie on the audit of Crop Insurance and the reinsurance fund and with management of the corporation.

I'm pleased to report that we concur with the opinions rendered by KPMG on these audits. The only matter that we have brought to the attention of the Assembly — and you'll find that matter is noted in our spring report for 1996 — is that our office is encouraging the organization to include a comparison of actual to budgeted results within their financial statements for both the corporation and the reinsurance fund. And it's our understanding that the corporation is considering that disclosure for the 1996 financial statements, and these are moving forward nicely.

I would also like to advise the committee that our relations with KPMG and with the management are very good, and it's been a pleasure to work with both parties. And that concludes my presentation.

The Chair: — Thank you, Ms. Ferguson. Do any members from the committee have questions of either KPMG or the Provincial Auditor? If not then, Mr. D'Autremont and then Mr.

Bjornerud, and again I would remind you we have 25 minutes of time, so I will give you a warning at a certain point, Mr. D'Autremont. I am going to try to be fair and apportion the time equally between the two parties.

Mr. D'Autremont: — Well I'm going to be even fairer than that. I have to leave since we're running a little late. I'm behind schedule. So I will have to pass on this occasion. But thank you.

The Chair: — Thank you very much, Mr. D'Autremont. Mr. Bjornerud.

Mr. Bjornerud: — Thank you, Madam Chair. The first question I have is the debt Crop Insurance has accumulated; can you give me the number of that?

Hon. Mr. Upshall: — The current debt is 427 million.

Mr. Bjornerud: — 427, that's as of the end of '95. Would that be right?

Hon. Mr. Upshall: — No that's '96. Do you . . .

Mr. Bjornerud: — No that's fine; that's actually better.

Hon. Mr. Upshall: — Yes, okay.

Mr. Bjornerud: — What was the number again, Mr. Minister?

Hon. Mr. Upshall: — 427 million is the current debt. That's the total debt. Of course that is shared provincially. Do you want the breakdown?

Mr. Bjornerud: — If you have.

Hon. Mr. Upshall: — Yes, the provincial portion is approximately 137 million, and the balance would be 190 million, roughly, federally . . . Oh no, sorry, 427 minus 137 is the balance.

Mr. Bjornerud: — Is federal?

Hon. Mr. Upshall: — Is federal, yes. Down significantly from past years.

Mr. Bjornerud: — We talked before when we were talking with the ACS portfolio what the goals were of Crop Insurance. And I'm wondering now with this debt building up as it is, is it the plan of Crop Insurance to start recovering some of that money through the premiums that will be charged? Or has that been the plan? You know, is that one way of the department trying to recover some of this money?

Hon. Mr. Upshall: — The premiums that are charged have debt recapture built into them. So every year that the . . . as I said this number is a number that has been reduced . . . reducing, like, getting smaller every year, and therefore the premiums, the portion of the premium that as relates to debt is being reduced.

So the objective of the corporation of course is try to get the total debt down as low as possible; therefore the client gets a better rate in their premiums.

Mr. Bjornerud: — Okay, the number of contracts, and I think you just touched on it, is slowly been . . . There's less number of contracts taken out every year. Am I following that right in the auditor's report? Is there less contracts being held every year by Saskatchewan farmers with Crop Insurance?

Hon. Mr. Upshall: — Yes, the insured acres have been reduced. Remember it's the post-GRIP era there so there was some complications with that. The average over last 20 years basically has been about 67 per cent of acres enrolled. Right now, as of 1995 rather, we are about 58 per cent.

However, it's been . . . For example, in 1976 it was 53 per cent. It grew to a high of about 89 per cent in 1991 after a policy decision in 1990 when GRIP was introduced and there was some incentives for people to get into the program.

Mr. Bjornerud: — Okay. Now I know a number of farmers, including myself, that possibly are not happy what Crop Insurance coverage covers, the amount to which it covers for the premium that's charged. A number of farmers have insured a crop that they don't grow in order to keep their contract open. You follow what I'm saying? Are these included in these numbers?

Now we're saying that there's . . . at one point we're down to 58 per cent of what we were of the total acres. Would these acres be included in there to make it . . . I think what I'm saying is that this would be a very deceiving number of acres insured if these were included in there.

Hon. Mr. Upshall: — No, these are actual acres that were seeded and covered. There's no mythical acres in there just to keep the contracts open.

Mr. Bjornerud: — Okay, but you follow what I'm saying, Mr. Minister? I've done it myself, is to insure, say for an example, oats — and I have no intentions of growing oats — to keep my contract open.

Hon. Mr. Upshall: — No, but then you have to put the number of acres that you were insuring and this is the actual acres.

Mr. Bjornerud: — Yes, okay. I think the next one is maybe getting a little bit broad here, but I think it's a very important issue that's come to light this year and with the wildlife problem we have out there. Is there anything in the, you know, within the goals of Crop Insurance to go to something like a spot-loss for wildlife like we have with hail insurance? Would that be something in the future that may be looked at by Saskatchewan Crop Insurance?

Hon. Mr. Upshall: — In the years under review, the answer is basically no. But it's one of the options that we are looking at. I've had the corporation try to figure out what the premium increase would be if we were to include spot-loss wildlife, because I think in this day and age the taxpayer — even though

that it's the Crown's deer — the taxpayer can't be responsible for everything. I think that farmers should have that option because they . . . I think the current process, the current situation, is not acceptable. Because you know I mean I've seen what's happened in wildlife.

So we're looking at that and I think that's one thing that in the program review that we'll probably putting forward to test, to ask farmers if they want spot-loss wildlife. Yes, wildlife is, wildlife damage is covered under normal yield loss but not spot-loss.

Mr. Bjornerud: — I'd just like to touch on that just one little bit more because I think this is a very important issue and it's really come to light this winter, and a number of farmers have really been caught in the middle of this. Because if spot-loss is not part of this program . . . a number of the farmers say for an example, have three-quarters of linola or peas or whatever the situation, and they've harvested half of them, and had a half decent yield out of that, they may have got to the point where Crop Insurance wouldn't kick in anyway. So without spot-loss, really it's not going to help many of these farmers out anyway. So that's why I was saying that spot-loss, I think, would be a very important thing. It would solve our problem that's come up this winter, and we don't seem to be addressing this.

Hon. Mr. Upshall: — I can tell you that I agree with that and the corporation agrees with that as well. We're trying to come up with some numbers as to what the cost might be. But one of the problems is that there's nothing to base it on. You don't have a claim from a previous year. It's sort of an educated guess, and so it's very difficult to determine. And what we're trying to do before we put out any definitive number as to what the extra premium would be, although we think it wouldn't be a lot, but before we put anything out specifically we want to make sure that we've covered all the bases and done the numbers, to make sure this program . . . to find out what would or wouldn't work.

The Chair: — Thank you. You've completed your line of questioning, Mr. Bjornerud?

Mr. McLane: — Thank you, Madam Chair. Mr. Minister, following on the line of wildlife damage from the years 1993 to 95, which we are reviewing today, what sort of conversations took place within the corporation in regards to that problem? Now this isn't the first year that we've had a wildlife problem in this province. It's happened before. And I'm wondering what type of discussions took place in those years.

Hon. Mr. Upshall: — In 1993 there was no program although there had been one previous to that. And in 1994, as a result of some damage, there was an ad hoc program put in place. And since then we've come to realize that due to winter conditions, weather conditions, that there is a potential for — as we saw this year — for major wildlife damage. So we put that as part of the Crop Insurance review to try to find if we could compensate, find some measure of compensating. Because it's pretty tough when farmers don't get their crops off and deer come in and . . . although you can't . . . if we were to sort of do it on an ad hoc basis, which we don't want to. I'm sure the

auditors would question the payments and I think so would the taxpayers. So what we're trying to do is develop a program that is acceptable to everybody and still provide coverage.

Mr. McLane: — Thank you, Mr. Minister. I guess certainly it's not ad hoc programs that I want to see as a taxpayer or as a farmer or as an elected person. And I guess that's the basis, I go back to my question again, is what discussions took place in those years, '93 to '95, which we're talking about today, knowing full well that there have been a history of problems in this province with wildlife and again, as you noted, extensive damage this winter.

Certainly given that the province reaps tremendous revenues from wildlife, things that result from having wildlife in this province — to tourism, to hunting, to what have you, from out of province, from in province, from out of Canada, as a matter of fact — I guess what I'm wondering is why has there not been a program put in place in the Crop Insurance Corporation so that there was something in place when a disaster like this winter happened.

Hon. Mr. Upshall: — The mandate of Crop Insurance Corporation is to provide a multi-peril loss coverage and not provide spot-loss. The spot-loss hail though was put in place because there was deemed to be a need for it. It didn't happen overnight. And over a period of time, spot-loss hail was incorporated.

In the same manner, now that we're seeing — there's been wildlife damage in the past — but we're seeing it being much more severe in the last few years, that's why we're looking, when we're reviewing the program, that we're looking to see if we can possibly add spot-loss wildlife to protect the producers.

Mr. McLane: — Thank you, Mr. Minister. So I guess what you're telling me then is that in those years that we're reviewing today there was very little or no discussion in coming up with a plan that would look after the needs of the producers in the event of a disaster, whether it was last winter or this winter or next winter.

The question still is, why wasn't there steps taken to ensure that there was a program in place of some sort, to look after a disaster as we're seeing this winter?

Hon. Mr. Upshall: — Well there are always discussions as to what should or should not be covered under crop insurance. Annually there are changes made; some years very insignificant; some years more significant. In 1993 the coverage was dropped. It was budgetary. And then in 1994 we put out over half a million dollars in wildlife damage.

Now the reason it has to be, I think, constant, and has to be a policy decision, simply is that we want to ensure the corporation's viability. We have to be responsible to the producer, but we also have to be responsible to the taxpayer because it's a Treasury Board Crown.

So therefore, if we were to continue ad hoc or . . . I mean we could pay for spot-loss bug, we could pay for floods. I mean

you can add to the list any item you want. In this case, it's wildlife. Okay? But in any given year there's more than wildlife that causes damage to crops that are not covered under spot-loss; they're covered under the multi-peril, as Crop Insurance is set up.

So what we try to do is to ensure that the premium stays at a reasonable level. Because if you were to insure everything . . . you know, you can insure a multitude of things. You can go to 90 per cent coverage, if you want. But the problem was, the premium would be so high you wouldn't have anybody in the program.

What we try to find is the balance of protection for the producer and a premium that's affordable, and to ensure that the corporation stays viable.

Mr. McLane: — Thank you. I guess you'd have to agree that when we're talking about perils, when you're talking blights or if you're talking about bugs, it's certainly a lot different than wildlife damage. Wildlife damage, as I stated before, provides a great deal of revenue for the province of Saskatchewan.

And I certainly don't think that the farmer should have to pay for the damage caused by something that's creating great wealth for the province. And I think there's a huge difference between insurance for bugs or insurance for drought, as opposed to insurance for wildlife damage. And I think that you have to recognize that. And it's unfortunate that the corporation hasn't resolved that over the last few years in order that we wouldn't have this situation that we're in this winter.

Hon. Mr. Upshall: — Well I understand what you're saying but I don't agree with you. If you were in the area that I farm in, last year, and paid 10 bucks an acre or \$10 an acre to spray for wheat midge and one half section that was sprayed was done on time because the wind for . . . very small for control, and the next half section that was done was a total write-off because you sprayed two days too late, I think that farmer might make the case that his loss was just about as important as any wildlife loss.

And the argument comes down to, of course, who is responsible for the deer? I mean we're talking who's responsible for the wheat midge? I mean, the same thing. You can't . . . Like this year there was wildlife damage in certain areas of the province — north; east. The north and east side of the province it was much more prevalent than the centre part or the western part. It depends on the snow conditions.

If you get up towards, I think your area, there wasn't a whole lot of wildlife damage. I know that area because it's very close to my area. You get further north and east where the deer bunched up because the snow was so deep that they had to . . . it's an natural reaction for them to bunch together for self-preservation. Then there was damage because they found a field of flax or wheat or whatever, that was out. It was certainly to their advantage to stay there and survive.

So what we're trying to do as well as . . . it's the same as birds. We're trying to talk to some of the groups, conservation groups

that are around, Ducks Unlimited, to see if they might be willing to share in some of these things, the wildlife groups. But it comes down to one thing: do we put forward a program for wildlife on an ad hoc basis, which would then prompt the people who had flooding, say 150 out of 160 acres flooded as is this year in some cases; that people had wheat midge damage or diamondback damage or bertha armyworm damage, on a spot-loss basis.

I understand your concern; I understand the problem. But it isn't quite that easy to fix. If you want to fix it an ad hoc way, you can. But I think next year this time you'll be sitting back talking about diamondback or midge spot-loss instead of deer. So I think you understand the problems that the Crop Insurance has, to deal with this.

Mr. McLane: — Yes I understand the problem, Mr. Minister, but the difference from wildlife damage to wheat midge damage is black and white. In this province we go through great lengths to ensure habitat for wildlife. We have the federal government pumping in money; we have the provincial government; we have Ducks Unlimited; we have everyone providing habitat for wildlife, which causes it to flourish, which in turn causes a great deal of revenue once again to be injected into the provincial coffers.

We don't in this province go about creating habitat for the wheat midge. In my own area I had the wheat midge as well and sprayed to great lengths. I also had about 300 deer trampling over 4 or 500 hay bales this winter on my farm as well, which caused a great lot of damage. I think there isn't a comparison there, Mr. Minister.

You talked about ad hoc programs. We had an ad hoc program last year on the east side of the province for water damage because it was a disaster. I think it's a disaster that these farmers are losing millions of dollars from their crops this winter.

And I think an ad hoc program would be very much in order for this winter to look after those farmers, with the goal of moving to where you want to be and so do I and the rest of the taxpayers — a sustainable program for the rest of time that we can keep refurbishing year after year to ensure that the needs of the farmers are being met.

So I'm sorry but I don't buy your argument that wheat midge damage is the same as wildlife damage. In the eyes of a farmer, yes, it's going to be a loss to him. However, the wheat midge is a blight. And the wildlife, which is supposed to be a revenue-gathering agent for the province, is also turning into a blight for these farmers that have damage. So I don't buy your argument.

The Chair: — Thank you, Mr. McLane, for that very fair statement.

Hon. Mr. Upshall: — I just want to add one final comment, Madam Chair. And that is that if you talk to SERM (Saskatchewan Environment and Resource Management), you will know, if you have talked to them, you'll know that the

number of wildlife are down, which is hard for me to buy, but the actual numbers are down. The problem was the conditions — deep snow causing them to bunch up in the cold weather.

Now I would just ask, Madam Chair, if the member would do one thing for me. We're having a bit of trouble getting the federal government to cooperate or consider spot-loss, even though we're very keen on it and I agree with him. I ask the member if he might convey his concern that he's conveying here to his federal counterparts and hopefully we can get together and provide in the future some spot-loss relief for wildlife.

The Chair: — Thank you. On that note, I think we are going to have to adjourn because the Private Members' Committee has booked this space for 10:30 and there will be delegations coming from out of town. So I would suggest that what we will do for our next meeting next Thursday from 9 to 11 is review SGI (Saskatchewan Government Insurance).

Hon. Mr. Upshall: — Excuse me, Madam Chair. Madam Chair, sorry. I'm remiss. There was a request from someone that we have a list of the salary ranges for people who are working in an executive capacity at Crop Insurance and ACS, and I will table those now.

The Chair: — Thank you. If you would, the Clerk will take them and distribute copies to all members.

And that reminds me that I have received a letter from Mr. McLane, very punctually and thank you very much, detailing requests for standard information that he wished to have tabled with the committee. I am meeting with officials from CIC and with ministers to determine the ability of the corporations to respond to those requests and I will get back to you with a formal response in due course.

Mr. Bjornerud, you had a question, did you?

Mr. Bjornerud: — Well yes, I'd just like to thank the minister and his staff.

I'd like to go on though, further to Madam Minister . . . or Madam Chair, that 9 o'clock is becoming pretty near impossible for us as the official opposition to attend. There was words crossed last week because we were late here and it's going to be very inconvenient for us to be at 9 o'clock every . . .

The Chair: — I recognize that. And again all I can do is apologize and remind all members of all political parties that it is a legislative duty that we review the annual reports of the Crown corporations and the corporations that receive significant revenue from non-taxation sources. I realize that sometimes legislative duties can interfere with caucus duties, but we do have to schedule these meetings regularly.

We have had a pattern over the last four years of meeting on Thursday mornings while the legislature's in session. We were meeting at 8 or 8:30. As a compromise position to accommodate the wishes and desires of both opposition

caucuses, I moved the meetings back to 9 o'clock. But I'm afraid that now we are going to be meeting weekly from 9 to 11 on Thursday mornings. Again all I can do is apologize for the inconvenience, and perhaps next session we can meet well in advance and work out a better compromise position that takes into account the needs and concerns of all the duties for individual political parties versus the overarching and more important legislative duties of MLAs (Member of the Legislative Assembly).

With that, I will adjourn the meeting. Thank you, Mr. Minister, and your officials. We will meet next Thursday at 9 o'clock.

The committee adjourned at 10:25 a.m.