

**STANDING COMMITTEE ON PUBLIC ACCOUNTS**  
**June 19, 1990**

**Public Hearing: Department of Agriculture and Food**  
**(continued)**

**Mr. Chairman:** — Good morning, Mr. Kramer, Mr. Zilm, Mr. Mazer. We'll carry on where we left off the other day. I have a series of questions. The members on this side may have questions first about the livestock investment tax credit program. And I wonder, can you tell us in the year under review, which is the year ended March 31, 1989 — just to be clear on that point — how many Saskatchewan taxpayers received tax credits under this program?

**Mr. Kramer:** — Okay, Mr. Chairman, one comment I'd make at the outset is because it's a tax-related program, the information I will provide will be for the '88 calendar year, as opposed to the fiscal year, because the tax year would run January 1 to December 31.

**Mr. Chairman:** — I see, okay.

**Mr. Kramer:** — It covers 9 months of that period but not the 12-month period. For the livestock investment tax credit, there were 5,298 tax certificates issued for the '88 calendar year. For the livestock facilities tax credit program, there were 2,051 tax credits issued.

I believe there also was a request for information on occupation. Going back to the investment tax credit, there were 4,230 individuals who received credits who indicated principal occupation as farming, and 1,068 who indicated a principal occupation other than farming. That's of the total of 5,298 which I indicated earlier.

Within the facilities tax credit program, there were 1,998 individuals who indicated farming as the principal occupation, and 53 who indicated a non-farm principal occupation.

**Mr. Chairman:** — Do you have any figures on the total dollars paid out in the period under the livestock investment tax credit?

**Mr. Kramer:** — Yes. For the investment tax credit, total tax credits issued were \$9,063,914. For the facilities tax credit program, the tax credits issued were \$2,884,457.

**Mr. Rolfes:** — Mr. Stuart, could you tell me the difference between those two programs?

**A Member:** — Kramer.

**Mr. Rolfes:** — I'm sorry — Mr. Kramer. Could you tell me the difference between those two programs?

**Mr. Kramer:** — The investment tax credit program was the one that paid on a per animal basis for slaughter weight — \$25 per beef animal slaughtered, and lower levels for hogs and lambs.

The facilities tax credit program was a tax credit for investments in livestock rearing facilities — hog barns, beef operations, the like. But that was a tax credit. The second one on facilities.

**Mr. Rolfes:** — They were both tax credits.

**Mr. Kramer:** — That's right.

**Mr. Rolfes:** — Okay.

**Mr. Chairman:** — Under the counselling and assistance program for farmers, how many applications were received . . . I guess looking at the fiscal year, but if you have a different fiscal year let me know?

**Mr. Kramer:** — In the '88-89 fiscal year, there were 1,050 applications received.

**Mr. Chairman:** — And how many were rejected?

**Mr. Kramer:** — I have a number for the number of applicants approved which was 830 of that total.

**Mr. Chairman:** — Eight hundred and thirty approved.

**Mr. Kramer:** — Right.

**Mr. Swan:** — That would mean, would it, that the difference would be rejected?

**Mr. Kramer:** — That's correct. There would have been some applications that would have been withdrawn. There would have been others where the program would have accepted the application, and there was the possibility that a guarantee could be rejected by the lender after it was approved by the program. And there were 76 that fell into that category as well. So the approved would have been those who had guarantees put in place.

**Mr. Chairman:** — How many loan guarantees were extended during that period of time?

**Mr. Kramer:** — Is the question, number extended?

**Mr. Chairman:** — Yes.

**Mr. Kramer:** — Would have been 830.

**Mr. Chairman:** — Oh 830. Okay. Do you know how many were not accepted by lenders?

**Mr. Kramer:** — That would be 76.

**Mr. Chairman:** — How much money was involved in all these loan guarantees during the year under review?

**Mr. Kramer:** — There would have been a total amount guaranteed of \$52,288,567.

**Mr. Chairman:** — Would you have a cumulative figure, if that was the year under review, a cumulative figure for all assistance under the program that you're liable for as of the end of this fiscal period?

**Mr. Kramer:** — That's information that we could get, Mr. Chairman. We can provide that; we don't have that here this morning.

**Mr. Chairman:** — Okay. That'd be good. Thank you.

What was the total cost of operating the CAFF (counselling and assistance for farmers program) program?

**Mr. Kramer:** — It would be in two categories, Mr. Chairman. The amount for pay-outs on guarantees would have been \$11,981,458; and for the administration costs it would have been \$780,000.

**Mr. Chairman:** — How many panelists were there during the year?

**Mr. Kramer:** — Mr. Chairman, in the order of 95 to 100.

**Mr. Chairman:** — And these panelists are paid on a . . . I guess on a sort of a per diem or per occasion basis.

**Mr. Kramer:** — That's correct.

**Mr. Chairman:** — How much would have been paid in total to the panelists?

**Mr. Kramer:** — The total would be \$376,574.

**Mr. Chairman:** — And what was the highest amount paid to any individual panelist?

**Mr. Kramer:** — Mr. Chairman, within that total of 376,000 that I referred to, that would include contracts for two individuals who served as program chairman and assistant chairman, so they would have some significant portion of that total. The highest for a person who served only as a CAFF panelist on various panels dealing with farmers would be \$16,500.

**Mr. Rolfes:** — Mr. Chairman, I'd like to know how much was paid to the chairperson and the vice-chairperson, and what was the amount of each?

**Mr. Kramer:** — For the chairman it would have been 41,625, and for the assistant manager would have been 20,320.

**Mr. Rolfes:** — And who were these individuals?

**Mr. Kramer:** — The first would have been Barry Andrew as chairman . . .

**Mr. Rolfes:** — Who?

**Mr. Kramer:** — Barry Andrew. And the second would be Lloyd Young as assistant manager for the program. Both of those would serve as full-time positions.

**Mr. Chairman:** — Any other questions on the . . . (inaudible) . . .

Turn to the lands branch, and can you tell me how many lands branch leases there were in the year under review, and how many farmers or ranchers that might have involved?

**Mr. Kramer:** — Mr. Chairman, the number of active lease agreements in the year ended March 31, '89, 17,621.

**Mr. Chairman:** — How many farmers or ranchers would that involve?

**Mr. Kramer:** — A number somewhat smaller than that, but not a lot smaller than that. Some land parcels may be broken up so they had more than one lease for an individual. So the number of farmers would be somewhat less than the 17,621.

**Mr. Chairman:** — But you don't know the figure on that. All you've got is a . . .

**Mr. Kramer:** — No. I don't have a number of producers, number of farmers.

**Mr. Chairman:** — Like in terms of historical, how would that compare, say, with previous years, the 17,621 figure?

**Mr. Kramer:** — There wouldn't have been, I expect, Mr. Chairman, any major changes from previous years. The amount of land is about consistent with what would have been operated in the past.

**Mr. Chairman:** — How many leases were cancelled in the year under review?

**Mr. Kramer:** — That number, Mr. Chairman, would be 116.

**Mr. Chairman:** — 116. Okay. And how many were in arrears at the end of the year?

**Mr. Kramer:** — The number of agreements in arrears would have been 2,652.

**Mr. Chairman:** — 52?

**Mr. Kramer:** — Yes, 2,652.

**Mr. Chairman:** — What would have been the total amount of the lease payment arrears owing at the end of the year?

**Mr. Kramer:** — The arrears owing under agreements would have been \$3,677,381 — \$3,677,381.

**Mr. Rolfes:** — Could I ask a question? In that amount, how many of those were in arrears more than one year? Or would it be easier to ask how many were in arrears for two years, three years, four years, and more?

**Mr. Kramer:** — That's information that we could provide, Mr. Chairman. It's not information that I have with me.

**Mr. Rolfes:** — Could you provide that to the committee?

**Mr. Kramer:** — Yes, we will do that for you.

**Mr. Rolfes:** — How many were in arrears for each of the number of years, and the amount. I want the amount also, okay?

**Mr. Chairman:** — Do you keep any figures on how much provincial Crown land was sold during the year and what the average price would have been?

**Mr. Kramer:** — That's a number we can check on, Mr. Chairman. There's lands branch officials that are outside. Or if your preference would be just to provide that information to you in writing, we could do that as well.

**Mr. Chairman:** — Yes, that would be fine.

**Mr. Kramer:** — To provide it in writing?

**Mr. Chairman:** — Yes.

Are there any other questions on lands branch? If not, I'd like to move to the matching grants to international aid. Can you tell me how much funding was provided in that program for the year under review?

**Mr. Kramer:** — For the year under review, the amount would have been \$850,000 that was provided.

**Mr. Chairman:** — 850,000?

**Mr. Kramer:** — Correct.

**Mr. Chairman:** — Do you do any analysis yourself, Mr. Kramer, you and your officials, as to whether in your opinion the money was well expended?

**Mr. Kramer:** — Mr. Chairman, the review would take place before the projects are approved. After the projects are approved and funded through SCIC, we would leave that to the Saskatchewan Council for International Co-operation in terms of project administration.

**Mr. Chairman:** — So as I understand it then, they come to you with a list of projects for a year and ask for your matching funds for those specific projects.

**Mr. Kramer:** — Yes, that's correct. They would come with typically a number of proposals during the course of the year. Not all at once, but every few months we would get additional projects that they would want funded. Those would be reviewed and then they would proceed with implementation or funding.

**Mr. Chairman:** — As I understand it, if they come forward with a project that you felt was frivolous or — I'm not saying that there ever have been any — that you disagreed with, then you wouldn't participate necessarily in that particular project or projects.

**Mr. Kramer:** — That's correct, but my recollection is that that hasn't happened in my recent memory at least. Typically they would come forward with projects to government that are ones that we wouldn't have any difficulty with.

**Mr. Swan:** — I just wanted to ask on this topic, when you approved the 850,000 for last year, that would have been approved by cabinet at the beginning of the year before you knew what projects were speculated to be involved in. It's simply a negotiated figure in the early part of the year; then the projects themselves are made available to you at later dates.

**Mr. Kramer:** — That's correct.

**Mr. Chairman:** — Any further questions on the matching grants?

**Mr. Rolfes:** — I have just one question. Were there more requests than you could accommodate?

**Mr. Kramer:** — The way SCIC would work with the department with that program was that they would be made aware of the funding level and they would then indicate to the department which projects they would prefer that funding to go toward.

So it doesn't become a question of having more submitted than could be funded. Typically we advise them of the funding level and they indicate to us which projects they want funded. It comes to their own administration as well because some of them, they can get doubling or tripling of funding, depending on what kind of support they get from other sources. So we basically work it out in their best interests so that that use of funds goes to provide the maximum possible for allocation to projects.

**Mr. Rolfes:** — All the requests have to come through SCIC?

**Mr. Kramer:** — Yes, that's correct.

**Mr. Chairman:** — The matching grants program was substantially cut, I think, in this year's budget. And was it in half?

**A Member:** — Yes.

**Mr. Chairman:** — And I wanted to just make sure that it wasn't, that this cut wasn't a reflection of any concern that you might have had in the previous year, the year under review, about the operation of the program. That is to say, you . . . I've asked you about, you know, your opinion on projects and you said, no, basically we've been satisfied with the projects they've put before you. And I'm wondering if you had any other concerns at all about the way the program might have operated during the year under review.

**Mr. Kramer:** — No, Mr. Chairman. I think the operation with SCIC is one that's fairly routine, harmonious. They know the kind of funding level we have. We advise them of it. And there really haven't been any operating issues in the year under review at all.

**Mr. Chairman:** — Can I ask the auditor, if the auditor has had any concerns about the program?

**Mr. Wendel:** — No, we've had no problems with it, Mr. Chairman.

**Mr. Chairman:** — Unless there's any further question on that, I'd like to turn to the farm purchase program. In the year under review how much loan money remained outstanding under the farm purchase program, which ended I believe in 1987?

**Mr. Kramer:** — Mr. Chairman, the value of loans enrolled at the end of that fiscal year would have been \$591.402 million.

**Mr. Chairman:** — 591 . . .

**Mr. Kramer:** — . . . million 402,000.

**Mr. Chairman:** — That was the amount outstanding?

**Mr. Kramer:** — That's correct.

**Mr. Chairman:** — This is the farm purchase program?

**Mr. Kramer:** — Yes. A word of explanation on that program. The program works in a manner where farmers take out their loans with private lenders. They enrol those loans with farm purchase program. And the program provides rebates or interest subsidies on the basis of reducing the farmers' interest rate to 8 per cent for the first five years of his enrolment and 12 per cent for the next five years of his enrolment.

So this \$591 million figure I referred to would be the value of loans that would be enrolled under the program taken from private lenders and the interest payments to farmers that would be based on the interest rates I talked about applied to those loans.

**Mr. Chairman:** — The interest is a write-down to 8 per cent?

**Mr. Kramer:** — For the first five years for an individual producer, and 12 per cent for the second five years.

**Mr. Rolfes:** — Mr. Kramer, I might have missed the answer you gave, if you gave it. But the year under review, what was the total interest subsidy? I'm not sure whether you gave that or not.

**Mr. Kramer:** — The value of rebates paid in the year under review would have been \$13,635,309.

**Mr. Chairman:** — Is there any program criteria in this, like in terms of eligibility, any eligibility criteria?

**Mr. Kramer:** — Yes, there are, Mr. Chairman. There are criteria on maximum amount of loan, for instance. That's information that we could provide to the committee, if that's acceptable.

**Mr. Chairman:** — Yes.

**Mr. Kramer:** — We will list the criteria for eligibility.

**Mr. Chairman:** — Just on the maximum but not on need or anything like that. There is no . . .

**A Member:** — That's on need; sure it is.

**Mr. Kramer:** — Yes, we will provide that information criteria.

**Mr. Chairman:** — Okay. I appreciate that.

**Mr. Muller:** — I was going to ask, you provide the information also on the criteria for a farmer to meet the . . . or what it took for a farmer to meet the criteria of the department in order to be approved for an interest write-down because, I mean, not all could. I mean, there

was a limit on your assets . . .

**Mr. Kramer:** — Yes, there would be limits on net worth; there would be limits on resident requirement as well. There's a number of things.

**Mr. Rolfes:** — Mr. Chairman, I just want to ask a technical question on this. I haven't got the exact quote here. Are these considered . . . since it's a subsidy program, are these considered as loans or as grants or as both?

**Mr. Kramer:** — These would be considered as grants. The loan is enrolled. I don't want to create confusion, but the loan is enrolled, and if that loan is eligible for a rebate, what he receives as a rebate is a grant to that individual that receives it. For instance, if he has a loan of a hundred thousand dollars with his local credit union and if he's paying a current interest rate of 14 per cent and he's within the first five years of his eligibility, his interest rate would be rebated by a grant from 14 per cent down to 8 per cent and that in effect would be a cash payment to him.

**Mr. Rolfes:** — Is that all accounted in the *Public Accounts*, the individuals?

**Mr. Kramer:** — That's correct. Those cash payments in grants would be the 13-odd million that I referred to as subsidy payments in the . . .

**Mr. Rolfes:** — And they would be in the *Public Accounts*, the names of the individuals?

**Mr. Kramer:** — That's correct.

**Mr. Rolfes:** — Okay. Good enough.

**Mr. Chairman:** — Could I just ask, like, I'm just curious about this figure of 591 million. Would your department keep tabs on the total value of all farm land that might have been, in the period in question, might have been part of a transaction? I'm trying to get a level of order of magnitude of this 591 million.

**Mr. Kramer:** — We would have information, Mr. Chairman, on each of the loans that was enrolled. That's correct. So that that total amount is one that we would monitor on an ongoing basis. For instance, if a person ceased to be eligible because they moved out of province, that would be reduced. But those kind of ongoing totals are part of what program administration does.

**Mr. Chairman:** — But just what I'm getting at: the 591 million represents loans, the total value of loans that were outstanding in 1989 for a program that ended, I guess, what, in 1987?

**Mr. Kramer:** — In terms of new enrolments, that's correct.

**Mr. Chairman:** — I guess I'm trying to get a hint what would relate that to the total value of farm land or the total value of all farm land transactions in Saskatchewan.

**Mr. Kramer:** — We would have separate information,

Mr. Chairman. For instance, on the total value of debt, have separate information on the average value of farm land, monitored on an annual basis. So this wouldn't be our information base for that kind of data. This would be specific to those individuals who were enrolled in the program and may or may not be representative of what was happening across Saskatchewan with regard to total debt or farm land prices. But we have other ways of monitoring that and that is done.

**Mr. Chairman:** — Were there any arrears, or was that question asked on this program, that you were dealing with under the year under review?

**Mr. Kramer:** — Typically, Mr. Chairman, the arrears issue would be one that the private lenders would deal with, in the sense again that the \$591 million are not loans from government. They would be with the private lenders or Farm Credit Corporation or the credit unions. So that the arrears issue is one that the private lenders would deal with but when an individual gets to a certain point in arrears, then they cease to be eligible for their subsidy payment on interest as well.

**Mr. Chairman:** — And I'd just like to turn to the community pastures. During the year under review, were there any increases in fees or other charges or reductions in service at any of the provincial community pastures?

**Mr. Kramer:** — Mr. Chairman, the recollection from lands branch staff would be that there weren't increases or adjustments in community pasture fees. We will review that and if that is not the case, we'll provide that information to the committee.

**Mr. Chairman:** — Okay, thank you very much. And can you tell me in the year under review, I gather than you had moved ag reps and lands branch reps into new rural service centres. Did that present any costs to your department?

**Mr. Kramer:** — Mr. Chairman, it was in August of '88 that the lands branch operation and the extension operation were transferred from Department of Agriculture to the Department of Rural Development. So likewise, even for the information as provided in *Public Accounts*, it's a split year for those two operations. Any expenses related to the rural service centres or transfer of staff tied to those centres would be ones which would have appeared in the Department of Rural Development, *Public Accounts* information as opposed to the Department of Agriculture and Food.

**Mr. Chairman:** — I have no further questions.

**Mr. Rolfes:** — Mr. Chairman, I wanted to just briefly turn to land bank leases if I may. Could you tell me the year under review how many land bank leases there were? And while you're at it, tell me the number of acres involved.

**Mr. Kramer:** — Mr. Chairman, if we're going to provide you with the exact numbers, that's something that we should provide you in written form. It isn't information we have with us. I would say that that number that I provided earlier on lands branch, active lease agreements of

17,621, would have included land bank as well. But the exact number of existing land bank leases and the acres in question, we can provide that information to you.

**Mr. Rolfes:** — While you're providing that, could you also tell me how many of those leases were in arrears the year under review, and how many individuals lost their leases in the year under review?

**Mr. Kramer:** — We can do that, Mr. Chairman. Again the information that I provided in terms of 116 leases cancelled in the year under review likewise would have included lands branch, traditional land, and land bank as well.

**Mr. Rolfes:** — And land bank, okay. I wasn't sure whether that was included in there. You wouldn't know how long some of these people had had their leases and lost them in the year under review.

**Mr. Kramer:** — Wouldn't have that information and it would take a review of each individual file to provide that information.

**Mr. Rolfes:** — Mr. Chairman, if I may, I'd like to go back to the farm purchase program for just a bit. I know you didn't give us the criteria that was used that people could qualify, but is it based on need or is it . . . if an individual has considerable outside income, would that prevent the individual from being eligible for loans under the farm purchase program? For example, would considerable outside income prevent an individual to be eligible for a farm purchase program? I know there's some qualified who have more income than I have. When did the program come into effect?

**Mr. Kramer:** — It would have been in December 1982, Mr. Chairman.

**Mr. Rolfes:** — 1982?

**Mr. Kramer:** — Correct. Mr. Chairman, when the program took its last new applicants, the eligibility criteria was set at a maximum for off-farm income of 35,000 for an individual and 45,000 for a family. That determined initial eligibility for the program. Once a person was eligible, there's no criteria that restricts their off-farm income.

For instance, if a person now is enrolled under the program and has a significant off-farm income, that is not going to determine their ongoing eligibility except that the individual needs to certify on an annual basis that they continue to be a bona fide farmer. That was the intent of the program, to put in place bona fide farmers. So they need to certify that on an annual basis.

**Mr. Rolfes:** — So it wouldn't make any difference if a person increased his . . . or took other employment and substantially increased his or her income, they still would receive the rebates. So a cabinet minister gets rebates.

**Mr. Kramer:** — Mr. Chairman, two criteria I think that should be noted in terms of determining whether an individual is bona fide or not: they need to be the actual farm operator that operates and manages the farm; the

criteria also requires that a majority of their income come from farming. That is, a gross income come from farming, so that if someone was working full time off the farm, depending on their farm operation, that may put into question whether they were bona fide farmers.

**Mr. Rolfes:** — Would an MLA, in your opinion, be considered as a bona fide farmer and be eligible under this program?

**Mr. Kramer:** — The criteria, Mr. Chairman, would be applied the same as for any other occupation in terms of contribution to the actual farm operation, the management and operation of the farm, and the level of gross income that came from the farm operation and that came from the other salary.

**Mr. Swan:** — I just thought I'd like to bring to the member's attention that MLAs and cabinet ministers, for the purpose of the federal income tax, they don't consider that to be income that would disqualify you from being a farmer. Like I could make, as a farmer today, I could make less money from the farm than I do here and I would still be qualified as a farmer because they don't classify MLA work in the same context as they do others.

**Mr. Rolfes:** — All right. Let me ask a further question. Would a cabinet minister be eligible under this program and continue to be eligible?

**Mr. Kramer:** — Mr. Chairman, I think I'd just make the comment that the criteria that are used for anyone's eligibility would be consistent, in the sense of being directly involved in the farm operation and management and a review of gross income sources, farm and off-farm, and that would just come from income tax form. So the criteria would be consistent, regardless of the occupation that individuals were involved in.

**Mr. Rolfes:** — Mr. Chairman, I find it . . . I just happened to look through it and I saw a cabinet minister's name as one who received a substantial rebate of \$11,000-and-some. That means there must have been a fairly large loan . . . (inaudible interjection) . . . No, but it . . . Well that was my question. Now that he is a cabinet minister, would he become ineligible for further rebates since he will be getting 80-some thousand as a cabinet minister, and one of the criterion seems to be that there has to be less income off-farm than on-farm?

Surely, I mean as a farmer, he's got to be a pretty darn big farmer to make \$87,000, unless the farmers have been . . . Oh, I see some guys over there say, well . . . Then farmers have been pulling the wool over our eyes if that's not the case.

I know they were just joking over there; they've got to be because there's no way that someone will be earning that kind of money off of a fair-sized farm.

**Mr. Kramer:** — Mr. Chairman, it might be repetitive on my part, but say that the criteria of involvement in the farm operation, and of majority of income coming from farm in terms of gross income — that's gross as opposed to net — criteria that would be applied. Individual provides that information on an annual basis and that's the basis for

ongoing eligibility in terms of continuing to be a bona fide farmer. And it would be applied consistently in all cases.

**Mr. Rolfes:** — I don't argue with you that you applied it consistently. I find it somewhat difficult that a cabinet minister, which I consider a full-time job, can also be considered as an individual who can devote sufficient time to administration and running and input of the farm and be eligible for these programs. I don't question your applying the program consistently, but I do find it somewhat difficult that a cabinet minister would still be considered as a person who would be actively involved in running, administering, and doing the actual farm work. He's either not doing his job as a cabinet minister or he's not paying very much attention to his farm.

Now if he hires someone else to do the work on the farm, then he should not be considered or should not be eligible for the loans, you know, that he would be receiving here.

My question simply is — I'm not questioning when he applied for the loan that he wasn't eligible because he wasn't a cabinet minister, as it was pointed out — should he continue to be eligible for the rebates if he dramatically changes . . . or his off-farm income dramatically changes, should he be still eligible for the rebates or should we have a look at that criteria as to whether or not that individual would continue to be eligible?

I find it rather tough . . . even as an MLA, you know, we don't get . . . I mean, our wages aren't that bad, that someone should receive . . . as an MLA should be receiving \$11,000 rebate. I mean, I find that pretty tough to accept.

**A Member:** — He probably wasn't even elected . . . (inaudible) . . .

**Mr. Rolfes:** — Well no, but the rebate he got last year . . . I mean, the rebate he got last year. So maybe we have to look at those programs. When someone is eligible for a program and then changes his or her occupation and receives considerable amounts of money from the provincial government through being an MLA or a cabinet minister, maybe he or she should become ineligible at that time for the rebates. That's all I'm saying; I'm not questioning whether he was eligible at the time. I am questioning whether or not . . . and that applies to all. and I've made this statement before. On the loan production program . . . the farm loan production program, I've said the same thing, and cabinet ministers and MLAs were eligible for that program. I don't think that was fair. So I think we've got to look at the whole program, and this one kind of bothers me a bit.

**Mr. Chairman:** — I don't know how you want to . . . or if you want to respond to that, Mr. Kramer.

**Mr. Rolfes:** — No, I don't think he has to respond.

**A Member:** — He was just making a statement.

**Mr. Chairman:** — Mr. Hopfner wanted to clear this matter up.

**Mr. Hopfner:** — I don't think I can clear it up. The member is drawing a long bow with his statement. I mean, I would just like to indicate that when he refers to cabinet ministers as full time, I would suggest to him that I believe, in this day and age, MLA is full time. And I think the member had agreed with that when he made his statement.

But on the other hand, the member himself in his righteousness knows very well that he himself had not regarded MLAs as a full-time position but taught while he was an MLA himself. So I'm saying is, is maybe he shouldn't have been eligible for receiving funds from the Department of Education for teaching in the province, as well as another member from receiving . . . getting into a program with the Department of Agriculture.

**Mr. Chairman:** — I think we're getting into a debate here.

**Mr. Hopfner:** — So I'd just like to say that the member shouldn't be so righteous and figure he's the only one that can be righteous.

**Mr. Anguish:** — I suggest we let the department go and we take our break.

**Mr. Chairman:** — Yes. Are there any further questions of the Agriculture Department?

**Mr. Rolfes:** — No, Mr. Chairman, I would like you to give Mr. Hopfner an opportunity to further explain this to . . .

**Mr. Chairman:** — I think during the break. Mr. Kramer, thank you very much for coming out. Thank you also for being well prepared. The committee appreciates it. We'll be looking forward to any other information that you may be sending us pursuant to the questions. Thank you very much.

**Mr. Kramer:** — Thank you, Mr. Chairman.

**Mr. Chairman:** — Let's take a break now and then come back in 5 or 10 minutes.

The committee recessed for a short period of time.

**Mr. Chairman:** — Economic Development and Tourism.

**A Member:** — Is that where we're going?

**Mr. Anguish:** — I have a couple of questions for the auditor. Last night during estimates, the associate minister, in answer to some questions, said that there had been five clear audits for the northern economic development revolving fund, their loan portfolio. And I'm wondering whether you can confirm that there've been five clear audits and what exactly five clear audits mean, for five consecutive years.

**Mr. Swan:** — That would be in the year under review?

**Mr. Anguish:** — Well one of them would certainly be in the year under review.

**Mr. Swan:** — Well, yes, he could tell you about one but

not five.

**Mr. Anguish:** — Are we going to get picky about this again?

**Mr. Wendel:** — Mr. Chairman, I'm not certain what the term "five clear audits" would mean, but in the volume 2 of the *Public Accounts*, there are some financial statements presented for the Northern Saskatchewan Economic Development Revolving Fund. And there was an opinion, an auditor's opinion attached to those financial statements, which has no reservations. That's for the year ended March 31, 1989.

Now there's also nothing noted in the 1989 annual report under Northern Saskatchewan Economic Development Revolving Fund, but I couldn't tell you whether there has been anything going back for five years without going back to look. And I don't have that information with me.

**Mr. Anguish:** — Okay, well you make that same good point that Mr. Swan made, I guess. But anyway if there's no reservations, I take it that could be what the minister would mean by a clear audit. And the clear audit just would mean, or with no reservations, means that they followed proper procedure and that they had the authority to do what they had done. Is that correct?

**Mr. Wendel:** — Yes, all of the things that we're responsible to report under the Act.

**Mr. Anguish:** — So it doesn't reflect the efficiency of the loan portfolio or the write-off position. That would not be reflected in an unreserved audit.

**Mr. Wendel:** — We would have ascertained whether or not the allowance for doubtful accounts was adequate for the amounts presented in financial statements.

**Mr. Anguish:** — You see, I find in volume 3 of the *Public Accounts*, on page 69 there is a subvote 20, which gives an appropriation to the Northern Saskatchewan Economic Development Revolving Fund of some \$264,116. I would have to assume that that money is put in there because there's not sufficient revenue into the account to make up for the expenditures from the account, and therefore the estimated appropriation of that amount?

**Mr. Wendel:** — Mr. Chairman, that could also be for new loans that they might make to individuals, that amount. It's a net number. The way revolving funds work is all of the receipts and disbursements go through this appropriation. The details of how that money was spent within that appropriation appears in volume 2. You know, that money could either be used for new loans to loan recipients and also reflects loan repayments. So it's just a net number.

**Mr. Anguish:** — Why is it a statutory provision, a statutory appropriation?

**Mr. Wendel:** — Maybe I'll have Mr. Kraus speak to that one. It goes way back into history.

**Mr. Anguish:** — Yes. It would kind of seem to me that

statutory provision meant that it was there every year, that it was . . .

**Mr. Wendel:** — And it can be any amount, Mr. Anguish. Maybe if I go back into history on it. Before there were revolving funds there were funds called working capital advance accounts. And if you had a working capital advance account and money had been put out under a working capital advance account, the province's financial statements carried an asset. That was a matter that the Provincial Auditor brought out many, many times in many reports back in the '70s and into the early '80s.

And the decision was taken to go to this thing called revolving funds. When you go to a revolving fund, the assets then disappeared or were removed from the financial statements of the Consolidated Fund. And what you then have to do is budget the net cash flow to an appropriation. And that's what they're doing here, and they made it a statutory charge against the Consolidated Fund.

**Mr. Anguish:** — Just so I have a clear understanding of this, something like the farm purchase program, the farm purchase program would also be a statutory appropriation? Could it be similar because it's a loan portfolio?

**Mr. Wendel:** — I'd have to look in the Estimates.

It's not noted as statutory, the farm purchase program fund. So it wouldn't be.

**Mr. Anguish:** — Should it not be?

**Mr. Wendel:** — That would be a matter of policy.

**Mr. Anguish:** — But wouldn't it be consistent. I'm just trying to understand why one would be statutory and one not. It seems to me these are both loan portfolios, the northern Saskatchewan revolving fund and the farm purchase program. They're both loan portfolios. And I'm wondering why one would be a statutory appropriation and the other not.

**Mr. Chairman:** — Mr. Kraus, did you want to . . .

**Mr. Kraus:** — It gets a little complicated and difficult to explain. Actually I think when it comes to the loans under this portfolio — and I'm going to ask Harry to make sure that if I say anything that isn't quite right to interject — but I believe the loans are treated as balance sheet items. I don't think they are accounted for as a budgetary expenditure, but rather they are treated as a loan to a third party and will show up on the province's financial statements as other loans to third parties. So this \$264,000 should not include any of the loans that have been made through this revolving fund to third parties.

On the other hand, the revolving funds which were created, as Mr. Wendel said, in I believe it was the fall of 1983, were a change from past practice. It does allow these revolving funds obviously to spend money up to certain limits. And I think the limit for this particular revolving fund — each has its own limit — I believe is \$1.5 million. And they then can spend money like a

business could and are to have fee structures set and approved by treasury board. They charge the users for their services, collect these moneys, and in theory are supposed to break even.

Now if they don't break even . . . and they are allowed to have, obviously, operate and have either profits or losses, if I can use that word, within acceptable ranges, and that's fine. If, for example, though, they have losses which they're not supposed to incur in excess of the acceptable limits, then the department that's responsible for them must appropriate an expenditure to the revolving fund, to record the expenditure, and bring them back up to a break-even point.

In this case they should never have a loss that exceeds a hundred thousand dollars at any particular point. We call it an accumulated deficit, shouldn't exceed a hundred thousand dollars.

**Mr. Anguish:** — I guess that's a little bit different from your explanation. To me this would not be new loans. This would be money that they didn't make provision for. They might have made provision for it but they certainly didn't have the money within the revolving fund to take care of the losses, and therefore it would be necessary for the appropriation of 264,000.

**Mr. Wendel:** — It appears that's the case. I'd have to have the other official that does that particular audit.

**Mr. Anguish:** — I'd like to call the department in now if we could.

**Mr. Chairman:** — Are there any questions on the auditor's comments? Do you have any comments to make?

**Mr. Wendel:** — With regard to the items in the annual report?

**Mr. Chairman:** — Yes.

**Mr. Wendel:** — We haven't completed our audit for 1990 yet. I have had a reply from the acting deputy minister on all of the matters. If you want me to go through, I can go through what . . . (inaudible) . . . we need.

**Mr. Chairman:** — Sure.

**Mr. Kraus:** — I just wanted to point out if there's any . . . seems to be confusion, it's because this is slightly different, this revolving fund. Normally any expenditure made by a revolving fund is treated as a budgetary expenditure. But in this case they do make loans to third parties, and so we thought it was better if they're treated as an asset of the province. And so they are shown under the other loans category, but it's an exception. You just may not have recalled . . .

**Mr. Wendel:** — Back to the other point. In regard to postage, they've advised that they have taken some action on that and they're going to have their postage broken down so they get better managerial control over it.

They also advise that they'll take further corrective action



once the Provincial Comptroller is finished his study.

**Mr. Chairman:** — So there is some interim action to control or to keep records.

**Mr. Wendel:** — To have more control, yes.

**Mr. Chairman:** — Pending Mr. Kraus's study of the matter?

**Mr. Wendel:** — That's right.

**Mr. Kraus:** — Yes, and we have a recommendation before treasury board division, and I'm hoping to get a decision on that in a few weeks really, and get on with it.

**Mr. Wendel:** — On the matter of cash receipts, they have a problem that was pointed out to me here, and one of the problems is, I guess it's not possible for the mail-room personnel to know where the money is to go. Like the money may go in a number of . . . may have to go to a number of different funds. And they didn't want to give the mail-room personnel the authority to decide. They would rather have that done by their accounting section, so they're looking at that to see whether they can change their procedures to tighten up the control over that and still allow the accounting section to do it.

**Mr. Chairman:** — So some of the mail that was being opened wasn't being opened by the accounting section and they're been negotiable instruments in there?

**Mr. Wendel:** — All of the mail was being opened by the mail room, and the problem was they weren't restrictively endorsing the cheques at that time. And their problem is the mail-room personnel didn't have enough knowledge to determine which stamp should go on it, which fund it belonged to. So they wanted to send it down to the next level, into the accounting section, to do that.

**Mr. Hopfner:** — How long would that practice have been going on?

**Mr. Wendel:** — Oh, I believe it has gone on for a year or two or more.

**Mr. Hopfner:** — Why would that not have been reported?

**Mr. Wendel:** — In the past, I couldn't comment on that right now, Mr. Hopfner. I'd have to go back and look.

**Mr. Chairman:** — It has been picked up in other departments, even this year and in previous years.

But you're satisfied that they're making some progress in dealing with that?

**Mr. Wendel:** — Well they've advised they're going to take action, and we'll be looking at it, yes.

**Mr. Chairman:** — Payments without authority.

**Mr. Wendel:** — The department advises that when they made this payment, they believed they were acting within authority. Subsequently, after discussions with the Department of Justice, they determined that they didn't

have adequate authority and they've advised that in future they will not undertake any more of these types of transactions.

**Mr. Kraus:** — I have a comment to make on that, Mr. Chairman, if I could. My staff reviewed the payment before it was made and questioned it and then determined that since there was a separate agreement made, that it would be okay to make the payment to SEDCO.

And in retrospect, they realized that the OC (order in council) was the . . . had the overriding authority and not the agreement. And in retrospect, they would have rejected the payment. However, they didn't, and I think I agree with what the auditor is saying, is that the department has agreed that they wouldn't pursue this type of arrangement in the future.

**Mr. Chairman:** — There's no question you have any misuse of funds or anything like that — just a question of whether the proper authority was in place?

**Mr. Kraus:** — That's right. The money was only supposed to leave the Consolidated Fund on the condition that the project was completed. Even though it just went to another Crown agency, that really wasn't acceptable. It shouldn't have left the Consolidated Fund. And the project may be completed now as far as that goes, but at the time it wasn't.

**Mr. Chairman:** — But that one's been resolved . . . (inaudible) . . .

**Mr. Wendel:** — They've advised they won't undertake any more of those types of transactions.

**Mr. Chairman:** — Any further questions on the auditor's report before we call . . .

**A Member:** — No.

**Mr. Chairman:** — Okay, let's call in the officials. While we're waiting here, does somebody want to move the motion that the hearing of the Department of Agriculture and Food, Provincial Auditor, be concluded subject to recall if necessary for further questioning. Moved by Mr. Hopfner.

Agreed

### Public Hearing: Economic Diversification and Trade

**Mr. Chairman:** — Good morning, Mr. Kutarna.

**Mr. Kutarna:** — Good morning.

**Mr. Chairman:** — I wonder if you might introduce the officials here with you.

**Mr. Kutarna:** — Okay, Mr. Chairman. I have with me to my left, Tom Young who is the executive director of the tourism division. And I have to my right, Harvey Murchison who was the director of administration. And I have Bruce Walker who is the director of the northern economic development fund. And I have joining us in a

few minutes, Bob Volk who is the chairman of our project co-ordination group and he'll be joining us in a few minutes.

**Mr. Chairman:** — I want to welcome you here this morning on behalf of the committee. I want to make you aware that when you're appearing as a witness before a legislative committee your testimony is privileged in the sense that it cannot be the subject of a libel action or any criminal proceedings against you. However what you do say is published in the *Minutes and Verbatim Report* of this committee and therefore is freely available as a public document. You are required to answer questions put to you by the committee.

Where the committee requests written information of your department I ask that 20 copies be submitted to the committee Clerk who will distribute the document and record it as a tabled document. And I thank you for addressing all your comments to the chair.

**Mr. Anguish:** — Thank you, Mr. Chair. Mr. Kutarna, I have a few preliminary questions, but mainly what I want to get to today is the Northern (Saskatchewan) Economic Development Revolving Fund.

But before we do that, I notice under administration in your subvote 1 that there's relocation expenses of \$17,622. Can you tell us what that was for?

**Mr. Kutarna:** — Mr. Chairman, the relocation expenses were for Mr. David Rothwell who was the deputy minister of the department at that time and who moved into Saskatchewan from Ontario. So those would be his relocation expenses.

**Mr. Anguish:** — So it cost you \$17,622 to move Mr. Rothwell from Ontario to Saskatchewan?

**Mr. Kutarna:** — Mr. Chairman, that would be moving expenses plus some living expenses while he would be looking for a house and moving his family and so on. So it's a combination of those things.

**Mr. Anguish:** — I notice also under regional services you had relocation expenses of \$36,808. Can you tell us what that relocation expenditure is for?

**Mr. Kutarna:** — Mr. Chairman, this would reflect internal moves of staff to the business resource centres around the province, and so we had five individual staff people who would have been transferred during that year.

**Mr. Anguish:** — Who were they, please?

**Mr. Kutarna:** — Gordon Dornstauder, who moved from Prince Albert to North Battleford; Norman Roy, who moved from La Ronge to Regina; Tim Schroder, who moved from Creighton to Yorkton; Darryl Stroh, moving from Tisdale to Swift Current; Jan Swanson, moving from Saskatoon to North Battleford.

**Mr. Anguish:** — How long was Mr. Rothwell with the department?

**Mr. Kutarna:** — He's been with the department since

February of 1988 and is currently with the department. He's the associate deputy minister responsible for the science and technology division, as well as the small business and co-ops division of this current department.

**Mr. Anguish:** — In what capacity did he come to Saskatchewan?

**Mr. Kutarna:** — Deputy minister.

**Mr. Anguish:** — So at some point he was demoted?

**Mr. Kutarna:** — When the merger of the four departments took place in the spring of this year, he was assigned to the associate deputy position. And I don't think it's considered a demotion although yes, the title is different than deputy minister. But he's a senior official in the department responsible for those two divisions, based in Saskatoon, by the way.

**Mr. Anguish:** — I understand that. You can't have four deputies in one department, can you?

**Mr. Kutarna:** — I'm sorry, I missed the . . .

**Mr. Anguish:** — I said, I understand that, because you can't have four deputies in one department.

**Mr. Kutarna:** — Yes.

**Mr. Anguish:** — There's also relocation expenses under the co-operatives branch of \$7,680. Can you tell us what that was for?

**Mr. Kutarna:** — Okay, this was the move of three officials from different locations. Lorraine Beckman moved from North Battleford to Regina, Anne Wileniec moved from Saskatoon to Regina, and Alfred Labas moved from Yorkton to Regina.

**Mr. Anguish:** — Okay, thank you. On page 73 of volume 3 of the *Public Accounts*, the Hon. Joan H. Duncan had an expenditure of \$27,941 in travel. Can you tell us or could you provide us with a list of the destinations of those trips, the duration of the trips, and who accompanied the minister on those trips?

**Mr. Kutarna:** — Mr. Chairman, the vast majority of this travel would be in-province travel. I do not have a list with me of the exact detailed itineraries. I could provide that but about \$4,000 of this would be out-of-province travel. So of the 28,000, 4,000 roughly is out-of-province. The remainder is in-province travel.

**Mr. Anguish:** — I'm more interested in the out-of-province travel, Mr. Kutarna, if you'd provide us with that, that would be charged against that \$27,941. I'm also wondering whether the minister had additional travel which would be assigned to any of the charters that would be listed in other expenses, payments to Saskatchewan Property Management Corporation, payments to scheduled aircraft. Is there additional travel that the minister would have taken out of province that's not reflected in the \$27,941?

**Mr. Kutarna:** — No, Mr. Chairman, all of the

out-of-province travel is listed. It's considered in the 4,000.

**Mr. Anguish:** — Okay, thank you. The other question I have regarding the minister, I'd like to know who was on her personal staff during the year under review and what the annual salary was that was paid to them. Could you provide us with that? There's also . . . are you going to do that now or you can provide that in writing?

**Mr. Kutarna:** — I can provide that. I have a list here.

**Mr. Anguish:** — Okay.

**Mr. Kutarna:** — Shall I read it?

**Mr. Anguish:** — Go ahead.

**Mr. Kutarna:** — Don Baron, ministerial assistant, 54,590; Lillian Gorrie, ministerial assistant, 37,716; Patricia Constanza, secretary, 16,234; Brenda Denouden, secretary, 25,932; Cheryl Dickie, secretary, 9,065; Mary Skulski, secretary 27,114; and there's a casual employee, Charlene Wagner, \$249.

**Mr. Anguish:** — Those amounts that you read to me, would they be what was paid annually? Is that their annual salary or is that the amount that was actually paid to them in the year under review?

**Mr. Kutarna:** — This would be the actual amount paid to them. In other words, it's not the annual salary. If they had worked for a full year, it's the annual salary; if it's less, they would have . . . this reflects only what they had paid.

**Mr. Anguish:** — How many of those employees worked for the full fiscal year?

**Mr. Kutarna:** — Five of those worked for the full fiscal year and one worked . . . it looks to me part time, and then the casual was obviously just . . .

**Mr. Anguish:** — Which one worked part time, please?

**Mr. Kutarna:** — Part time was Cheryl Dickie.

**Mr. Anguish:** — There's also a payment on page 74, volume 3 of the *Public Accounts* to Richard J. Swenson — I assume the Legislative Secretary to the minister. The payment was for \$4,630. Can you tell us what that payment was for and if there is any out-of-province travel reflected in that amount?

**Mr. Kutarna:** — Mr. Chairman, this is a combination of in province and out of province. The major out-of-province travel was a meeting in Bangkok, Thailand with the minister, and the remainder of it is in-province travel. And there's one meeting in Winnipeg as well.

**Mr. Anguish:** — Did the Legislative Secretary accompany the minister, you said, to Bangkok?

**Mr. Kutarna:** — Mr. Chairman, yes, he accompanied the minister on that trip.

**Mr. Anguish:** — Can you tell us the purpose of the

meeting?

**Mr. Kutarna:** — Mr. Chairman, my staff advise me that they do not believe that the Legislative Secretary accompanied the minister. The minister was not in Thailand, and my note here says meetings with minister. And so we'll undertake to clarify that for you as to which minister accompanied . . .

**Mr. Anguish:** — Well if the minister and the Legislative Secretary were in Bangkok at the same time or different times, I'd like to have a copy of their itinerary while they were there, so we can tell what business they secured for the province of Saskatchewan by their busy schedule I'm sure that they had while they were in Bangkok.

**Mr. Kutarna:** — We will look up the details of the trip and we'll provide the details.

**Mr. Anguish:** — Okay, if you maybe have those for next day because I don't think we're going to finish today anyway.

The other payment I want to ask about in *Public Accounts* on page 74 is to Dome Advertising Ltd. There was a payment made of \$345,248 and a payment to Dome Media Buying Services Ltd. for \$1,213,562. Can you give us some kind of detail as to why there is in excess of a million and a half paid to Dome in the year under review?

**Mr. Kutarna:** — Mr. Chairman, the first figure mentioned, \$345,000, is the preparation of advertising material in various programs operated by the department; as an example, general tourism advertising, in-province tourism, small-business awareness, resource centres, the business opportunities market-place show, and so on.

The remaining . . . the 1.2 million is the actual placement and purchase of advertising, and this is a variety of things related to programs operated by the department; for example, the external general touring advertisements for non-residents of Saskatchewan, the awareness of the business resource centre services in Saskatchewan, the business opportunities market-place, internal travel in the province, destination tourism business travel, promoting Saskatchewan with the motor coach trade, special opportunities for business, outdoor adventure vacations with the external market outside of Saskatchewan, and so on.

**Mr. Anguish:** — Tell us more about the motor coach promotion.

**Mr. Kutarna:** — There's a pattern in North America of the tour operators primarily used in the motor coach industry, who set up itineraries across North America, and so bringing to their awareness the opportunities in Saskatchewan as part of the advertising. And they would then, because of their awareness, have included Saskatchewan in their destinations.

**Mr. Anguish:** — Thank you. Another payment I want to ask about is to Mr. Rothwell. There's a David Rothwell on page 74 that got \$20,658. Is this the same David Rothwell that was moved from Ontario at a cost of \$17,622? And is this payment in addition to that? And if so, what was that

for?

**Mr. Kutarna:** — Mr. Chairman, yes, it's the same David Rothwell. It's the same payment that we spoke about earlier, this \$17,000 plus the addition of . . . I don't have it in front of me, but it would be the business expenses and perhaps some in-province travel for that fiscal year.

**Mr. Anguish:** — But the 17,000 had already . . .

**Mr. Kutarna:** — I'm sorry, it would not include in-province travel, but it would be business expenses. Sorry.

**Mr. Anguish:** — Well I really didn't want to spend this long on this. I still want to get into northern economic development. But Mr. Rothwell would have received in the year under review . . . (inaudible interjection) . . . No, no, I haven't even got to his salary yet, Mike. He would have received \$17,622; that was his move from Ontario and miscellaneous expenses associated with the move. He then had business expenses of \$20,658 . . .

**Mr. Kutarna:** — No, no, no. This, Mr. Chairman, is reported in two ways in the book, so it is the same \$20,000, 17 of which is the relocation, approximately 3,000 of which would be the business expenses in the province.

**Mr. Anguish:** — Why is this recorded in this way? I find that very confusing that the expenditures are listed twice and there's no kind of reconciliation that's shown to us in the *Public Accounts* that it's the same payment.

**Mr. Wendel:** — I will defer to the comptroller on this one, Mr. Anguish.

**Mr. Kraus:** — Well we do have to show it both ways because, first, it's classified as what we call an object code or a type of expenditure under the subvote. And that's one way of whether it's a rent or advertising or in this case a relocation expense. And then if payments to individual suppliers exceed \$10,000, then we also give you the name of the person or the party that received the money. And that's the purpose of this information on page 74.

So it is designed to really give you information twice, I guess, if an individual received \$10,000 or more.

**Mr. Anguish:** — Well it's always nice to get information twice. So what Mr. Rothwell received in the year under review in total would have been his salary of \$92,463 and also a payment totalling \$20,658. Is that correct?

**Mr. Kutarna:** — Yes.

**Mr. Anguish:** — I want to go through some of these other expenditures another day.

But before we leave off today, I want to talk about the revolving fund for northern Saskatchewan. In your loans portfolio under the revolving fund, what is your policy in terms of foreclosing on a loan? Do you let the person or the company that has the loan miss two payments, four payments, ten payments? When do you finally make the

decision as to whether or not you should foreclose on a particular loan?

**Mr. Kutarna:** — Mr. Chairman, to summarize the practice in the revolving fund, we would be using criteria that are similar to the commercial approach. In other words, you would age your accounts by 30 days, 60 days, and 90 days, and you would assess at each of those milestone dates the value of the security that we hold, the capability and the quality of management, and the general financial picture of that operation in order to determine whether you would call the loan or continue or renegotiate or do any of the steps that you might do to keep the loan current.

**Mr. Anguish:** — Well maybe leaving names out of it to protect the possible innocent, let's look at loan number 3280.

**Mr. Swan:** — Where did you find those figures?

**Mr. Anguish:** — Pardon?

**Mr. Swan:** — Where did you have that figure in the *Public Accounts*? Have you got it?

**Mr. Anguish:** — Which figure?

**Mr. Swan:** — The 3280. Where did you get it?

**Mr. Anguish:** — That's the number of the loan.

**Mr. Swan:** — Yes, but where did you get it from?

**Mr. Anguish:** — Well, not out of *Public Accounts*. But I assure you, it's in the year under review.

**Mr. Kutarna:** — Okay, we've located . . . What was the question again? I'm sorry.

**Mr. Anguish:** — Well I wanted to use this as an example. I'm talking about loan number 3280. At the point of the information I have, this account was eight payments, eight months in arrears. I'm wondering why you wouldn't foreclose on that loan. What was the assets that you had? What collateral did you have that stopped you from foreclosing on that particular loan?

**Mr. Kutarna:** — Mr. Chairman, under this particular loan the individual in question was attempting to dispose of the assets and our staff knew about that and could see that he was actively attempting to do that. So in order to ensure that that happened or permit that to happen, the loan was extended. And he has by now, by the way, disposed of the assets.

**Mr. Anguish:** — And cleared up the account.

**Mr. Kutarna:** — Yes.

**Mr. Anguish:** — Well I appreciate that but I can tell you that the commercial lending institution, if an account was eight months in arrears, wouldn't be allowing the person who had the loan to dispose of their own assets. But I'm happy at least that that account has been cleared up and we'll be having a look at that in the future.

**Mr. Hopfner:** — That's a false statement. That's not true.

Saskatchewan.

**Mr. Anguish:** — What's hypothetical?

**Mr. Kutarna:** — Yes, they are residents of northern

**Mr. Muller:** — That's hypothetical.

Saskatchewan.

**Mr. Muller:** — The commercial lending institution wouldn't allow it. I've been further than that behind myself.

**Mr. Anguish:** — They all are residents of northern Saskatchewan?

**Mr. Anguish:** — Well when they close on you they won't allow you to dispose of your own assets.

**Mr. Kutarna:** — Yes.

**Mr. Muller:** — They never have foreclosed. It's a hypothetical question.

**Mr. Anguish:** — Thank you. We're going to be coming back to this at some time, likely next meeting, so the numbers . . . maybe if you could have one of your staff review them in *Public Accounts* because these numbers will come up again.

**Mr. Anguish:** — Could you tell us if the principal of that loan 3280 has received other loans from the revolving fund or is associated with any companies that has received loans from the revolving fund.

I'm wondering what the disposition is of loan no. 2898 at the current time. My information was at one point that loan was 20 payments or 20 months in arrears.

**Mr. Kutarna:** — Mr. Chairman, the principal — and I'm being sensitive here to identifying this individual . . .

**Mr. Kutarna:** — Mr. Chairman, on that particular loan there is a deadline of July 1 for disposal of the assets. If it's not complied with, the assets will be seized and we will dispose of the assets.

**Mr. Anguish:** — Yes, I don't want you to identify the individual.

**Mr. Anguish:** — Is it your policy then to allow the principal to first dispose of assets, and then if they can't by some arbitrary or some agreed deadline, then you seize assets?

**Mr. Kutarna:** — The principal is . . . yes, there is another area in which the loan fund is working with that individual.

**Mr. Anguish:** — Is it possible that the loan fund that was received under another entity was used to pay off the loan that's in arrears? Is that not a possibility? Like I don't know why you would be lending more money to an entity that has an individual involved with it that was in default at least eight payments on another loan portfolio that you held with him.

**Mr. Kutarna:** — Mr. Chairman, this is the kind of a situation where it would be unfair to say that it's a hard and fast policy that we do something by the number of months or by the number of payments. We take into account all of the factors that are involved. In this particular case, the factor that's involved is that if we seize the assets early in the process, there is a strong possibility that the value is very, very low and therefore the recovery isn't adequate.

**Mr. Kutarna:** — Mr. Chairman, there's no connection in time between the two situations, okay? One was clean and clear before anything else was ever entered into.

If you give some reasonable attempt to sell the assets in the normal way, perhaps the return can be greater and therefore we can recover a larger amount. That's an example of the kind of judgement that we apply in this case.

**Mr. Anguish:** — What is the loan number of the other portfolio that you would be involved with?

**Mr. Kutarna:** — 3398.

**Mr. Anguish:** — I'm also interested in loan no. 3219. That's a loan that was made in early '88. And already they're eight months in arrears. I'm interested in loan number 1083 — 51 months in arrears and you're still carrying it on your loan portfolio. Another one, loan number 3096 — 32 months in arrears.

**Mr. Anguish:** — Could you also now move to loan no. 3375 and 3009. Those are to the same company. One loan was made back in '86; the other is quite current. It was made in fact quite recently.

It just seems to me that when you get a loan that's 51 months in arrears, that there must have been some problem even initially and that a person would arrive at such a situation where they'd be 51 months in arrears. And I would think that in a case like that, there must be virtually no asset that you can seize; otherwise I don't know any reason why we wouldn't have taken action to seize the assets.

**Mr. Kutarna:** — Excuse me, Mr. Chairman, we missed the second number.

**Mr. Anguish:** — 3375.

**Mr. Kutarna:** — Yes.

**Mr. Anguish:** — And 3009.

And if there are no assets, I wonder why you would give a loan to the amount that you did. At this date, the principal with interest is 39,000 — in excess of \$39,000. I wonder why you'd give a loan like that without having any asset

**Mr. Kutarna:** — Okay, yes, we've located it.

**Mr. Anguish:** — Could you tell me whether or not all the principals of that company are residents of northern

or any collateral for the loan.

**Mr. Kutarna:** — Mr. Chairman, we're not able to locate it on our list right at the moment, but if you might be able to pin it down for us by region perhaps, or some other . . .

**Mr. Anguish:** — It's in western region 2.

**Mr. Kutarna:** — Western region 2.

**Mr. Anguish:** — What number did I give you on that?

**Mr. Kutarna:** — You said, Mr. Chairman, 3219.

**Mr. Anguish:** — The one that's 51 payments in arrears at the date that I had the information was loan number 1083.

**Mr. Kutarna:** — Can you give us the region on that one? We don't have that on our list.

**Mr. Anguish:** — 1083 is in the western region 2. That's the one I thought you were referring to.

**Mr. Kutarna:** — Mr. Chairman, this loan is . . . was first made in February of 1982 and it is a situation in which we've attempted to work with the individual. He has made payments progressively throughout the period of the loan, from time to time. We have tried to work with him to bring it current.

**Mr. Anguish:** — I would challenge you on your information. My information says that it was May of '82, not February of '82. The loan is dated May of '82.

**Mr. Kutarna:** — We may have a difference here, Mr. Chairman, of the approval of the loan and when the actual loan was . . . when the funds were advanced. We'll check that point, but we may have a difference here of definition.

**Mr. Chairman:** — I wonder at this point whether we might look at adjourning and also to just ascertain with the committee if it's all right if we call in Science and Technology also for next week. We have Economic Development and Tourism. We're likely to be spending another hour or so with them I would think.

**Mr. Anguish:** — I think Economic Development and Tourism will spend another full meeting, Mr. Chairman.

**Mr. Chairman:** — Okay. The reason I say Science and Technology — that's also your department, is it not, Mr. Kutarna?

**Mr. Kutarna:** — Yes, it is.

**Mr. Chairman:** — So it might . . . bring in your officials and if necessary we'll clear them up then too. So have them on stand-by for 9:30 or so. Is that agreeable?

**Mr. Anguish:** — Well you can have them on stand-by if you want, but we're not going to get to them. I don't know why you'd want to bring the officials here if we're not going to get there.

**Mr. Chairman:** — Well it may take all of five minutes for them.

**Mr. Anguish:** — Pardon?

**Mr. Chairman:** — It may take all of five minutes to clear them up. That's why I'm suggesting it.

**Mr. Anguish:** — Well I'm just saying that we're not going to get off of Economic Development and Tourism within the next two hours of committee meeting, so I don't know why you'd want to call Science and Technology people here to wait for nothing.

**Mr. Chairman:** — You're sure about that?

**Mr. Anguish:** — I'm quite confident that if this Thursday coming we have the same witnesses before the committee, they will be here for a full two hours. I'm quite certain of that, Mr. Chairman.

**Mr. Chairman:** — Okay, then we'll just deal with Economic Development and Tourism.

The committee adjourned at 10:25 a.m.