

Public Hearing: Department of Social Services

The Chair: — Good morning. We will bring the committee to order. I would like to first of all welcome the Department of Social Services to our committee and would like to invite Deputy Minister Con Hnatiuk to please introduce his officials.

Mr. Hnatiuk: — Thank you very much. From my left, Bill Duncan, director of financial services branch. To my right, Phil Walsh, executive director of our income security division, and to my far right, Bob Wihlidal, director of budget branch.

The Chair: — Thank you very much. And I as well would like to invite Mr. Strelloff to introduce the people from his office that he's brought today.

Mr. Strelloff: — Thank you, Mr. Chair, members. Good morning. With me are Judy Ferguson and Jane Knox. They were directly involved in the topic that we're going to be discussing today, on case planning. As well as Charlene Gavel-Mietyette, who works in our office as a chartered accountant and is her first time at the Public Accounts Committee to see how it works, and Bob Black as well.

The Chair: — Thank you very much and welcome to all of you. I am obligated to get some housekeeping out of the way and I will do that at this time.

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 a 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.

A witness must answer all questions put by the committee. Where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the committee Clerk, who will then distribute the document and record it as a tabled document. You are reminded to address all comments through the Chair. Thank you.

Once we have that onerous kind of admonition out of the way, the topics we're dealing particularly on are out of the Provincial Auditor's 1995 spring report. I believe in chapter 15; in our document, item O.1 through O.4. And I would like to invite you, Mr. Deputy Minister, if you like, to have a few opening words and comments to the committee after which I'll open up for committee members to address questions to you.

Mr. Hnatiuk: — Thank you. Thank you, Mr. Chair. Yes, I'd

like to do that. Perhaps just to set some context for the issue of case planning. In the early '90s, the department found itself with increasing demands and limited resources. The increasing demands were primarily due to changes to the unemployment insurance program and the federal government's withdrawal of provision of social assistance for treaty Indians living off reserve.

As a result of that, we established a task force to review our program and delivery system, and one of the recommendations out of that task force was to develop a case planning to facilitate client independence. But we were unclear as to who to target. If you look at a case-load of approximately 40,000 cases, to establish case planning on all cases, all with the same kind of case planning, I beg the question is to whether that was the best value for the investment of money.

In '94 we asked for a cost/benefit evaluation of case planning; and with the Provincial Auditor, under the value-for-money audit, the Provincial Auditor examined this issue and this resulted in the four recommendations. It confirmed that we need to determine who to target.

Following that, our research and evaluation branch looked at the role the case planning plays in facilitating independence of social assistance recipients, and found that it was difficult to conclude that case planning actually reduced dependency, and recommended further that we targeted job-ready and motivated people for case planning.

Now since that time, we've begun to examine the nature of the program itself and we've launched a fundamental redesign of the Saskatchewan Assistance Plan program. We have concluded that the program is not working as well as it should to help achieve independence of people on social assistance. We now have proposed and have released a public discussion paper which proposes to recast the social assistance plan into four components: a basic child benefit; a Saskatchewan employment maintenance supplement; a youth futures program; and a provincial training allowance.

Just one other little piece of information. We do contract with New Careers Corporation to provide case planning for our clientele. And we do refer the most job-ready clients to New Careers for case planning and placement into jobs, training through the community employment program, and the work experience program.

I'd be very pleased, Mr. Chair, to answer any questions.

The Chair: — I open the meeting up for questions from committee members. Okay.

Ms. Haverstock: — Thank you, Mr. Chair, and good morning. All that I would ask of the department is whether or not the recommendations have been complied with?

Mr. Hnatiuk: — Mr. Chair, I'll refer to the 1996 report, which perhaps deals with the '95. And the Provincial Auditor said that the department essentially reaffirmed what I've just said, that

we released a discussion paper called: *Redesigning Social Assistance — Preparing for a New Century*. The paper described the current social assistance programs and so on. And:

Due to this key initiative, the Department delayed introduction of the changes suggested by our recommendations. Instead, the Department plans to wait until the Government decides whether to redesign these programs. Once this decision (has been) . . . made, the department plans to use our recommendations in developing the new programs and procedures.

So we do accept the recommendations because we're redesigning the program. We will have to tailor the case planning to the specific program, in other words, the case planning for child benefit, child benefit is going to be a program where we take the current benefits to children under welfare, under the FIP (Family Income Plan) program, combine them with the federal child tax benefit, and send one cheque to people as opposed to the two or three cheques. And this is a federal-provincial initiative that's under way, led by Saskatchewan, and is now being examined by all the provinces in Canada.

The second component, a working income supplement, will more target what is essentially called a progressive incentive for people to remain attached to the labour market, and to facilitate support to low income, working families so they don't have to fall on to welfare. So it will require a different kind of case plan, more like the case plans that are being used in New Careers now than for instance the case plan for the child benefit. So the fundamental redesign of the program will create a fundamental redesign of case planning.

But in short, the answer is we accept the recommendations.

Ms. Haverstock: — One other question then — and I find, by the way, much of what the department is undertaking very exciting, and I'm sure that people within the department are not only excited by it but are going to be challenged by it as well — I'm just curious then, do you have a time line where you're hoping to achieve these certain objectives and then can, of course, comply with the sort of recommendations that have been put in place?

Mr. Hnatiuk: — Mr. Chair, the time lines are for implementation of the child benefit and the working income supplement. The time line for that is July 1997. We were at a meeting with federal and provincial officials from across the country on Monday and Tuesday of this week and initially there is tentative agreement that the federal government will assist us in developing an evaluation process of this program as well as the . . . participate in the redesign of the program.

So July '97 for the working . . . for the child benefit and the working income supplement, and 1997 for the training allowance and the youth futures program.

Ms. Haverstock: — Thank you. My final question then, Mr. Chair, is to the Provincial Auditor as to whether or not his

department, given not only the comments made in here in the spring 1995 report but what you've put in the 1996, if your office is satisfied that these recommendations are in process . . . in progress of being complied with and do you have any other kinds of concerns?

Mr. Strelieff: — Thank you, Chair, members. Judy, can you answer?

Ms. Ferguson: — Sure. Yes, we worked with the department last January to produce, like the report that we've issued in the spring report that Con referred to here, and we do see a lot of initiatives under way within the department that work toward the implementation of the recommendations.

I also think it's important that — as Con indicated — that he deal with the recommendations in conjunction with other activities as opposed to as a separate activity of the organization. It just makes sense. And so we think it's appropriate that their actions . . .

Ms. Haverstock: — Thank you very much. That's all.

Mr. Pringle: — Thank you very much there, Mr. Chairman.

I don't know if this is appropriate because I was the Minister of Social Services under this particular time period but you'll rule me out of order if it isn't.

I just wanted to put on the record that — agreeing with Ms. Haverstock — that this is very exciting, very innovative and creative, and I think there is a will across Canada to come to grips with the issue of family poverty, which is at unacceptable levels. And I think a lot of that initiative is being driven from Saskatchewan and the creative ideas are coming from these people and the staff at field level.

And with the cooperation with the Provincial Auditor's office, which was very, I think, mutually satisfying, will, I think, ensure that the public of Saskatchewan will have a comfort level with the kind of accountability that they're looking for given the tight situation, and that money will be going to those who are directly in need of it.

So I just wanted to convey to the officials here and the deputy minister that it was a real privilege for me to be associated with them and the staff during these very exciting times. And this is ongoing and I think we'll all be proud on both sides of the House about the kind of programs that I think will serve our families well in the future, especially our low income families. So good job and thank you.

The Chair: — Thank you. If there are no other . . .

Mr. Sonntag: — How are we comparing to other jurisdictions in Canada on the issue of the reform? Like the initiatives that we've launched here in Saskatchewan, how does this compare to other jurisdictions in Canada?

Mr. Hnatiuk: — Mr. Chair, there is actually a closer coming together across Canada as a result of the first ministers, the

Prime Minister, and in particular the Premier of Saskatchewan, elevating the concern about child poverty to the degree that it has, as a result . . . as part of the social policy renewal.

And so that every province is struggling with fighting deficit and debt, and some jurisdictions have focused much more on what I might call a more punitive approach, and refer to that as the work for welfare.

There've been many experiments in work for welfare across North America. And work for welfare, essentially in its most classical sense, means that if you get \$500 a month of welfare that you would have to work equivalent hours in return for receiving your \$500. The problem with that is that first of all it's very expensive. Secondly, it displaces people from the labour force until we have the ideal full employment in our society. You're simply replacing one person with another person.

Thirdly, it distorts the labour market and private sector responsibility for creating employment and funding employment. And fourth, it has not demonstrated that people who go through that kind of work for welfare in fact are attached permanently to the labour force.

The redesigns that we're contemplating and more provinces are becoming interested in really have to do with two issues. We recognize that we don't have enough money to give everybody a guaranteed annual income at a level that meets all the requirements to eliminate poverty and still not create disincentive to work. But we also have too many disincentives in the system, and that's where the majority of the focus is.

Our redesign with the federal government in having one child benefit is not going to eliminate child poverty. It'll lessen it to some degree. It will set the stage incrementally to work on this over a period of time. But it will prevent other people from falling into poverty. Because the barriers that will be removed will be that element called the welfare wall. Right now in every province when you get earnings up to a certain amount, you lose all of your welfare benefits including your supplementary health care. And then when you start paying your payroll taxes, your income taxes, your costs of going to work — child care and so on, transportation, clothing — you find yourself worse off working than if you were on welfare.

So some provinces have decided that, oh well the answer to that is very simple. We'll reduce the welfare rates. And if you reduce the welfare rates, then you have more incentive to work. Unfortunately that causes a tremendous number of casualties.

Our welfare rates in Saskatchewan are amongst the lowest in Canada. I think we're about second or third from the bottom. So therefore for us to reduce the welfare rates any more will create a tremendous burden on the voluntary agencies and on the community effort in the province. Our food banks would not be able to meet the need that people would have, would bring to the food banks and other organizations.

So we've taken a much more positive, proactive approach to create incentives by removing the disincentives. One of the

unique features in our proposed redesign is that we are intending to have child maintenance to be considered as a form of income. Today if a mother goes after maintenance payments from her spouse, then that maintenance is deducted \$1 for \$1 from social assistance. In other words, the family is no better off. We as taxpayers are better off in that we pay less welfare. But the children and that mother are no better off.

What we're proposing to do is to move from this kind of very intensive, entangled, needs-based system to an income-based system, so that the more money you get as a family, the more you can keep, the better able you are to be attached to the labour market, and the more incentive there is to, for instance, go after dead-beat fathers. So we're looking at that component as being unique to the other provinces.

I think that the other barriers that we want to remove in this is attaching supplementary health benefits, because when you leave welfare you lose those benefits and therefore you put at risk your children. And for single parents, and there are many single parents on social assistance, this creates a barrier to moving to employment. So those are some of the unique features of our proposal's redesigns.

We're also very interested in eliminating overlap and duplication and getting an arrangement with the federal government whereby instead of sending two or three or four different cheques to people . . . we have a child tax reduction program in our tax system. We have a Family Income Plan that was very innovative in the '70s but has been left in neglect and therefore is worth less than welfare now. We have welfare money being paid out on behalf of children for food, clothing, and personal needs on the Saskatchewan Assistance Plan. And we've got the federal benefit which also has a working income supplement attached to it.

Some are income tested, some are needs tested, some are federal, some are provincial, some are based on income that was filed with Revenue Canada a year before so it isn't even responsive to today's needs. We want to collapse all that, simplify it, and ensure that families get money into their pocket to meet their needs on a relevant and timely basis.

Ms. Stanger: — Mr. Deputy Minister, I just want you to know that this summer actually we had the Minister of Social Services out to Lloydminster and we met with right-on-the-ground workers. And a number of the social workers told me it's the first time in years that their social welfare cases have been lightened. And they see a real progress where people are still helped, but working part time, and they think this is starting to work.

And my interest, since you're here and available to us, I'd like you to tell me what is the percentage of women and children on welfare in Saskatchewan? And out of that percentage, how many of those women are single women over 50?

Mr. Hnatiuk: — Mr. Chair, I'm not sure if I could be precise to the actual age breakdown. We have it; I may not have it with me.

But just . . . our case-load this month is 39,043. I was hoping it would've gone 50 fewer this month so we could've broken that 39,000 barrier and I could've come and said, for the first time in a long time we're under 39,000. About half, approximately 81,000 people, are on . . . the 39 cases mean about 81,000 people. Of those 81,000 people, approximately 50 per cent are children.

When we implement the reforms that I outlined earlier this morning, we will remove 35,000 children off welfare and they will be part of the child benefit program. What that in essence means is that a single mom with one child, having her child benefit, having a maintenance payment, and having a part-time job at \$8 an hour or having a full-time job at slightly above minimum wage, will be much better off than she would be on welfare. So it will decrease the numbers.

In Saskatchewan — and this is pretty well true of most provinces — 60 per cent of all single parents receive social assistance at one time or another during the year. Thirty per cent of the total case-load are single parents, 30 per cent of the 40,000 cases.

Now I'm sorry I can't answer the question right now about how many are over 50, but we have made tremendous progress in Canada in eliminating poverty for seniors. There's a great debate about whether we're slipping back, around the discussions of CPP (Canada Pension Plan) reforms. But where there has been political will and a pulling together of various levels of government, in a short decade we have virtually eliminated poverty for seniors in Canada. That's the kind of public policy approach we're taking to family poverty and child poverty.

Ms. Stanger: — Just a supplementary, Mr. Deputy Minister. Well then work for welfare wouldn't work for most of these people, even if it was a system that worked. And I know it's been tried in many of the states in the United States; it wouldn't work for a lot of these people. I'm thinking of women my age, over 50. I mean, you can't have them out there shovelling snow, you know. And I'm thinking about the children; half of them are children. You can't have them out there working. We're not going to go back to that.

So that isn't a very effective method, is it, when you look at the demographics of who is on welfare.

Mr. Hnatiuk: — Mr. Chair, this is a very pertinent point. Whenever we have mounted any work program for employment or training program, there are always more people wanting to avail themselves of these opportunities than we can afford to fund. That's been true in the '70s, '80s, and '90s. There's always more people wanting to work than there is work available, otherwise we wouldn't have a problem with meshing the labour market opportunities.

And we are really affected by global conditions — the restructure of employment; the introduction of technology which displaces people from work; the constant need to retrain. And in Saskatchewan we have a major challenge in rationalizing and strategizing a training program for the future

to deal with the conditions that we're going to be confronted with in the next century.

And so what we're hoping to do is bring much more balance and much more connectedness in the whole public policy arena. The relationship between welfare and work and taxation and health reform, agriculture reform — all of these things are connected. It's been said that Social Services is often a report card on the rest of our society. I believe that, given the number of years that I've been around in this field, for that to be very true. We often feel the first effects of value changes, of economic changes, and are the first to see casualties of the changes in our society.

And where there's scarce resources and lots of competition for these resources, we as human beings naturally behave as though we're all on some sort of a ladder or pecking order. And it's always easier to look at the rung just below you and we end up blaming the victim. Unfortunately the real casualties are children. And if we want to reduce health care costs in the future, the way to do it is to deal with the issue of poverty and employment and training. Income is the largest determinant of good health. And if we can deal with the issue of incomes and reduction in poverty . . . and it's not going to be easy, it's not going to happen immediately, and it's going to require cooperation between all levels of government.

And I believe that for the first time in at least a decade, that is now happening in Canada. And I'm very optimistic about the Council of Ministers, and particularly the Social Services ministers working together. And I believe we will still have room for sufficient flexibility to facilitate and further national unity; to allow provinces with their different ideologies to have some variance; but to work together on a common goal and objective of lessening, particularly family and child poverty, and creating much more attachment to the labour force. And what we all need to work together on is ensuring that that labour force is vibrant and healthy.

Ms. Stanger: — Thank you.

Mr. Koenker: — Could you clarify for me the relationship between Saskatchewan and the federal government and the other provinces in this whole redesign process? I'm not quite clear that I understood what's happening in that regard. Saskatchewan has gone to the federal government with this new redesign, and the federal government you say, just recently in your meetings, and the Council of Ministers, has agreed to back that up, that redesign, up?

Mr. Hnatiuk: — Mr. Chair, it isn't easy to understand this . . .

Mr. Koenker: — And where do other provinces fit into this? I mean . . .

Mr. Hnatiuk: — Sure. When Mr. Pringle was the minister — and I forget how long ago that was now, about two years ago — we were very close to having an arrangement, an agreement, with the federal government that would take in federal and provincial programs, Saskatchewan/Canada programs, put them together into one pot and redesign the welfare system in the

way that I described it. We were about one hour away from actually going to Ottawa to sign an agreement with Minister Axworthy at that time. However the federal government had just introduced their budget and had decided that they needed, in order to fight the debt and deficit, an extra one point some billion dollars.

As a result of that, Mr. Axworthy was not able to complete the agreement with us and so the arrangement fell apart. However in our previous budget development in the previous year, the Government of Saskatchewan had decided, and has announced in the last throne speech, the reforms that I described earlier, to commence in July, 1997. The provincial government acting alone has limited capacity and it will be limited in its effectiveness to redesign these programs, so we have continually attempted to develop a bilateral arrangement with the federal government in our redesign.

In the meantime we have had a concern that has been agreed to by the first ministers, primarily led by the Premier of Saskatchewan, about the concern of child poverty. And this is due to a number of factors: the statistics and the awareness of the degree of child poverty in Canada; the Campaign 2000, where there is a community and a public movement towards doing something about this particular problem; the public debate about rising case-loads on welfare and whether you should have work-for-welfare and not-work-for-welfare; whether you need tax reform, etc.

And so as part of the overall social policy renewal which Mr. Axworthy attempted to foster in Canada — and it sort of fell apart — the premiers, through their interprovincial forum, have called on the federal government to join them as part of the renewal of Canada and they have implemented a couple of instruments. The one instrument that they have implemented is an instrument called the Council of Ministers, and that Council of Ministers is to support premiers in looking at a broad array of public policy issues.

It includes health reform, public policy, looking at issues concerning programs for people with disabilities. It includes . . . there are eight particular priorities and you have to pardon me I don't have them at the top of my head right now. I can get them for you very easily. I just don't have that paper with me. It is a public paper. It's been published.

These Council of Ministers coordinate all the other councils — for instance the Council of Ministers of Education, the ministers of Health, the ministers of Social Services, and labour-market ministers. So we have federal-provincial meetings or councils. These councils are to put their work forward to the Council of Ministers who analyse it, dissect it, make recommendations then to first ministers as priorities for policies and changes in Canada.

And this is primarily driven by the concern about national unity, that if we don't come together on all these issues, what do we come together for as a country? What is the future of Canada? So public policy, the future of Canada, and national unity are all related.

Now as this was happening, the Social Services ministers, because of the great pressure that they were all feeling — rising case-loads, lack of public support for funding more welfare, questions about what really works in welfare and what doesn't work in welfare — have already been doing work together in redesigning the programs.

So when the council was established the Council of Social Services Ministers already had a paper — and they put the paper forward to the Council of Ministers — saying this is what we believe should be the principles guiding social policy in Canada. And it was adopted, it was adopted by the first ministers.

And some of the elements in that paper were a re-balancing of responsibilities and they did a lot work — we were major contributors in the province of Saskatchewan — in describing the roles and responsibilities of the various levels of government. For example, we said that services to people should be provincial. You can't deliver services to people like counselling, and case planning that we're talking about, from Ottawa. That belongs in the purview of the provincial government which is closer to the people who need the service.

The business of giving a cheque to people based on an income test, gee, we think the federal government should do that, and we believe that there's a common goal to lessen child poverty, and we recommend that children's benefits should be delivered by the federal government.

In terms of disabilities, as another example, the ministers said this is very difficult, because if you have income programs, you have tax programs, you have services, this is an area where we believe there has to be some things done by the provinces, some things done by the federal government, and some things done together.

Now we're re-inventing. You know we use words like re-engineering, and re-inventing government and so on. I believe that the greatest degree of re-engineering and re-invention in our society is occurring in the public policy area, and particularly in social policy. Because we're actually talking together about governance models and we have very few models to choose from in a new federation . . . in a renewed federation. But one of the models, if we can just pick one, would be the CPP model where the federal government cannot make unilateral changes as they did under the Canada Assistance Plan, where they made the unilateral changes and all of a sudden we were caught with having \$100 million less in the province of Saskatchewan. I'm not sure if it was 110 or 100 any more but approximately that. And so in the CPP, as witnessed by the ministers of Finance meeting recently, unless a certain number of provinces and population agrees, no change can be made without a constitutional-based arrangement for governance.

In Social Services we're looking at something less complex but looking at ways in which we can together, for instance, manage the child benefit. If it's federal money and provincial money, then neither partner should unilaterally be able to change the course and affect people so dramatically. So we're looking at

proposing to our ministers and subsequently to first ministers and to premiers, governance models, but how would we govern this decision making and put these programs on a sustainable basis, because not only do programs need to be effective but they need to be affordable and sustainable. When they're not sustainable, we'll witness once again the kinds of erosion of support to social programs that we have seen as a result of what happened in the '80s and particularly in Saskatchewan.

So I'm sorry to give such a long answer to what seems like a very simple question. But it is a complex array of arrangements and mechanisms with very short time frames. The federal government has indicated if we're going to get a child benefit, they've indicated to the provinces that we better have our plans in by December 15 and before the federal budget and before the federal election. That is reality for the federal government.

The Council of Ministers have asked the Social Services minister to give his status report on the child benefit, and by the way, that was the number one priority of first ministers. They said, we want a draft proposal by January '97 and a final program developed by June of 1997 to deal with child poverty. And they've assigned this to the Council of Ministers. The Council of Ministers in return have now asked for a status report by November 7.

So we have our design and we're working on the details for Saskatchewan but we're also working on the design and details for Canada. And we will have a report to the Council of Ministers, to our Social Services ministers, by the end of October so they can put it by November 7 to the council, so the council can get it to the premiers by early January with their recommendations.

I hope I don't have to repeat this and be checked against accuracy.

Mr. Koenker: — I'm exhausted listening to you.

Mr. Hnatiuk: — Mr. Chair, this has been ... it's a very intensive process but it is an opportunity in Canada, an opportunity for Saskatchewan as a community to provide some leadership to this nation in dealing with some very difficult issues and contribute to keeping this country together. And we see the relationship between national unity, social policy, economic well-being, and health, as all interconnected.

And so in Social Services we're very pleased to be given a lead role in coordinating public policy and working together with other departments and with communities. We accept this challenge with great enthusiasm and see it as a tremendous opportunity.

The Chair: — Thank you, deputy minister. After your presentation and answer to the questions I am reluctant to go to the mundane, because it's very encouraging to hear you speak with such conviction and vision of the direction that your department is going.

Bringing the meeting down to a practical sense, I sense that the direction that we'll likely wish to take is to concur with the

recommendations and note the progress on these items. Will that be the case for all four numbers? And in which case then I will just move rapidly through them.

Item 0.1, do we agree that we concur with the auditor's recommendations and note progress? Is that agreed? Agreed — 0.2, 0.3, 0.4 agreed.

Thank you very much, deputy minister, and your officials. It's been very enlightening to, I think all committee members, to have your presentation and we very much appreciate your time. Thank you very much.

Mr. Hnatiuk: — Thank you very much for your interest and giving us the opportunity. Thank you.

The Chair: — Ladies and gentlemen, sticking to our agenda then, we will now recess until 1:30 p.m. this afternoon at which time we will deal with the Department of Agriculture.

The committee recessed for a period of time.

Public Hearing: Department of Agriculture and Food

The Chair: — We will come back to order. This afternoon it's my pleasure to welcome officials from the Department of Agriculture. And I'd ask Deputy Minister Murray McLaughlin to introduce your people.

Mr. McLaughlin: — Thank you, Mr. Chairman. I'll start with on my far right here we have, Ken Petruic, with the department, accountant. And then Jack Zepp. Jack is director of administration services. And to my left is Roy White. Roy is senior marketing officer for the marketing and development branch.

The Chair: — Thank you very much. I would like to also invite Mr. Strelloff, the Provincial Auditor, to introduce his guests this afternoon.

Mr. Strelloff: — Thank you, Chair, members. With me is Bashar Ahmad and Bill Harasymchuk and Salma Salman. Bashar and Bill work on the SPI Marketing Group and Salma is an articling student in our office. And then also Bob Black, who coordinates our work here. Thank you.

The Chair: — Thank you. And our Provincial Comptroller, Terry Paton, has people this afternoon.

Mr. Paton: — Yes. I've got two people with me today, Mr. Chairman, in addition to Chris Bayda — Jim Fallows, the manager from the financial management branch, and Dave Tulloch, senior analyst from the same branch.

The Chair: — Thank you very much. And welcome to all of you to our committee. I'm obligated at the beginning of these sessions to read into the record the following.

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:

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You are reminded to please address all comments through the Chair. Thank you.

After that admonition, the way we've proceeded is that we would invite you, deputy minister, to, perhaps in a general sense and as specific as you'd like about the issues that are before us today, to address the committee. After which then I'll open the meeting up to questions from the members. So if you like.

Mr. McLaughlin: — Thank you, Mr. Chair. I didn't have any formal presentation to give on the issues. I thought they were fairly straightforward to deal with.

Well maybe I could take just a quick minute and talk about my background a little bit and some of the direction we're going in the department into the future. Maybe it might be of some benefit because, being new in the government and also new in the department in the last five months, it's . . . and we're dealing with a number of the issues here as they come forward over the last few years. So I like to think about where we're going into the future as well.

One of the things . . . and of course, you know, in this province, as you all know, biotechnology is a big component of the ag sector, and that's I guess where I could probably talk all afternoon if you wish — but you probably don't — on that topic, but coming out of Saskatoon and being responsible for some of that activity that we have up there and creating some of the research community, I thought maybe just for your own interest though, some of the direction that we're going from a department perspective. And we're going through a planning process to talk about how we develop the agricultural sector into the future and how we add value to agriculture from a department perspective over the next few years.

And the process of course is — we started off a few months ago — we developed a vision for the department and now this fall we will be going through a major planning process that will help us in creating that direction to value add the ag sector.

For your interest, I'll just give you quickly the vision that we

developed for our department, and I think it's a little bit novel and unique probably from a government sector but . . . A learning organization dedicated to innovation and effectiveness in the public service, in partnership to promote the growth of an agriculture and food sector that embraces changes to meet the challenges and opportunities of global competition.

And we really see that as a key component of that as we move into the future, is being able to accomplish that from a department perspective. The challenge I put out to our department, is how do we double the value of our exports over the next five to eight years, other than having the value double on a per bushel of grain like it has this last year, but in any true value adding.

And we are going to now focus the department into value adding agriculture, or adding value to agriculture is going to be a slogan that we'll use from a department perspective for the next few years. So you'll hopefully hear us talking about that fairly regularly from my own people and our staff as we move into next year and the years following. Because I see that as really important — to enhance the agricultural sector here and really capitalize on the opportunities that we have, including biotechnology.

But I think with that, rather than me . . . as I say, I could talk all afternoon on this topic. Maybe we should move into the subject of the afternoon and, Mr. Chairman, I can give you the floor again and let it go from there.

The Chair: — Okay, thank you.

Ms. Haverstock: — Thank you very much, Mr. Chair. And welcome, Dr. McLaughlin and your officials. It's good to have you here.

Speaking specifically to the recommendations of the Provincial Auditor in his office's fall 1995 report, I'm wondering if your department has complied with these recommendations. First of all, do you agree with them, and secondly, has the department complied?

Mr. McLaughlin: — Yes, I think in most cases we do agree with them and we are working toward that right now. And maybe to give you a little bit of detail, I'll pass this over to Roy White. Roy, if you want to . . .

Mr. White: — Yes is the short answer to the question, Mr. Chairman. The department has complied or is complying and working with SPI, as well as the Canola Commission, to address the comments of the auditor on these particular issues.

Ms. Haverstock: — Thank you. If I may, I'd just like to make a comment on some of the things that you've expressed in terms of the direction that the department is going. One of the things that we've talked about as a committee — some may claim ad nauseam but I think we've discussed with great interest — are some of the suggestions that have been made on a recurring basis by the Provincial Auditor's office.

And that is, even though it doesn't start off with a vision

statement, that departments clearly define their objectives, that there be a way of . . . that there be a time line for meeting these objectives, that in fact there be a measurement tool for determining whether or not the objectives are being met, that there be an explicit time when expected versus actual results can be conveyed to the public, and that this is all done within the context of course of achieving not only the objectives, but meeting the vision that's been put out by the department.

I may have forgotten one or two but I'm sure that when I ask for the Provincial Auditor's comments he'll be able to articulate this far clearer and better than I can.

It sounds as though that's in part what your department is doing, and that there's an eight-year time line. I'm interested in whether or not you have clearly defined your objectives. And I want you to know that . . . you should understand that you're here to discuss, you know, chapter 8 from the spring . . . or fall, pardon me, of 1995 and you're not compelled at all to talk about what I'm asking you now.

But I'm very, very interested in whether or not much of what you're undertaking now actually fits within that kind of framework. Because it sounds as though it does, and I think that's quite exciting.

Mr. McLaughlin: — Yes. And, Mr. Chairman, if you don't mind, I will refer to this comment because I think it is important. Maybe just very briefly, the process we're going through.

We've developed a vision and we've developed mandates for the branches and we've developed a code of values for the department and now we're in the process of doing the planning this fall. We've done a broad base one through my deputy's office and now we're going into the divisions and then on down into the branches as a planning process that will eventually work right down to the clerical staff actually in developing a full-fledged plan for the goals and objectives of the department.

This plan will be for '97-98. Now it's outside of the realm of budget so, you know, I don't know . . . Hopefully we will have the money to do what we want to do. But we can prioritize around that. But at the end of the day it will accomplish what you're talking about in that we will end up . . . We have a plan that says this is how we will try to do what we need to do to accomplish these sorts of things. Not a lot of . . . you know, the specifics may not be there. I'm hoping that my eight-year time line is shorter. But, you know, that's the time line when we're looking at it and doubling the value of exports.

Ms. Haverstock: — Thank you. Mr. Chair, I direct my question to the Provincial Auditor and his office as to whether or not you are comfortable with the progress that the department has made in complying with your recommendations from the fall report and any other comments you may have.

Mr. Strelieff: — Thank you, Mr. Chair, members. Your description of the goals and objectives was very, very accurate and it's good to hear the department is moving that kind of planning framework forward and also moving to more

measurable targets. We understand that the marketing council within the department is trying to encourage the SPI Marketing Group to strengthen its practices. The marketing group does have a long way to go.

From my perspective, I've seen the SPI Marketing Group has grown in complexity over the last number of years and I don't know if its management structures have grown with it. And of course the SPI Marketing Group is also subject to a lot of public scrutiny. So the board of directors of that organization's attention sometimes is diverted to other issues. So I certainly look forward to the department continuing to ensure that the SPI address the issues of the day and move forward their practices.

Ms. Haverstock: — Thank you. Mr. Chair, Mr. Deputy Minister, given what the Provincial Auditor has just said regarding the SPI Marketing Group and some of the . . . I know I could probably quite accurately say that there have been public concerns about SPI and criticism lodged against it. Do you have any comments that you'd like to make given what he's just said about some of what has transpired. And you know the management has not been able to be commensurate with the . . . how much this is growing and so forth.

Mr. McLaughlin: — I don't have a lot of comment this afternoon. I think the whole SPI . . . you know, we've met with their staff over the last few months, and working with some of the issues in the documents here and we are working very closely with those. Maybe, Roy, you might want to make a couple of comments about where we're at with what's in the document today.

Mr. White: — Yes, thank you, Mr. Chairman. The auditor's comments are fair and they reflect — from my point of view and from the point of view of the council — fairly accurately in terms of the sense of an opinion of where SPI is relative to its management structures in its growing complexity. And Agri-Food Council is working with SPI to address the observations that the Provincial Auditor has provided to the council and to the minister over the course of the last few years.

In terms of SPI's ability to fully comply, I mean to 100 per cent with the SPI's . . . or with the Provincial Auditor's recommendations, that is a matter of graduation and a matter of a certain amount of opinion on how SPI has responded. To be a little bit more clear, Mr. Chairman, on that point, SPI's views or its comfort level with its own internal financial controls and planning procedures is different than that of the view of the Provincial Auditor. Not in every context. I think generally, I think SPI as well as Agri-Food Council fully agree and are expected to, as best they can, implement and comply with the observations.

But to be perfectly frank, Mr. Chairman, there are some of the observations that the SPI board of directors has reported to us as not easy or they are loathe to implement 100 per cent because it doesn't work with how they, as a board of directors, go about controlling their financial planning and their controls.

And essentially, that, I think, goes back to the Provincial

Auditor's original comments, is that it is a situation where SPI is growing in complexity and it can always, I'm sure . . . will be room for the management structures to keep up with that. And I think it is a fair and accurate description to say that. At the time this report was rendered, they were not keeping up with that.

Ms. Haverstock: — Thank you. Mr. Chair, I'm wondering if the Provincial Auditor would comment on that, and then I don't have any further questions.

Mr. Strelloff: — Mr. Chairman, members, I don't have any further to comment. The comments were fairly accurate.

Ms. Haverstock: — Good. Thanks very much.

Mr. Flavel: — Thank you, Mr. Chairman. I want to first of all welcome the deputy here and the officials that have come along with him this afternoon. I was especially pleased, Mr. McLaughlin, in your opening remarks that we're talking into the future of where we're going, and this I guess is what bothers me with Public Accounts — we're always dealing in the past, where we've been. And there's a wonderful quote from a former minister of Social Services — not the one sitting beside me . . . well not its former one, the one that's there now in the House last year — that it was pretty hard to drive a car if you continue to look in the rear-view mirror, and get anywhere. And so I like to glance there every once in a while but you have to look ahead and I'm delighted to hear that the minister and your thoughts are that way and your department is planning down the road and developing some value added products.

Because I think as producers we realize that we've been in the mode far too long of being just producers of raw material, loading it onto a boxcar and putting it into boats. And then someone else reaps over half the benefits of value-adding it too, not only half the benefits financially but employment-wise and so forth; that our people at home could be doing the work on that and developing it. And I think your agro-biotech and value added and everything will add to that so I am delighted to see that going on.

I don't have much else to say that . . . I guess I wish that we continue on this track and that all the best in the future.

Mr. Sonntag: — I actually just have a couple of specific questions regarding recommendation L.1, and either to be answered by the Provincial Auditor or by the department.

When is the year end for the Canola Development Commission?

Mr. White: — Mr. Chairman, July 31.

Mr. Sonntag: — Okay. So that's part of the problem in the reporting as well, with the year ends? Am I to understand that . . .

Mr. White: — That's very much the problem, Mr. Chairman. Under The Agri-Food Act, the Canola Commission is required to report within 60 days of year end. And that includes an audited financial statement. And it has not been able to do that

to the . . . well, simply hasn't been able to do.

And well of course, the last few years, the Agri-Food Council has been working the commission to . . . on kind of a three-part basis. They first tried to work with the commission to get them to be able to write out the report on time, and it was determined a couple of years ago that simply wasn't possible. So the next day it was a change of regulation and exempt the commission from this particular time frame and put one in that's more sensible in terms of how they manage their operations.

And it was a short time after that we found out that the regulation we couldn't place, because Saskatchewan Justice informed us at the time that we didn't have clear authority for that specific kind of regulation. So now we're placed in a position of having happily to amend The Agri-Food Act to allow the council to extend a special exemption for the Canola Commission in this particular regard.

So that's where we are right now, Mr. Chairman. The fact of the matter is, is it just isn't enough time between July 31 and the time that that report is due to get it on the desk. And we plan on making some proposals for The Agri-Food Act in the next legislative session to allow the council to make that exemption.

Mr. Sonntag: — What do they suggest as a reasonable amount of time there? Is that something that you know?

Mr. White: — One hundred and fifty days has been the suggested reasonable period of time.

Mr. Sonntag: — Okay. I don't have any other questions.

Mr. Koenker: — Yes, I have a question. It doesn't pertain directly to the item under discussion but I'd like to ask, since I come from a Saskatoon constituency, where do you see ag-biotech going in the next, let's say two years, in terms of some of your objectives?

Mr. McLaughlin: — Some of my objectives? Well I guess I would say that over the next two to three years we're going to see a much bigger movement into commercialization. We've really developed a strong research development base in Saskatoon with 28, 30 companies there. That's growing and will continue to grow. I believe now we'll see more companies relocate or locate in Saskatoon in the research and development phase.

The challenge now is to work with those companies to move them from the research and development into the commercialization here in the province. And I think that's the next phase. We're starting to see some of that through companies like AgrEvo now that are commercializing their transgenic seed; Plant Genetic Systems, which was just recently bought by AgrEvo — we'll have their hybrid canola possibly in the market this coming spring. So we'll start seeing some of the canola varieties moving into commercial development, but there's a lot of other research ongoing behind that in other varieties, wheat as a crop, also biological pest control and so on, that are just starting to approach commercialization.

We just met with a group yesterday in Saskatoon actually talking about a new granular inoculate for Rhizobium, nitrate fixation product for legume crops. Granular is a new type of formulation. Now that'll be probably a couple of years before it's commercialized, but they've been able to see anywhere from 10 to 25 per cent yield increases over seed treatments by using a granular that's banded in the row.

Mr. Koenker: — What will be the role of the department in this regard, in the commercialization?

Mr. McLaughlin: — Well I think, Mr. Chairman, if you will, I think in our case the department's role is really to encourage and ensure that these companies can thrive and can commercialize here in the province for the benefit of our producers. And that maybe working . . . I think, you know, we have to work with the companies to ensure that the right regulatory processes are in place; you know, work with them to ensure that we're not impeding, either provincially or federally, in that area.

We also have funding mechanisms in place that goes back into the university and the research community to support a lot of the long-term research through the Crop Development Centre and others at the university system. So that's our role.

I mean our role is really one that will work with and help the industry facilitate that commercialization. And then I guess the other side of course, is to help transfer that technology out to the producer so the producer knows how to use it properly and to have the biggest benefit from it.

Mr. Koenker: — And yet the problem with commercialization has been, for quite a number of years, is that we can't get it. We get it through the research stage — we do that well here in Saskatchewan — but we can't bring it past that stage into commercialization.

Mr. McLaughlin: — Well I think I know what you're saying and I guess that probably is one of the . . . has been a weakness in the past. I think of us as a province, we do an excellent job of researching and developing but we haven't really made that next leap, you know. So there has to be financing in place. It's not our department that needs to do the financing and it may not be the government, but we have to make sure that there are vehicles there to help finance the commercial side as one step.

We also have to make sure that you've got the right educational mechanisms in place, to have proper training in place. There's a number of things that have to happen to move from research and development to commercialization.

Mr. Koenker: — I hear you saying you're going to focus to some degree on that missing link, if I may call it that.

Mr. McLaughlin: — That would certainly be part of what we have . . . we have to look at what role do we play as a department in that. We're not the only vehicle there. I mean there's a number of other departments and a number of other agencies that have to come into play. A lot of times though in the past I think we've worked separately and with blinders on,

and maybe I'm saying let's come together and make this thing happen rather than all do individual things and nothing happens.

Mr. Koenker: — Okay. Well thank you very much.

Mr. Flavel: — Thank you, Mr. Chairman. I guess a couple of questions for Mr. White. The money involved in Saskatchewan Canola Development Commission is producers' money, or buyers collect it from the producers and forward it on? It's all producer money then, is it?

Mr. White: — That's correct, Mr. Chairman.

Mr. Flavel: — The government does not match any of this money?

Mr. White: — There are maybe projects, Mr. Chairman, where the commission does put producers' money together with funds from the Government of Saskatchewan through the PARD (Partnership Agreement on Rural Development) program or through other various funding agencies. But generally the commission is responsible and reports upon . . . and the financial structure reports strictly on producer funds. In terms of administration or anything like that, so far as I'm aware, they get zero funding from government.

Mr. Flavel: — Thank you. That's it, Mr. Chairman. Has anyone else any questions on this?

The Chair: — I have Mr. Pringle on the speaking order, yes.

Mr. Pringle: — Mr. Chairman, I wanted to ask, since you're allowing sort of broad-ranging discussion — I appreciate that — I wanted to ask, since we have the officials here, if I could, what your views, and I'm thinking specifically of the future as well, your views are with regard to what many see as the fast acceleration of the use of pesticides. And I don't know if you would agree with that. And secondly, what steps the department is taking, if any, specifically to encourage biological farming or chemical-free farming practices.

A Member: — Good question, Bob.

Mr. McLaughlin: — That is a very good question and I think it's one that certainly deserves an answer. And even though it's outside of the topic of the day, Mr. Chairman, if I could make a comment on that. I think that first of all pesticides, herbicides and so on, go through a very rigorous regulatory process to come into play in this country. They are used very judiciously, I believe, by our producers to help them produce the best crops that they can and get the highest yields and highest quality that they can. So they're very important from that perspective.

However on the other side of that, there is a need to always be looking for alternative programs, be they biological pest control, biological fertilizers. And there's fairly significant programs that go on at the university in that area. We have three companies located in Saskatoon — Philom Bios, MicroBio RhizoGen, and Agrium Biologicals have produced biological products mostly in the bio-fertilizer area right now, but they do

research on biological pest control as well.

We have a group called the bioproducts centre which is made up of university, federal government, and industry people and it's centred in Saskatoon. The universities involved are University of Saskatchewan, University of Guelph, Macdonald College in Montreal, and Nova Scotia Agricultural College; Agriculture Canada, and then a number of industry players. And that program is specifically designed for bio-pest control. They identify products that can be used in that area and source funding to develop the technology for commercialization. So there's a lot of work going on in that area.

The other areas of course are, you know, the areas of organic production. There is research that goes on at the university. Saskatchewan Research Council has been doing research in those areas. So there are specific areas and niche markets that that fits into as well. So I think that that was a good question and I think you know that, you know, there is room for biologicals and pesticides and non-pesticide use, I think, in the market-place. And I think our producers are very judicious about how they use these products and try not to use them any more than they have to.

Mr. Pringle: — Could I just ask a bit of a follow-up question? Thank you, I appreciate this. Are we anticipating . . . first of all, do we support the notion of reducing potentially harmful chemicals even with the greatest of care and so on? Is that a goal? Is that an objective of us as a Saskatchewan society and your department? And therefore are we looking at providing any — if it is — are we providing any incentives? Are we challenging ourselves to look at where incentives could be provided to encourage, whatever the terminology is for my city perspective here at night, whether it's chemical free or biological, or are we looking at — as a strategy — supporting those with information or any other incentives there might be to reducing the chemicals. And I'm told — I could be wrong — that the chemical use, the dangerous chemical use, whatever that means — has increased about seven fold since 1970. Again, I don't know if that's accurate or not but if it's accurate at all, it scares me a bit.

Mr. McLaughlin: — If I may, Mr. Chair, it would scare me as well if that level of dangerous chemicals — and I'm not sure what you mean by dangerous — increased by that amount. I think that certainly from an incentive perspective, you know, we create awareness and so on about properly using pesticides and this sort of thing, as a number of other agencies do. There's certainly no opportunity for cash incentives of any sort these days. As a matter of fact, we want to get rid of that kind of stuff, or have pretty well gotten rid of anything that would be that way. But I think proper education is critical and we do work on that area. I think that you have to understand that pesticides today, when they go through a regulatory process in Ottawa, are . . . it's a very rigorous process and I don't believe that there's really any dangerous products that get through that regulatory process today.

Mr. Pringle: — Just one final question — thanks, I appreciate this — do you have a unit or something in your staff, say a unit or a branch that specifically handles the supporting of, and

gives a specific focus to, this notion of chemical-free farming. I mean, is it just the university doing something in a research capacity there, which is not unimportant, but is the department doing anything with specific focus?

Mr. McLaughlin: — Well I think you need to understand that our department works very closely with the university and the research community to help move good, concrete information from the research community to the farming community through our extension people, our extension agrologists that we have around the province, and so on. So there are vehicles for ensuring that good, solid information is moved from a research base into the farm community through our department, yes.

Mr. Pringle: — So we're not specifically in the department focusing on this as one of our objectives?

Mr. McLaughlin: — I think our objective is to ensure that we have good quality production in this province. And, you know, we don't want to see dangerous pesticides or dangerous chemicals used, but we want to make sure we get good quality product, and part of that is using chemicals in some cases.

Mr. Pringle: — I'll leave it at that because I appreciate going this far.

Mr. Thomson: — I had a couple of questions, both relating to the specific recommendation in front of us and, I guess also more generally, about the work of the commission.

Over the past several years there's been a fairly dramatic shift, I take it, from wheat production over into canola, or at least from other grains into the oilseeds for certain. How much canola are we seeing planted right now? I mean is that observation correct or is that just a . . .

Mr. McLaughlin: — If I can, Mr. Chairman, I think again . . . I don't want to get into specific acreages here. What you're seeing is a shift to more diversification in the crop area, be it pulse crops such as peas, lentils; canola is a prime example of course. This last year in western Canada it was approximately nine and a half million acres of canola, which is down from the year before.

Wheat acreage hasn't dropped very much. What's changing is the practices of farming. We've moved away from all the summer fallow that we've had, and so summer fallow is the area where we saw less acreage of summer fallow used now. So that's absorbed most of this increase in acreage.

Mr. Thomson: — So the commission then, as I understand it, has the responsibility to develop market opportunities for canola, and as I understand it, that that is largely focused within the province?

Mr. McLaughlin: — Well with this particular commission here, this is the Saskatchewan Canola Commission, yes. So it's provincial focused. It's a check-off from our canola growers in Saskatchewan.

Mr. Thomson: — But does it do work then outside of the

province? Is there a national canola development commission?

Mr. McLaughlin: — Well not a national. There is the Canola Council of Canada, which has research people of their own that work across western Canada.

Mr. Thomson: — Okay. Mr. Chairman, if I can just ask on the specific recommendation .12 that:

The Commission should submit its annual report by the date required by law.

I understand that part of the problem is with . . . I think it was one of the other members had already started to probe this, but the problem we run into is with the end date and then the requirement to file immediately afterwards. What, in other departments, is the filing requirement?

Mr. Paton: — The majority of documents that are required to be tabled in the legislature are subject to The Tabling of Documents Act, and that allows generally for about 90 days for the preparation of the document and then some subsequent time for tabling. My understanding of this issue is that there are some other regulations that put tighter time frames around those statements.

Mr. Thomson: — The difficulty then we have in . . . I'm reading here, paragraph .13 of the auditor's report and recommendations — part of the difficulty we have is with this 55-day check-off period. But the regulation is not able to be changed because it's not within the statutory mandate of the departmental law to be changed. Is that correct?

Mr. White: — That's correct, Mr. Chairman.

Mr. Thomson: — So could I just ask then what the result to that is? How do we then accommodate the auditor's recommendation?

Mr. White: — Yes, for the second one it says it's not at this time within the statutory power of the department that that change. What we're planning to do is change that.

Mr. Thomson: — Okay, thank you.

The Chair: — Thank you. What I'm doing is allowing this to be fairly broad ranging. Once we've sort of completed that section I then intend to go through the specific recommendations and deal with them.

Mr. Koenker: — Thank you, Mr. Chairperson. I want to pursue some of the questioning that Mr. Pringle initiated. It related to, in a general sense, to the marketing organizations that we were dealing with, for example Saskatchewan Pork International or the Canola Development Commission. We do have crop development, marketing developing aspects of government under scrutiny here today.

But I'm a little bit puzzled in terms of some of the responses. I think I hear from you that the department itself is not really involved in providing staff resource or support services to

Saskatchewan producers who are interested in alternate agricultural practice. And if I'm hearing that wrong, I'd like you to clarify for me what services the department is providing for Saskatchewan producers who are either already in an organic production mode or are seeking to move in that direction.

Because you talked about the concern of the department is good quality product. That certainly is one of the concerns. It was one of the issues in the market-place in terms of agricultural product, that many of the European countries are willing to provide a premium for certain crops if they're produced under certain certifiable standards.

And there are problems with that, but there are also opportunities there. And I would certainly hope that the department, on behalf of Saskatchewan producers who are interested in that kind of thing, is helping to enable or support that, even as we're looking at biotechnology to enhance market opportunities.

Mr. McLaughlin: — Mr. Chair, if I can . . .

Mr. Koenker: — They're not extraneous to . . .

Mr. McLaughlin: — No, I think there's a need for clarification because there obviously was a misunderstanding.

We work very closely with the organic producers and anybody else in this province that's producing crops or animals and want to look at different systems. We can help them, provide information to them. We do provide information to them.

I've worked with a lot of the organic producers even prior to coming into this job — when I was dealing with biotechnology as well — in a very positive way, and found markets for them. They are niche markets, they are high quality markets, high value markets, and you have to be looking at those as options and opportunities for us as a province to market into, as you mentioned, into Europe. There's some very niche markets in there that will pay premiums for organic products. And we do have producers that market into those and we do work . . . we have people in our department that work with those people and help provide them information and so on.

So if I left the impression that we aren't interested or don't work in that area, I want to stand corrected because that's not true. I think we got to understand what size that market niche is relevant to the total market that we deal with in the province however.

Mr. Koenker: — Can you talk about that? Can you help me understand that in terms . . .

Mr. McLaughlin: — Well I think . . . I don't want to get into specific acreages here because I don't have that sort of thing, but it's a smaller niche market, it's got high value, and therefore we want to move that product into the market-place.

I would like to work with those organic producers to say okay, rather than sell that organic wheat can we process it into

organic flour because then we can probably double the value again or triple the value again.

So anything that . . .

Mr. Koenker: — This is a commercialization in the sense that you were talking about earlier.

Mr. McLaughlin: — Yes, you've got the production side and so on. And there's research that goes on at the university and the Saskatchewan Research Council working with producers to help understand how to get into an organic production system and what kind of things you have to be doing there.

The other side that you mentioned is also standards and that is one of the problems we have in Canada right now — there is not a consistent set of standards for organic across this country.

We as a province are working closely with the federal government, trying to get a set of standards in place that it will be consistent between provinces, because right now that's what creates confusion and difficulty in marketing some of these products, because some provinces have different standards than others, and we need really a federal standard for that sort of thing.

Mr. Koenker: — I'd certainly encourage you in that area. I think it would be energy well spent in terms of public return.

Mr. McLaughlin: — Thank you.

The Chair: — Thank you. That completes what I've noted as a speaking order. There is three general areas of topics on the auditor's recommendation.

The first one we've touched on to some extent, what we have labelled as no. L.1 from the 1995 fall report, the auditor's .12.

And I wonder if the direction of the committee, in hearing some of the discussion, is that we concur with the recommendation and note that the department is considering to request legislation change in order to comply with this regulation. Would that be a fair summary of where we're at with that one?

Mr. Flavel: — Mr. Chairman, I think it would be, with keeping in mind that the amendments to the Act were proposed in the last legislative session and with the Act failing to make final reading, the department has full plans of re-instituting, or reintroducing these amendments, you might say, to the Act in the next election . . . or in the next session; that I would recommend that the committee agree with the recommendation and note progress.

The Chair: — Is that agreed? Thank you.

The items L.2 through L.5 deal with SPI Marketing and I heard from the department officials that there may not be equal ability to comply with each of these four recommendations so I think we should deal with them individually.

No. L.2 which relates to the auditor's .27, would the

department, the deputy minister, care to comment on that specifically, or one of the officials, to see where we're at in regard to that specific recommendation?

Mr. McLaughlin: — Thank you, Mr. Chair. I'll have Mr. White respond to that.

Mr. White: — Mr. Chair, on L.2 the recommendation deals with the auditor's recommendation to . . . for SPI to use a consolidated approach to financial planning, and SPI reports to the Agri-Food Council that although they understand what the auditor is saying, that the board of directors prefers perhaps a little different approach. My understanding, as SPI reports to the Agri-Food Council, that the SPI board of directors prefers as an approach . . . or is more comfortable with an approach that is a little bit different than the consolidated approach to its planning.

What it really does is that it takes a subsidiary approach in terms of understanding and planning its decisions around its . . . about what goes on there. I guess in a roundabout way of saying, Mr. Chairman, the SPI board of directors is very uncomfortable with using a consolidated approach as opposed to its present approach now where they look at each one of the subsidiaries and use that . . . and that is the basis on which they make their financial decisions.

The Chair: — Would the auditor like to comment on this specific clause?

Mr. Strelieff: — Chair, members, our recommendation does not require a consolidated plan. What we would like to see though is a plan for each of . . . a complete plan for each of the subsidiaries or organizations of SPI brought to the board saying, here's our plan for each one of these, before the beginning of the year and that the plan be approved by SPI. Alternatively they can summarize it together in what they refer to as a consolidated way and present that. But as a minimum, in terms of having a complete plan, they should have complete plans for each of its organizations, which they haven't in the past.

Mr. Flavel: — Thank you, Mr. Chairman. I think keeping in mind the remarks by Mr. White and the fact that the board feels very comfortable in the way they're doing it now, and also keeping in mind the remarks of the auditor, I don't see how we as a committee could not agree that there should be sound fiscal planning and so forth of any organization. And therefore I would recommend that we agree with this recommendation L.2.

The Chair: — Any discussion? If not, are you agreed?

A Member: — Agreed.

Mr. Sonntag: — But then I didn't know how the Crown committee could disagree with some of the recommendations I made either, and they did.

Mr. Flavel: — It's not hard to disagree with you.

Ms. Stanger: — I agree with him.

The Chair: — Is it agreed? It is agreed that we're in agreement . . . L.3

Mr. White: — Thank you, Mr. Chairman. L.3 again is very similar in nature to L.2 and actually to some of the other recommendations. And they all, Mr. Chairman, they all are very much related to the way in which the SPI board of directors carries out its financial planning and controls.

My understanding is that the board has a little bit of a different interpretation of adequate planning and control than the Provincial Auditor. I understand, and to the best of my understanding of how SPI has reacted, that if . . . They, I think, have interpreted the recommendations to mean that they must or should be using a consolidated approach for all the subsidiaries. And what they report on L.3 is that they still prefer to use an approach where they know the bottom line in each one of the subsidiaries. And on that basis, that is how they approach their financial planning, rather than the organization as a whole.

Ms. Haverstock: — Thank you, Mr. Chair. Mr. White, perhaps you can help me a bit. I am taking it from what you said regarding .27 and .28 of the auditor's recommendations and given what Mr. Strelieff has said, is that there appears to be some misinterpretation on the part of SPI of the Provincial Auditor's recommendations.

Perhaps that's what needs to be reconciled here, is that SPI understands that what's being requested is not in fact what they think is being requested. And that might in fact clear up any kind of non-compliance here. I ask for the Provincial Auditor's comments.

Mr. Strelieff: — Mr. Chair, and members, the second . . . or the L.3, my officials advise me that for the year ended '95 . . . so this report deals with December 31, '94. For the year ended December 31, '95, they have begun to approve a financial plan before the beginning of the year. So they are moving forward those practices. For this year they didn't.

Ms. Haverstock: — All right, then it appears that there is no problem.

Mr. White: — Mr. Chairman, maybe the problem is with me. Well what I'm saying, Mr. Chairman, is based on our discussions with SPI. That is how . . . that's what we understand what their interpretation was.

And they have reported specifically on L.3 that they are preparing a preliminary financial plan each year. And they provide that, the management provides that plan, to the board of directors usually in about November of each year in a preliminary status. And then in December, at the last board meeting before the end of the year, they approve that plan for the following year.

Mr. Flavel: — Thank you, Mr. Chairman. I guess once again, noting Mr. White's remarks, I would propose that the committee agree with proposal no. L.3 of the recommendations.

The Chair: — Is that agreed? Agreed. Point L.4

Mr. White: — In L.4 the Provincial Auditor recommends that comparisons be prepared monthly between actual expenditures and the approved consolidated financial plan. SPI reports that they in fact do have a form of monthly financial reports that are provided to the board showing expenditures to date as compared to the approved budget line. Again the board prefers to look at the individual subsidiaries to gain an understanding of the status of the organization rather than attempting to look at the body as a whole.

The board does require management to provide a general picture of the financial status of the organization and each one of its subsidiaries along with a projected bottom line each month on each one of them. If there's any discrepancies noted by the board the management is expected to deal with those discrepancies and make a subsequent report to the board the following month.

The Chair: — Mr. Strelieff, do you have a comment?

Mr. Strelieff: — Mr. Chair, members, SPI does need to improve their internal reporting on all their individual corporations as well as on the status of its organization. Its current . . . in the years under review, interim reports were very, in our view, very incomplete. The organization, as I said earlier, of SPI has grown in complexity and they just need more rigorous type of management information to make sure that the direction the board wants to go with SPI is the direction that it's actually going.

Mr. Flavel: — I want to ask the auditor one question, I guess. Are you aware that SPI has had an internal review — a private internal review — done and do you know what the recommendations were and are they following up on?

Mr. Strelieff: — Mr. Chair, members, there was an external review done, contracted by SPI. My general understanding of the tone of the recommendations of that external study was that the board would be . . . the information provided to the board would be sort of in a general way so detailed on individual issues or individual amounts or transactions that it was very. . . the external review recommended that they organize the information presented to the board in a way that the board could see through it in an easier manner. Do you know what I mean? That they were . . . the information by the board was just too much, too detailed, and as a result the board couldn't see the forest for the trees kind of idea. And we certainly, when we looked at the review, we thought that was very good advice that the external review provided.

Mr. Flavel: — I guess your comment . . . What triggered that is your comments that SPI has to greatly improve their internal . . . They are doing that then, I guess. I wonder then, your statement, if you knew this had taken place and that they knew they were improving it, I mean they still need more improving?

Mr. Strelieff: — Well that was their . . . Those were . . .

Mr. Flavel: — There's two conflicting statements there that

you've just made.

Mr. Strelloff: — Those were recommendations that were made by their external review. That doesn't mean that those recommendations have all been implemented and moved forward. The SPI, in our view, does still need to improve the way the information flows to the board, the type of planning information that's provided, and then the monitoring of what they plan to do compared to the actual results. Particularly for all the different elements of the board's responsibilities, including the subsidiaries and those activities, it still does require improvement.

Mr. Flavel: — Thank you, Mr. Chairman. I guess again, noting the comments of Mr. White and the auditor and being a committee that believes in prudent financial management and so forth, I recommend that L.4 of the recommendations, that the committee agree with.

The Chair: — Are you ready for the question? Are you in agreement? Agreed. Thank you. Item L.5.

Mr. White: — Thank you, Mr. Chairman. In L.5 the Provincial Auditor recommends that a manual be compiled and approved, including all the standard policies and procedures for internal controls, financial controls. And again the board of SPI report that they haven't had a problem with the fact that they have not had a complete compendium of all internal policies and procedures. They also report that they do have some policies and some written procedures, but they're not in a location where you can lay your hands on one binder and say, there it is, these are our . . . this is our compendium of policies and procedures. And the Agri-Food Council will be working with SPI to try and convince them of the wisdom of this particular observation.

Just as an aside, Mr. Chairman, and this is a recommendation that is common to a lot of the agencies that I've the occasion to work with, that they don't have everything written down in one clear place to go. It's something you can't argue with, but in most of the agencies I deal with it's something that, depending on the direction they get from the board of directors, they have different levels of their ability to perform this kind of function.

Mr. Strelloff: — Mr. Chair, and members. This recommendation, we have this in a number of organizations and it has two types of facets to it. One is that to make sure that the board clearly defines what it expects from management and therefore management knows. And usually you need some sort of documentation of okay, here's the interim of reports that we would expect and what time period and the planning process that we would, as a board, expect to happen. So that's one facet of making sure that those kinds of expectations are clearly documented.

The second reason that we make these kinds of recommendations is that if key management personnel leave — and right now all the processes and expectations are in their corporate memory — and if they leave, whoever replaces them really have a hard time struggling with how does this organization work? And so we try to encourage organizations to

make sure that the way they carry out their activities is documented — mainly for those two different reasons.

Mr. Flavel: — Mr. Chairman, I guess, keeping in mind that the board hasn't expressed really any concern regarding the lack of information on internal policies and procedures that have taken place, and knowing that management — as Mr. White has said — does document policies and procedures as they see fit, you know, and necessary for effective, day-to-day operations, and keeping in mind also, that I guess that there is no great book or manual in place; but there are papers of these procedures around, it is written . . . Not maybe altogether in one book but it is written somewhere.

Still I guess it seems to me to be a sloppy procedure. I guess in keeping with the neatness and everything else, I guess as Mr. White has said and I certainly agree, you can't argue with the proposal. I mean whether the board of directors feels comfortable the way they're doing it now or not, it's one of those that . . . And so I guess I would recommend that the board . . . or that the committee agree with L.5.

The Chair: — Is that agreed? Items L.6, L.7, and L.8 relate to Moose Jaw Packers. Mr. Deputy Minister, again I turn it to you to either comment on these or direct where the comments should come from.

Mr. McLaughlin: — Thank you, Mr. Chair. Again I'll have Mr. White respond.

The Chair: — Mr. White on the hot seat today.

Mr. White: — Thank you, Mr. Chairman. The recommendations with respect to the Moose Jaw Packers are very similar in nature, not exactly the same but similar in nature, to the ones made with regard to SPI. And generally, Mr. Chairman, the response for these is very much the same as with those with respect to SPI general.

Mr. Flavel: — I guess knowing that the board has not requested such detailed plans to be sent, and also the volatility of the cattle market . . . or I guess not the cattle market we're talking here, the meat packing, which relates to the cattle market, especially for export industry . . . a detailed financial plan. Sometimes I guess they're hard to keep over a yearly basis because of the volatility of the market-place.

However, again keeping in mind prudent fiscal management and so forth, it's one of those recommendations that maybe can't be adhered to very well but you can't argue against. And therefore I recommend that we agree.

The Chair: — Is that agreed? And L.7.

Mr. White: — Again in L.7, the Provincial Auditor recommends a detailed financial plan be annually approved by the board.

SPI reports that the board is now approving an overall, detailed budget that includes a bottom line projection for Moose Jaw Packers as well as the other subsidiaries and is operating on that

basis at this time.

Mr. Flavel: — Thank you, Mr. Chairman. I don't think there's much to be said here except that I would recommend we agree and note compliance; that it's being done, was requested and is now being done; so agree with the recommendation and note compliance.

The Chair: — Is that agreed? Agreed.

Mr. Strelloff: — Probably a better phrase would be progress, rather than compliance. Just a suggestion.

Mr. Flavel: — Okay. Then I move that we agree and note progress.

The Chair: — Thank you. Is that agreed? Agreed. Item L.8

Mr. White: — Thank you, Mr. Chairman. Again the Provincial Auditor recommends on this observation that a detailed comparison be made monthly on the financial status of Moose Jaw Packers. And again management reports that it does present a monthly report to the board where any significant discrepancies are noted and follow-up reports are expected of management at the subsequent board meeting.

And again SPI is reporting that the SPI board of directors is satisfied with the way in which the controls of Moose Jaw Packers are handled by management.

Mr. Flavel: — Thank you, Mr. Chairman. As the last four or five of these recommendations, I guess the way I would refer to most of them, and they're apple pie and motherhood issues, whether you adhere to them or not, you can't disagree with them. And therefore I recommend that the committee agree with L.8.

The Chair: — Is that agreed? Agreed.

Thank you very much, department and officials, for being available to the committee this afternoon. We appreciate it very much. And particularly I certainly appreciated the opportunity to look at some of the ideas and thoughts and dreams that you had for the future. And it gives us an opportunity to not always look in that rear-view mirror, which is a pleasant change from our committee's functioning. So thank you very much for coming.

Mr. McLaughlin: — Thank you, Mr. Chairman.

The Chair: — Thank you, ladies and gentlemen. The agenda items before us this afternoon are completed. Unless I hear someone demanding that we deal with tomorrow's agenda items, I will entertain a motion of adjournment.

The committee adjourned at 2:45 p.m.