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**STANDING COMMITTEE ON PUBLIC ACCOUNTS
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The Chair: — I don't know if this is the way everybody had planned to spend their January 4, but it means that we are all up and ready to go to work and we're going to have a very productive year. Before we move on we have the agenda in front of us, the revised agenda that was revised, I believe. So if anybody has any questions or comments on the agenda? Okay, then . . .

Mr. Koenker: — I just have a comment. I just want to say I appreciate the willingness to adjust the schedule back to the noon hour from the early morning especially given the long, long weekend, the holiday season. Thank you very much.

Mr. Shillington: — Yes, I should have said that as well. I appreciated your courtesy in making several calls from central or northern B.C. (British Columbia) to accommodate us. It was much appreciated.

Public Hearing: Agriculture and Food

The Chair: — No problem. Everybody's here and happy to be at work so that's the main thing. We have the motion before us:

That the draft agenda of the Standing Committee on Public Accounts for the meetings to be held Monday, January 4 to Thursday, January 7, 1999, be adopted.

Is someone prepared to make that motion? There was a motion by Mr. Shillington. Agreed? The first item on the agenda is the Department of Agriculture and Food. They will be with us for approximately two hours if we need them to be. I maybe should bring forward the Thursday items. If we have an opportunity, because they all require no officials, we will try and work them into the agenda whenever we can.

Good afternoon, Mr. Deputy Minister, Mr. Scott. I appreciate your attendance here this morning, early in the new year. I will ask you to introduce your officials and then see if you can recite the testimony to the witnesses since you've heard it so often lately.

Mr. Scott: — I didn't prepare for that.

The Chair: — Okay, I'll do it for you then.

Mr. Scott: — Thank you, Madam Chairperson. Terry Scott is my name. I'm the deputy minister for Saskatchewan Agriculture and Food. And with me today to my right is Jack Zepp, director of administrative services branch; to my left is Laurier Donais, also with administrative services branch; Ken Petruic is two people to my right with administrative services branch; and finally Hal Cushon, director of policy and program development branch for Saskatchewan Agriculture and Food. And I'm pleased to be here this morning and happy new year to everyone.

The Chair: — And welcome to everyone. I'll ask the Provincial Comptroller, do you have officials?

Mr. Paton: — Yes, Madam Chair. I have Jim Fallows with me today. Jim's the manager of the financial management branch in the Department of Finance.

The Chair: — Welcome. Before we go on to Mr. Strelieff, I need to read the statement to witnesses.

Witnesses should be aware that when appearing before a legislative committee your testimony is entitled to have the protection of parliamentary privilege. The evidence you provide to this committee cannot be used against you as the subject of a civil action.

In addition, I wish to advise you that you are protected by section 13 of the Canadian Charter of Rights and Freedoms which provides that:

A witness who testifies in any proceedings has the right not to have any incriminating evidence so given used to incriminate that witness in any other proceedings, except in a prosecution for perjury or for the giving of contradictory evidence.

A witness must answer all questions put by the committee. And where a member of the committee requests written information of your department, I ask that 15 copies be submitted to the Clerk and it will be recorded as a tabled document.

And please address your comments through the Chair.

And I'll ask Mr. Strelieff to introduce his people and to give us an overview.

Mr. Strelieff: — Thank you, Madam Chair. Good afternoon, members and officials and welcome to 1999. With me today are Corinne Rybchuk, she leads our work at the Department of Agriculture and Food, as well as Fred Wendel, the assistant Provincial Auditor; Bob Black, and John Kodas. John is an articling CA (chartered accountant) student in our office.

The Chair: — Welcome.

Mr. Strelieff: — Do I just keep on going? Thank you, Madam Chair.

The first item on today's agenda has to do with the Department of Agriculture and Food. When this committee met in November, you were still trying to get caught up to date with our reports and recommendations. You certainly are far closer to that — congratulations.

As well, the last time we met on Agriculture, we did provide you a long list of outstanding recommendations. Many of those recommendations are now addressed and so the list is far shorter. I think the previous list had 28 recommendations. This one has nine, and even some of those are . . . there's progress happening on that.

So certainly I congratulate the department on their work during this past year.

We did provide you a summary of the outstanding recommendations with a status report on the right-hand side. And the third page, which I'll comment on later, has to do with a reconciliation of how much is said to be spent on Agriculture in the General Revenue Fund as compared to the summary

financial statements and it had to do with some comments that Mr. Hillson made in November.

But at this point, I'm going to turn it over to Corinne to go through the recommendations.

Ms. Rybchuk: — Thank you, Wayne. As Wayne mentioned, there are only four new recommendations on the list that was handed out to you. They relate to the department's contingency plan and the Milk Control Board's interim reporting policies and procedures for preparing accurate financial information and their contingency plan.

The rest of the recommendations are outstanding from previous reports, however the department and the entities are addressing all the recommendations. Some recommendations are larger in scope and will take more time for the department to address them. We expect these matters to be outstanding for our next report.

With your permission, I'll just go through the recommendations. I won't read each of them out but I'll simply point out the new ones.

So on the schedule that was handed out to you, the first point concerning the estimating bad debts is a repeat point from the previous list. The department is again working on developing their procedures to estimate bad debts.

The second point regarding the contingency plan is a new recommendation and has never been addressed before by the committee. And the department has already taken mark on that. And they plan to complete and test its contingency plan by December of '98.

And the third point and fourth point are again repeat points that you've seen before concerning the policy manuals that the department is preparing. And they've already begun work on that.

The fourth point, again, is a repeat point for SPI Marketing Group. And they have just done a structural change so we'll be looking at that again in the next year.

Point no. 6 again is a repeat point for the PAMI (Prairie Agricultural Machinery Institute). And again, PAMI is already taking actions on this point. We'll look at that again in our upcoming audit.

The Milk Control Board points. All three of those are new points, new recommendations. And they've already begun to address them.

The fourth page is the schedule that Wayne mentioned which he'll talk about later. And as you can see by the reduction in the number of the points, the department has made significant progress on addressing any recommendations.

And that concludes my comments.

Mr. Strelieff: — Thank you, Corrine. One of the things that you'll notice in our report that makes this department's job particularly challenging is the number of organizations that it is

responsible for. Page 208 and 209 lists a whole series of them. They are responsible for the operations of about 12 special purpose funds and Crown agencies, as well as the agricultural . . . Agri-Food Council, which in turn governs about 10 other agencies.

A large portion of the money spent on agriculture comes from the General Revenue Fund. However, in addition there is also a significant amount of spending that is done by other agencies that it's responsible for, that is reported in the summary financial statements.

On page 208 of our report, we reconcile the spending through the General Revenue Fund with the spending as reported in the government's summary financial statements. The difference in that year was about \$47 million. In other years the difference is more significant.

If you look at the schedule that we provided you, the last page provides a reconciliation of the spending on agricultural programs that actually happened in each year compared to the spending reported or accounted for through the General Revenue Fund.

Now the differences arise . . . The other sources of revenue that is used to pay for agricultural programs include transfers from the federal government, so that's an important source of revenue that is used by the government to pay for agricultural programs; or from borrowing. For borrowing, that could be carried out through some of the agricultural agencies or corporations, or from surpluses that may have been built up over a number of years.

So as you think about what might be happening in '99 in the near future, as it relates to cost-sharing agreements with the federal government and the provincial government, if the amounts are spent through agencies not included in the General Revenue Fund, so if the amounts are . . . the transfers are moved straight through to agencies not included in the General Revenue Fund, there will again be a large difference between what is reported in the General Revenue Fund compared to what the actual costs of agricultural spending is during a particular year.

One of the things that you hear our office talk about is trying to encourage the government to put on the table a complete financial framework so that no matter which organization is used to carry out government programs, the actual revenues and costs are recorded and reported to you as part of the plan of the government in the year that they are expected to be incurred.

And that concludes our comments, Madam Chair.

The Chair: — Thank you very much. I ask Mr. Scott if you have any comments you'd like to make.

Mr. Scott: — Thank you, Madam Chair. I just have a few introductory comments that I would make. And if I could start off perhaps just noting that in the report that you've just heard from the Provincial Auditor's office, it's noted that there's either been good progress achieved on the recommendations or we've complied with the various recommendations. And certainly we're pleased that we've been able to achieve that

kind of progress. And I want to thank the Provincial Auditor's office for the work that they do as well on behalf of the government and the department.

If I could just make a comment on the reconciliation that has just been presented also. We would certainly urge caution in terms of the interpretation of these numbers. These are a reconciliation and I understand why these reconciliations are made, but what we should not use this set of numbers for . . . if you go between 1991-92 right up to 1998, it's not a good indicator of actual provincial government support to the agriculture industry.

Because as the auditor's office has pointed out, there is a wide mix of things in these numbers, including federal government contributions and expenditures, that are reflected in these numbers for programs that are administered by the province. And to the extent that those change over time, what you're seeing is a change in the federal level of contribution to agriculture programming.

As well, it depends upon who administers the programs. For example, if you go back to 1991-92, the province through Saskatchewan Crop Insurance Corporation administered the gross revenue insurance program. And so the numbers early in the decade are clearly higher because the province was administering that program whereas now the federal government is administering a program called the Net Income Stabilization Account program and so the provincial contributions get sent over to that administration and they're reflected in a different way.

So just to be sure that we don't view these numbers as a governmental . . . or a reflection of governmental commitment, either provincially or federally, throughout time. Because that I think would be an incorrect interpretation of these numbers.

The other thing that's been pointed out is that when you have programs that are funded through annual contributions by the two levels of government at times those programs will build up surpluses because payments to the producers are lower than the contributions going in. At times those programs will run deficits because the payments to producers are larger than the contributions going in. So we just can't use this particular set of numbers to draw the conclusions about governments' commitments to agriculture over that period of time.

I'd certainly welcome any comments from the Provincial Auditor's office on that, but that's the caution I would advise on those numbers. But they certainly do serve the purpose of reconciling the various funds to the overall department's expenditures.

Now, Madam Chairperson, I was here not too long ago and I talked at some length about some of the goals of Saskatchewan Agriculture and Food. And while I wouldn't want to repeat all of the things that I reported just a few weeks ago, I certainly could attempt to highlight some of the things in the fiscal year that is in question that we have put our attention to and I think made some accomplishments in terms of meeting a number of the goals that I talked about last time. So I would certainly offer to speak to those general kinds of things if that would please the committee.

The Chair: — That would be a good idea because I'm sure there's going to be questions on some of the issues we talked about last time.

Mr. Scott: — Okay. Let me start just by reviewing the mandate of Saskatchewan Agriculture and Food once again. And I'm just going to read this, and you see this in the *Estimates*, you'll see it in the *Public Accounts* I suspect.

We define the mandate of Saskatchewan Agriculture and Food to add value to agriculture. And we do that by fostering a commercially viable and self-sufficient and sustainable agriculture and food industry in the province. And that mandate, or through that mandate, we focus on really three main things.

One is the needs of individual farms. Second is encouraging and developing higher value production in the agriculture industry. And thirdly, promoting the kinds of institutional changes that are required to meet the challenges and opportunities that the industry faces.

Now that mandate is developed — and I think reflects to a large degree — some of the what we call driving forces that are shaping the agriculture and food industry today. Things like population and market growth. And I think it's very true that globally, and we operate in a global industry without doubt when it comes to agriculture in Saskatchewan, population and market growth are reasons for optimism in the future. Because we see of course an expectation that will add another billion people to the global population over the next decade. And those people will need to eat. And certainly not all of that population growth is occurring in areas of the world that have buying power but certainly a good part of it is. And I think that bodes well for some of the export interests that Saskatchewan Agriculture and Food has.

Another thing that we see as a driving force affecting the industry is the whole question of diversification and adding value in the industry in Saskatchewan. And this is not something that just one player — whether it's governmental or private sector companies — are pursuing. This is an area that is clearly a major shift in the last number of years in the industry. Just for example, we've seen our . . . And certainly not to diminish the value of wheat production in Saskatchewan. It remains very important to us and I suspect will for many years to come, but we've seen a decrease in the number of acres that have gone into wheat production in the last five or six years. The acres actually reduced depending on the years one looks at by 50 per cent.

And that's a tremendous reduction in one area of our agriculture in Saskatchewan. What it means of course is that many other crops and commodities and livestock products have risen and come to the fore in order to replace that shift away from wheat production.

So we've seen things like growth in the traditional livestock commodities that we produce like beef and cattle and hogs. And we've also seen movement into specialty livestock through things like elk and bison. And specialty crop acreage is way up in the last number of years. Canola acreage is also way up in the last number of years.

So this is something that is really starting to I think take hold in the industry. And in spite of some of the income problems that we've seen recently arise, we suspect that this kind of diversification will continue into the future and there'll be a much greater variety of opportunity in the agriculture industry than we've seen traditionally in Saskatchewan.

And it also extends clearly beyond the farm gate when you look at some of the growth that's occurring in the food processing sector in Saskatchewan. I'm told that Saskatchewan's food processing sector, while it's not the largest in Canada, is in fact in the last few years been the fastest growing in terms of rate of growth in Canada. So that I think bodes very well for the adding of value to the products that we produce.

Risk management and the whole area of farm income support. We've seen some major changes in the last number of years, some of these changes driven by international trade agreements that have been entered into by Canada.

But we certainly see as a continued challenge the ups and downs of the marketplace when it comes to agricultural production. And certainly a good part of what Saskatchewan Agriculture and Food does is to run programs that attempt to deal with that risk management or need for stability in the industry as we know it.

The trade policy environment, I've mentioned is another major changing force that's affecting our agriculture in Saskatchewan. And we have seen clearly in the last number of years a reduction in subsidies in Canada to the agriculture industry, not any doubt about that. We've seen a good portion of that driven, I think, by some domestic considerations in Canada, fiscal considerations federally, but also some of those changes have been driven by international trade agreements where countries have agreed to make reductions in their subsidy levels over time.

And also I think we've seen some other things happening in the trade policy front that are going to be very challenging for us and are affecting to a large degree some of the things that we are doing in our department, which I'll talk about in a little while.

While we're seeing globally a move away from the direct kind of agriculture assistance and we're seeing rules built around those types of programs, we're also seeing countries attempting to erect trade barriers in other ways, whether it's through sanitary measures that really aren't sanitary measures, or . . . (inaudible) . . . sanitary measures and so on.

And we will be repeatedly challenged, I think, to demonstrate that we as an industry are meeting the legitimate scientifically based requirements that importing nations from Saskatchewan throw at us.

Environment and food safety plays right into that. And that's an area where I think a good part of our efforts in the last while have been targeted. Dealing with some of the environmental challenges to ensure that we put safe food products on the market and to ensure that we are maintaining appropriate practices in the agriculture industry so that we maintain soil and water quality well into the future so that we can continue to

benefit from the use of those resources.

Transportation policy changes clearly have been one of the key things that have affected the agriculture industry in Saskatchewan. And with the elimination of the Crow benefit a number of years ago, that has taken a substantial piece of income from the industry, which the diversification and the adding of value that I talked about earlier, over time will attempt or will in fact remove some of that hurt as we adapt to change in transportation policy.

It's important to note though, I think that that is a long process and it's not one that you replace 3 or \$400 million of income overnight. It does take a long time to replace that income. But I think when we look at the industry and some of the things that have been accomplished, we will continue to make that adjustment as best we can.

Technology and innovation. Clearly I think when you look at the agriculture industry, it is an industry that is facing as rapid a technological change as I know of, of any industry, and I don't think there's going to be any relenting in that particular trend. I think that's going to be with us well into the future and you can pick any number of examples of areas where that is true, whether it's ag-biotech or whether it's precision farming, new techniques in dryland farming — all of these things are, I think, going to continue to march forward and see our industry in Saskatchewan become more and more productive over time.

Now some of the things that have occurred in our department in an attempt to deal with some of those forces that affected the industry, speaking specifically about the year under consideration, when we look at our department goals that I mentioned last time, one of the things that we do attempt to promote is the generation of new technology. And some of the things that I would highlight from the year in question include the renewal of the Ag-West Biotech contract where we fund Ag-West Biotech to draw agricultural biotechnology research to Saskatchewan.

And of course we've seen very successful growth in that ag-biotech industry in Saskatchewan over the last number of years. I don't believe the growth is finished by any means. I believe it will continue and we see Ag-West Biotech as being a key part of that.

We also, around the area of new technology, we implemented in the particular year in question, a producer check-off for alfalfa seed. Now this is an example of industry recognizing the value of research and development and not expecting governments to provide the full 100 per cent of the funding to make those kinds of things happen. And that check-off was put in place in the year in question.

Prairie Swine Centre. . . we provided some funding to the centre to expand their operations, to ensure that the research is done to make the pork industry in Saskatchewan as productive as possible, but also to ensure that the industry is respecting the environmental concerns and considerations that do exist.

And also some funding for Sask Pork, the new agency that is part of the replacement for the Saskatchewan Pork International, the marketing desk for hogs when it was

restructured. And those funds are to be spent for research and development — a million dollars.

And of course we continue to fund research and development through the Agriculture Development Fund and the Agri-Food Innovation Fund which are two basic funding programs for this kind of effort for the industry.

Another goal I mentioned was easy and timely access to information, and we continued in the year in question to provide support to things like the AgInfoNet which is a governmental industry partnership where we attempt to provide an exchange point for information through electronic information exchange systems, and as well the initial stages of moving the agri-food industry into a forum where they can conduct commerce on an electronic basis.

The Western Beef Development Centre was under development in the year in question. And as well I think what we saw in the year 1997-98 fiscal was certainly a move throughout the Department of Agriculture and Food to shift the knowledge base and shift the services of the department to better deal with some of the emerging industries, the emerging products that are being produced in Saskatchewan Agriculture and Food. I mentioned some of those previously.

A third goal that I mentioned was unique and innovative financing to meet the capital needs for adding value to agriculture and our main program to do that of course is the agri-food equity fund. And we saw in the year in question an additional nine new investments that were made by that fund and those investments are added to investments that were already in place from previous years.

Enhancing the productivity and sustainability of agriculture resources was a further area. And included in some of the highlights of '97-98 are some efforts along the area of multi-use of Crown land. We implemented — or at least we developed in that year I should say — some new initiatives in the pasture program to ensure that we're taking advantage of all of the business opportunities that might exist in those pastures.

And those things I think, given that we administer over 8 million acres of Crown land on behalf of the taxpayers of Saskatchewan, I think they're very important things, because we do want to make sure that we fully utilize all of the opportunities that those Crown lands do offer for us.

Now I talked about international trade and some of the things that are happening there in terms of demands for food safety, environmental protection, things that we have to do to meet the requirements of importing nations to ensure that our products can get into those markets.

And in '97-98 we worked very hard on quality assurance programs. And we actually, not in '97-98, but some of the development work was done in that year for the quality assurance program for pork which has since been actually implemented and is now off the ground. So that I think was one initiative that relates to that goal.

Intensive livestock operations. We continued of course to review and assess those projects to ensure environmental safety.

And another initiative that I think is worthy of mention, veterinary diagnostic services. Throughout '97-98, we were engaged in some of the early developmental work to put in place an organization that can ensure that we have disease-free livestock products produced in Saskatchewan and we can demonstrate to our trading partners that we have disease-free livestock products coming out of Saskatchewan. That will be extremely important in the future and we have moved to enhance our efforts in that area.

Management of business risks. I think '97-98, when you look at the challenge of dealing with the boom and bust in agriculture, worthy of mention there, the crop insurance program improvements of that year as a result of removing the provincial debt and a good portion of the federal debt from the program, and a change in the cost sharing for producers. We managed to make that program a lot more affordable. We saw our participation in that program increase in that year.

And also we began to develop some mechanisms in the program to deal with new products. And of course for '98, what we saw was alfalfa seed as well as chick peas added to the program as a result of efforts that were under way to develop those options in '97-98.

Final thing that I'll mention . . . sorry, second last thing I'll mention is just identifying business opportunities in the agri-food industry. I think worthy of mention is the development in '97-98, and its implementation subsequently, of the game farm policy for Saskatchewan, to ensure that further opportunities can be garnered from that sector, including the trophy ranching that has been established in '98. And also efforts in the area of bison industry development, herbs and spices, those kinds of activities.

And then a good part of what we do, while it's not an area that we expend a lot of dollars on compared to other areas, but we do spend a good effort in terms of human resources that we employ, looking at the provincial, national, and international environment in terms of governmental policies, and attempting to represent Saskatchewan's interests in ensuring that those policies are conducive to the kinds of developments that we would like to see in Saskatchewan, whether it's diversification, adding value to our products and of course things like transportation policy, international trade policy — all become very important in that kind of a framework.

So that gives you a bit of an overview of some of the highlights for '97-8. And I will stop there and we will open it up to any questions the committee may have.

The Chair: — Thank you very much. Mr. Scott, I think it's very important that this committee gets to see not only the financial side of the department but to understand the goals and objectives of the department, so that can be looked at as well when we're asking questions.

Before I go on to my speaking list or my questions list here, I know that we've got . . . our agenda is fairly flexible but we want to make sure that we finish each of the issues each day. So maybe just to keep in mind, that if everybody knows who's going to be speaking and we just sort of keep in mind how much time we do have, making . . . everybody has to have an

opportunity to ask all the questions but at the same time we'll just try and stay on schedule a little bit.

So we'll start with Rod, knowing that I think that Jack has some questions. So we've got four on the speaking list right now.

Mr. Gantefer: — Thank you, Madam Chair. I suspect that that was an admonition for me to be brief. And point well taken. Point well taken.

I think there are some issues of course, Mr. Scott — and welcome to you and your officials at this first session of Public Accounts in 1999 — that I'm sure all members are interested in hearing. And because I get to ask a question, I think it's in everybody's interest.

And the first one of course I would ask you for an update on the proposed farm aid package that's been proposed by Ottawa and that I understand there's current negotiations going on between the two departments.

Mr. Scott: — Thank you. I did anticipate this question.

You'll be aware certainly of the activities that went on before Christmas and the announcements that came from the federal government on this area. And it was announced before Christmas that there would be a program, and we'll call it national income disaster program for now. That seems to be the term that most people are using to describe it.

And it is a program that would be along the lines of a program which exists now in provinces including Alberta, B.C., and Prince Edward Island, where the gross margin of an individual in any given year would be compared to gross margin in the base period, or a percentage of it. And if your current year's gross margin fell below that base period margin, then you would trigger a payment.

Now that was the initial announcement, along with the announcement of \$900 million over two years of federal funding, or I should say up to that amount depending on what the program actually costs. But that would be a capped amount; it wouldn't exceed that.

And also an indication from the federal government that provinces would be expected to pay a share of the program costs. And what was indicated was that the provinces would be asked to pay for 40 per cent of the total program cost.

So the initial announcement of course left a great deal of work to do in terms of developing the program and getting a program into place in time for dollars to flow on a timely basis to producers. And certainly one of the things that we would like to see, and we've said many times, is that we would like to see that money in the hands of producers prior to spring seeding so that they could know where they stand in terms of planning for their production for 1999.

Now as a result of that initial federal announcement, there was a meeting of all governments across Canada at the deputy minister's level and discussions about a wide variety of program details. We found that based on the kind of model that the federal government wanted, there are some things that

become relatively obvious. If you're going to have that kind of model, then you do them a certain way.

Other things, however, are a little more difficult to nail down in terms of design. And what we found in some of those more controversial areas — if I could use that word — is that different provinces had different ideas about how various things could be done. And certainly, the federal government has their own views about how things should be done as well.

So the initial meeting did not all of a sudden crop up with all of the details developed for this kind of a program and that shouldn't be surprising because if you want something to happen quickly in this area, what it usually means is one level of government has to take the bull by the horns and do it. The federal government decided that they wouldn't take that approach; they want provincial participation. So it means that it requires negotiating with 10 provinces across Canada, all of whom may have different ideas about various program details.

Subsequent to that initial meeting, however, the federal minister, Vancilief, did issue an update on the income disaster assistance program with a number of program details; or probably more appropriately described as a number of general parameters for the program with quite a bit of detail still to be worked out on them. It was indicated that the federal government and provinces would sit down bilaterally and discuss those details as well as the issue of provincial participation in cost sharing of the program.

So federal government officials have been going across the country meeting with individual provinces to talk details and to talk about how do we finance this program.

So that is about where we're at in terms of the development of the program. And there is still . . . or there are still quite a few details to be worked out. The indication from the federal government is that they would like to see the details finalized sometime in February. And that has become more or less the target that people are shooting for at this point.

Mr. Gantefer: — Has your department had that bilateral meeting with the federal department?

Mr. Scott: — We have had, we have had one meeting with the . . . I have had one meeting with the federal deputy minister here in Regina, and I am told that he is coming to see me again, I believe, next week.

Mr. Gantefer: — I think that you mentioned that there was an expectation in the federal announcement of province cost sharing this program, and certainly from the public statements in the media, that is clearly a very significant area of disagreement compared to what the provincial government's expectations of contribution may be as to what the expectations are from the federal government.

Where is that negotiation at? It strikes me is it's a little more than details.

Mr. Scott: — That's probably a big detail. Not to be flippant about it, but it is a very significant detail. We have pointed out and we continue to point out that for this kind of a program . . .

I'll just give you . . . I'm just going to throw out a couple of numbers here just to help to make the point as best I can.

But let's say for example that . . . well, not for example. The federal government is saying that they'll put in \$900 million over a two-year period. Now if you take 30 million Canadians and divide that into \$900 million that comes to about \$30 per man, woman, and child — all Canadians — over a two-year period. So \$15 per year, say.

If you applied that same \$15 to Saskatchewan's population, you would come up with \$15 million which would put the province's taxpayers on the same level of per capita contribution as Canadian taxpayers. So that gives you a sense of the kind of problem that a province has when they're expected to pay 40 per cent of a disaster program.

If we're expected to pay 40 per cent of a disaster program in Saskatchewan, then what it means is that our per capita contribution will far, far exceed anything that the federal government is putting in on behalf of Canadian taxpayers. And so we're attempting as best we can to explain that reality for the province's taxpayers to the federal government.

We're also making it very clear to the federal officials when we speak to them that the Saskatchewan government, on behalf of the province's taxpayers, are deeply, deeply into providing safety net programming.

And if you look at what Saskatchewan taxpayers now do relative to all of the taxpayers of every other province in Canada and Canadian taxpayers, the provincial taxpayers in Saskatchewan are already paying over four times as much as the average taxpayer in other provinces of Canada and over four times as much as Canadian taxpayers by virtue of the dollars that the Government of Canada spends on their behalf to agriculture. So those are the kinds of things we're pointing out.

Now obviously we want Saskatchewan producers to have access to these federal dollars, without doubt. And so we're going to be as open-minded as we can but we certainly are continuing to press our concerns around the question of cost sharing. And how it will end up, I'm not in a position to tell you today.

Mr. Gantefer: — When you speak of the \$900 million, is that the amount of money that the federal government has allocated to it or is that the total program cost?

Mr. Scott: — That was the amount the federal government would allocate over two years to the program. And what was proposed in the initial announcement was that if the provinces put in 600 million in total, then the total package would be 1.5 billion over two years. That's for all of Canada.

Mr. Gantefer: — Has there been some estimate . . . And I recognize the methodology is on a whole farm income, but the two areas that seem to be creating the most concern is the hog industry and the grain sector, particularly in some geographical locations of the province in terms of that income adjustment.

Has there been any estimate in terms of the global \$1.5 billion program as to how much of that roughly might be allocated

towards the hog sector or may end up falling towards the hog sector as compared to the grain sector?

Mr. Scott: — I'll make a couple of general comments and then I'll maybe ask Hal Cushon if he has anything that he'd like to add to that.

The particular program design, this NIDP program — national income disaster program based along the Alberta style of program — it's a very difficult one to estimate ahead of time where the money is going. Because you don't know what the payments are going to be until you've done all of the individual calculations, which are done of course after the tax returns are filed by all of the individual producers across Canada.

So it's a little bit of guess and by golly to figure out in general terms where those monies might flow.

Now what we do know — so we look at some other aggregate kind of indicators and hopefully those are a bit indicative — we do know that hog prices for example have fallen more than any other commodity that we produce. There's no other commodity that I'm aware of, at least not any one of great significance, put it that way. And if the emu producers heard me say just that, they'd be offended. But they're not a large part of the industry. But I'm talking about some of the mainstream commodities and there are no others that come close to the kind of price decline that hogs have had.

So based on that, one would expect hogs to draw a reasonably large amount of dollars. What percentage, I'm not in a position to speculate on what percentage of it that might be.

The other thing we know of course is that some of the cereal crops have also experienced a fairly steep decline. And when you look at Saskatchewan's and Manitoba's net income decline, those net income declines of course reflect to a large part the decline in the prices of some of those cereal grain commodities.

So one would surmise that there should be a fair amount of that money that comes into the hands of individual grain producers.

Now of course when you're talking about a whole farm gross margin program, while your wheat prices could be way down, if you're also a mixed operation and you're growing some canola and some lentils, those commodities of course have not seen the same drop. And those get basketed in with all of the other wheat acres that you produce to determine your gross margin.

And so the averaging out might mean that, depending on what else one grew, you may or may not get a payment under that particular kind of program.

Hal, do you want to add anything to what I've said already? No. Basically that's about where we're at.

We are over the next few weeks going to be trying to do, through surveying, a better estimate of where the dollars might go. And hopefully we'll have something further that we can report on that.

The problem of course is that we couldn't do that surveying until farmers were in a position to have their '98 information on

hand. And so it's just recently that we've been able to say, well why don't we do a little bit of surveying and see where these dollars might go. So we should be able to have somewhat better information in the next number of weeks.

Mr. Gantefer: — I recognize the difficulty in picking any methodology for paying out funds under this kind of a circumstance. There are those that argue that if the problem has been the commodity price war between the Common Market and the United States, that if that is the issue that has driven these prices down, then a program as proposed of this nature does really not reflect that. It is more weighted towards other issues — environment, management, or whatever if you like. And so I guess the dilemma is always there.

Was there any opportunity to discuss with the federal government the methodology of what an assistance program would look like, and was there a consensus that this model was the one that was going to be accepted? I recall when we visited last in November, you indicated that all indications were that the federal government was heavily leaning to this. It seems now to be the case.

Was there discussions that occurred in terms of any other methodologies per acreage or things of that nature?

Mr. Scott: — The federal minister has had for some time now a group — I'm just struggling for its name now — the national safety nets advisory committee, I believe it's called. And this is a committee of industry, national industry leaders in Canada. And the Alberta-style model is the model that they've been recommending to the federal government for some time.

When minister Vanciel made his announcement prior to Christmas that there would be federal dollars for a program, that announcement essentially presumed that it would be an Alberta style of program. When deputies met subsequent to that announcement in Ottawa, one of the givens was that it would be that particular type of program.

Mr. Gantefer: — In the \$900 million that the federal government has committed over the next two years, has there been any estimate as to approximately how much of that \$900 million would accrue to Saskatchewan agriculture producers.

Mr. Scott: — We have seen estimates ranging anywhere from just under a \$100 million to just over 200 million per year. Those are rough numbers. So it's, as I say, it's a difficult thing to predict based on . . . When you're trying to predict what a program will cost, it's based on individual calculations across the country. It's difficult to predict ahead of time with a great degree of accuracy what the total program costs will be. And hence a fairly wide range in terms of expected costs.

Mr. Gantefer: — Has there been any analysis in terms of the adequacy of that number in comparison to the need and the drops in income? Is that going to come anywhere near meeting the need? The numbers you hear from the agricultural community are of course far, far larger than those numbers. Is this going to potentially be an adequate program?

Mr. Scott: — I think a couple of things on the adequacy; the short answer is, I think it's too early to know. Until people get a

better handle on how that money will be paid, what types of producers will receive it, I think we can't draw any firm conclusions.

But I do think also, that it is very important to view anything that is done in the context of the total safety net package. You know I don't think that the federal government or any other government is looking at this particular program as the sole solution to the need to stabilize the agriculture industry.

We have programs across Canada which include a different set of things in different provinces. But things like crop insurance, things like the Net Income Stabilization Account program, in Alberta you have a similar program like this already in place.

So I think people are looking at these new dollars and this new program initiative in the context of everything else that is there as well. And that's ultimately the test, I think, is the total package going to be realistic or reasonable in light of the circumstances that we're under.

And I don't think there's any doubt that defining whether it's adequate is always something that's in the eye of the beholder as well. And you will get very different viewpoints expressed by different people across the country.

Mr. Gantefer: — In your comments I understood it that the federal program is offered contingent on provincial participation. Has the province — while I recognize you indicated there's a discussion and details, a very big detail about what that level of participation is — has the province made the commitment to participate?

Mr. Scott: — No we have not.

Mr. Gantefer: — And then I would understand it, if that position doesn't change then the federal program would not apply to this province.

Mr. Scott: — That question has not been directly answered by the federal government. It has been asked but it has not been directly answered.

Mr. Gantefer: — So do I hear you saying that although, as I understood the federal program was contingent upon provincial participation, you're saying that that may not be the case or the federal government hasn't said that.

Mr. Scott: — Yes, what I'm saying is I don't know the answer to that question because the federal government has not explicitly responded to question of whether they would offer the program if any particular province did not participate. I think their approach to this point has been to try to sit down and see if something can be worked out to get the provinces in. And that's the discussion that's going on right now.

Mr. Gantefer: — In the question of time limits, I think that there probably is a fair degree of variance between individual producers and perhaps even a variance in between geographic areas depending on all the factors that have gone into an individual producer finding himself in a certain financial predicament.

You indicated, as I understood it, that by the end of February the details were targeted to be resolved. Is that the big details as well as the little details? I guess what I'm directly asking is, is the end of February the absolute deadline in terms of working out the funding relationships and indeed if the province is going to make a commitment to participate?

Mr. Scott: — The end of February is the target date that the federal government has expressed for having all the programs details worked out. Whether that's an immovable date or not, they haven't said. But that is their target date for getting the details of the program sorted out.

Mr. Gantefer: — Well I think for producers if it was going to be movable they would hope it would be moved forward. Because I believe, from what you have indicated to us today and what seems to be in the general population, there is really very little for individual producers to be able to count on or to plan for; and it's my understanding that in some areas in the province their individual situation is getting very, very precarious.

Has the department been having calls or requests for information? Is that accelerating from producers in terms of what the status of this program — where it's at?

Mr. Scott: — We have had some. The exact number I couldn't tell you just offhand. Hal, are you in any better position on that? You've had some I know.

Mr. Cushon: — We've had three or four a week. We have anticipated that producers will be quite interested so we're working with our farm management people to design a form that . . . sort of a worksheet that they could use to the extent that we know the details that they can fill in their own numbers. And then as the details become more available, they can actually do their own calculations about whether they would receive a payment.

And we also plan to work with the accounting firms to give that to them so they can also do that calculation when they're going out doing the farmer's accounts.

Mr. Gantefer: — But that will not only even be able to be begun once the two levels of governments iron out the details.

For example, is the province of Saskatchewan going to participate or not? Is the federal government program of 2 or \$300 million going to be contingent on participation by the province or not? What's the whole package?

I mean it strikes me is that what you'd have for a worksheet is a blank sheet of paper in terms of giving any management assistance to producers at this stage, and that the sheet will be blank until after that February deadline or whatever the movable deadline is.

And I would think that there'd be a fair level of stress occurring on individual farm operations while they're waiting.

Mr. Scott: — To a certain degree any of that work is a bit speculative. You're right but that's always the case when one is developing a new program. You have to make certain

assumptions about details and try to figure out if you did it that way versus this way, what would be the impact? Who would receive funds and how much and so on?

So that's the kind of process we're going through right now. But knowing that, yes, until all of the details are worked out and confirmed nobody's in a position to say I will get X dollars from this program for 1998 tax year.

Mr. Gantefer: — While producers are waiting, I understand that the department has indicated, you know, that you're going to have a great deal of patience with people that are doing business with the department. Is that in things like putting on hold, or potentially putting on hold if requested, lease payments on cultivated land, on ACS (Agricultural Credit Corporation of Saskatchewan) accounts, on . . . I think there's some GRIP (gross revenue insurance program) overpayment issues out there? What's the department's stand in terms of, I think the word is patience, in terms of individual producers while this is all being worked out?

Mr. Scott: — A couple of points, Madam Chairperson on that question. One is because of our unease with the length of time that the federal government was saying it was going to take to get this program on the ground and get dollars into the farmers' pockets. We did move in the area that we saw as being the most urgent, which was the hog industries' problem, and put in place a hog program which we expect, based on our deadlines, will see cash available to hog producers by the end of this month.

I think to some degree that reflects what can be done in terms of timeliness if one level of government takes the bull by the horns and they do it. Now if we had gone to the federal government and said we got an idea here for a hog loan program, would you like to participate and pay for a portion of it, I can probably assure you that we wouldn't have those dollars out the end of January.

So we moved on that to deal with the problem of timeliness because we felt that was the biggest and most urgent problem that we have at this point.

The other part of my response to your question would be whether it's Agriculture Credit Corporation or unpaid bills with any other program, we look at those situations on a case-by-case basis and we attempt to do the appropriate thing in the circumstances for people.

Yes, every program has a set of rules and guidelines as to when things are due and have to happen, but we do exercise as much discretion as we possibly can, depending on individual producer circumstances. But are there any hard and fast rules on it? No. But we do attempt to be as lenient as we can while respecting the need of other producers to be treated fairly and equitably at the same time.

Mr. Gantefer: — I believe it's been reported that there were discussions held with the other major lending institutions in the province as well in terms of a request for understanding. Have those meetings occurred and what has the response been?

Mr. Scott: — We had meetings — when I say we, the Minister of Agriculture and Food, Minister Upshall — met with all of

the major lenders in Saskatchewan, including the chartered banks, Credit Union Central, Farm Credit Corporation.

And certainly some of the things we heard from the lenders indicated . . . gave us a similar sense to some of the impressions that we have in terms of how the industry's doing. There are clearly parts of the industry that are struggling greatly. There's not much doubt about that when you look at some of the dramatic price declines that have occurred. You find other parts of the industry that are doing better obviously.

And you can't just take one firm conclusion that everybody's in crisis. That's clearly not the case. But you have to look at, I think, parts of the industry and see how they're doing. We heard that same kind of sentiment from the lenders.

We also heard from the lenders that they would be doing what they can, again on an individual case basis, to see as many people get through the problems over the next number of months as possible, as they move towards making their plans for spring seeding and so on.

I think that would be, in general terms, a synopsis of what we heard from them.

Mr. Gantefer: — Thank you. To change topics a bit, I would like to acknowledge and appreciate the formula that you've tabled that you use for the lease rates for grazing and hay rental land. Do you have a similar type of formula for cultivated land? And if you do, would you be able to table that with us?

And it flows out of the answer even on your first response in terms of the Crow benefit and how it was amortized or formulated into the lease costs. Would it be possible to table a similar type of formula in terms of cultivated land as you have with the pasture land?

Mr. Scott: — Yes, it would. I'd be happy to do that, Madam Chairperson.

Mr. Gantefer: — Thank you very much. And I'll leave it at that, awaiting that information.

One other issue and I would like to turn your attention to, I think, a happier story, and that is the successful negotiation for an increase in the provincial allocation of the national broiler chicken quota. It's my understanding that, if this has been successfully completed, that roughly will double the quota allocation in Saskatchewan which more appropriately reflects our share of the national population.

And the question is this: does the department still have an oversight agency? In days gone by it was called something like the national products marketing council or something that oversaw the marketing boards and their policies in regard to quota allocation. Is that or a similar body still in place, and what methodology is being used to determine this additional quota and how it's going to be allocated?

Mr. Scott: — The answer to your first question is, yes, there is still an oversight body. It used to be called the Natural Products Marketing Council and it is now called the Agri-Food Council. That change was made a number of years ago.

And in response to your second question — what is going to be done in terms of decisions around how this new quota will be allocated — one of the roles of the Agri-Food Council is to deal with the Chicken Board and ensure that they are considering the needs not only of the existing producers who are part of the chicken industry already but also the needs of new producers, for example, that maybe interested in getting into the industry.

There's what is known as a quota waiting list which is developed over time. People who are interested in producing chicken in the province, and because it's a supply-managed industry, essentially they can't just go out and build a barn and start producing, they have to get the quota.

And so those kinds of issues about people on that list, what kinds of blocks this quota should be allocated within, those kinds of things will be talked about between the Agri-Food Council and the Chicken Board.

That quota is a doubling of quota over a four-year time span.

Mr. Gantefer: — Yes, thank you. I realize that. There's been some comments that the allocation of quota has been largely relegated to the only processor in the province and I would take it from your comments that that would not be the case.

Mr. Scott: — That would not be my understanding of the case. The processor in the province does not have the powers to issue quota. The Chicken Board, which is established under the Agri-Food Act and has the Agri-Food Council as an oversight body, is the body that has the powers to issue the quota.

The Agri-Food Council exists to ensure that because these types of boards are given special powers, the power to control supplies, that they also when they make decisions on behalf of the existing producers take into account the needs of people who are outside the system, whether they're general public or whether they're people who want to get into the industry but aren't in now, those kinds of questions.

Mr. Gantefer: — And finally in terms of taking in the concerns of people outside the system, one of the age-old debates was the issue of quota having value. And because it's in essence created by government edict or by a government allocated or controlled methodology, it should have no value, and that certainly if any value is created artificially, that should never find its way into a cost-of-production formula that determines what the consumer pays for it. Is that issue going to be ongoing in terms of what happens with the new quota as well?

Mr. Scott: — I would say yes. Short answer would be yes. Some of the boards in Saskatchewan operate under rules where you're not allowed to buy and sell quotas explicitly. So the quota value doesn't exist to get incorporated into the cost-of-production formula.

Mr. Gantefer: — But it can get amortized in some hellish expensive equipment.

Mr. Scott: — That is possible.

Mr. Gantefer: — Thank you.

The Chair: — Okay, thank you very much. And we'll go on.

Mr. Hillson: — Madam Chair, Mr. Scott, and officials. First of all I'd like to ask you one small question. I'd like to come back to international food aid. You know, I think we all find it upsetting when we see producers having to destroy their hogs and weanlings.

We know that other countries are increasing their food aid now because of the weak commodity prices. And I understand that under the Diefenbaker government, we bought up pork and processed it and then gave it away both as domestic and international food aid.

Is there any discussions going on, consideration of that with the federal government? Is the provincial government looking at the possibility that this is at least one way of addressing the low pork prices?

Mr. Scott: — To my knowledge, there aren't any direct discussions going on between Saskatchewan and the federal government. This was raised, and I believe when we met before Christmas we chatted about this just briefly.

Mr. Hillson: — Yes, I think I was referring at that time maybe more to grains. At that time you seemed to say that wasn't much of an idea.

Mr. Scott: — Well it was raised . . . there's a national farm leaders' meeting that Minister Vanclief called, and I forget the date — I think November 4. And someone who, I forget who it was, raised this as, you know, could the federal government look at a timely application of food aid to try to remove some of the surpluses and bolster the prices?

And the response at that point was that we can certainly consider food aid for the sake or the purpose of food aid, but we should not ever think that what Canada can do, given the size of the problem and the size of the federal government's food aid budget, we shouldn't ever think that that's going to make a difference to the markets. We simply wouldn't be able to clear enough of the surplus to give the prices a boost.

That was the extent of the discussion that's occurred on that issue, to my knowledge.

Mr. Hillson: — Have we . . . has the province looked into the possibility of processing some of the hogs that apparently are being destroyed and processing them in Saskatchewan, which creates some employment, and then using them for things such as our food banks?

Mr. Scott: — Some of the producers are . . . of course and you're aware of this I'm sure . . .

Mr. Hillson: — Yes. Some producers are doing it on their own, yes.

Mr. Scott: — Some producers are doing this on their own. I'm not aware of any explicit discussions as to the province entering into that kind of activity.

Mr. Hillson: — And I realize what you say, that it's obviously

not a magic total solution to the problem. But you've also told us I think quite correctly that the federal aid package is certainly not a complete answer to the problem. But do you think that this suggestion has some merit that ought to be followed up on and might be at least some solution . . . some part of a solution and preferable to farmers simply bulldozing weanlings into pits which we've been seeing on television?

Mr. Scott: — I think that if the objective is to stabilize producer returns or to do things that might favourably impact prices, there are likely other avenues that better accomplish that objective.

I certainly do not diminish the value of food aid for the purpose of food aid. It's a very important thing for everyone to do I think. But I don't think that if you put a list of 10 tools on a blackboard that we're geared towards providing some stability for producers, which is really I think our goal we're talking about when we talk about farm safety nets, I'm not sure that that one would be at the top of the list.

Mr. Hillson: — Now you . . . we're talking about the mission of Saskatchewan Agriculture and Food, and I don't believe you mentioned risk management. And I wonder if you could . . . If I missed it, I apologize. But can you discuss or tell us . . . Now obviously we know that commodity price cycles are to be anticipated in the industry. I understand the hog price downturn was more dramatic than maybe would have been projected but nonetheless a downturn was certainly to be anticipated.

What ongoing planning is the department doing in terms of risk management? I see the annual report refers to NISA (Net Income Stabilization Account) and crop insurance; it doesn't make any reference to any other tools being looked at in terms of risk management and commodity price cycles.

Mr. Scott: — As far as the province's activity in this area of risk management, we have essentially two major programs that we contribute large amounts of dollars to from our budget. One is crop insurance and the other is the Net Income Stabilization Account program.

Now when you ask what planning has been going on, it is also true that in the last number of years there has been continued discussion about the lack of a disaster component in the safety net framework that we operate across Canada. And it has been Saskatchewan who has most frequently raised that issue when we've talked to other governments and the federal government when we get together to talk about safety nets and risk management.

Last summer it was Minister Upshall who again raised the issue of, when we were talking about the plan, the new framework agreement to begin in Year 2000, the need to incorporate into that framework a disaster component to deal with the kinds of, well disastrous or more dramatic swings in the marketplace that can take place from time to time.

So certainly it has not ever really fallen off the screen so to speak, in terms of something that Saskatchewan has wanted to get built into the safety net framework. I think there has been, with the fiscal priorities of the federal government, not a great deal of desire to put that in place, given the other pressures that

they've been facing. And when there wasn't a deep disaster to deal with, of course that meant that there wasn't any urgent need to deal with it.

And so we find ourselves in the position that we've moved into in the last number of months where all of a sudden, for some parts of the industry, they do feel like they're in disaster. And they look at crop insurance and they look at NISA which were never intended to deal with the big disaster. And they look at those programs and they say these aren't enough.

And so all of a sudden, again, there's a desire to look at a disaster program. And that's what the federal government has done in terms of getting their funding in place. Now the question of whether it'll be adequate, again is an open question.

Mr. Hillson: — Okay. When you met with us earlier, Mr. Scott, you I think expressed the view that weak hog prices were likely to be short term. I'd like to ask you if you stand by that, and also what about wheat and barley? Are the low commodity prices there likely to be much longer term? Can you put or make any prediction on it?

Mr. Scott: — I really hate making these predictions. On the hog market, the best indicator I think that exists is the futures. And SPI runs this futures system that producers can lock in a price if they so choose. And I believe I was shown some numbers last week that in the summer of '99 producers could lock in at about \$1.40 per kilogram.

Now whether producers will or not, some will and some won't. Some may lock in a portion of their production but not all. I think a lot of the industry is more optimistic than a \$1.40 by next fall. And so there may be a hesitancy to lock up at that particular price.

Barley and wheat, Hal, can I ask you to just comment on barley and wheat, the cereal grains generally.

Mr. Cushon: — Certainly. We've seen a rebound in cereal grain prices, especially the higher grades of wheat. Where we see the continued difficulty is in durum, in the lower grades of wheat and in malt barley. They still remain quite low.

You know, what the future might hold . . . You know if we knew that, we could make a lot of money I guess. But it's clearly going to be a weather market this spring. Every time it rains in the U.S. (United States) or in a major producing area, prices are going to go down a little bit; and if it starts to get dry or if this frost sits over the U.S. winter wheat belt, you know at the appropriate time, you know, there's the potential for some upside in that market.

The interesting thing is, in spite of the low prices we saw last fall, in terms of consumption, we're still on a razor edge in terms of the amount of supplies that we have in the world. And we've had two years of record world crops. And you know what's the chances of having a third one. And if we have any production difficulties you could see prices run up quite substantially.

Mr. Hillson: — Now Saskatchewan agriculture has done some work recently on farm input costs. Is that an ongoing program

of the department or is that on an ad hoc basis, sort of one shot?

Mr. Scott: — I believe the work you're referring to is work that we did as a result of an agreement of federal and provincial ministers of Agriculture going back maybe two years ago at their annual meeting where they agreed that we needed to take a look at the input markets and see if there's anything that could or should be done in terms of dealing with input costs.

Now there were a number of studies that were done, reports that were tabled at this last year's annual Agriculture ministers' meeting. And I believe, if my memory serves me correctly — and Hal actually knows a fair bit about this — there was a report on fertilizer, one on machinery. Was it tabled Hal? Why don't I let Hal Cushon just describe these for you? He knows them much better than I do.

Mr. Cushon: — Yes, we did four studies. The machinery study, herbicides, pesticides, fertilizer, and energy. And these were subcontracted out to people who had expertise across Canada.

And we wanted them to do a number of things. One was to look at the structure, conduct, and performance of the industry and to try and identify if there was anything that could be deemed anti-competitive behaviour. Because you're probably aware that the only tool we really have to do anything in this area is, if we find anti-competitive behaviour, is to refer to the competition bureau and they would follow up on it.

Mr. Hillson: — Well sometimes simply the publicity too will be the solution.

Mr. Cushon: — Yes. And they didn't identify any big thing that was anti-competitive that should be referred to the competition bureau. But they certainly did, in some areas, identify some things we were doing, and one was harmonization of regulations with the U.S. on a lot of the chemicals we use for agriculture.

Of course the interesting turnabout on that is that we now have American farmers calling for that because they look up here and see that we're getting some cheaper chemicals. And that was part of the agreement that was signed by Canada and the U.S. back in December. So there's certainly some things happening in that regard.

Mr. Hillson: — But will ongoing monitoring of input costs be a feature of the department?

Mr. Cushon: — We don't monitor them on an ongoing basis but Statistics Canada does. And so we distribute the Statistics Canada data out to whoever wants it.

Mr. Hillson: — Thank you. Mr. Scott, has the department formulated a response to the Estey Commission? Especially it's major recommendation, I take it, is for the Wheat Board's authority over grain transport to be removed in favour of the elevators — grain handling companies. Do you view that as a positive recommendation or not?

Mr. Scott: — We are currently formulating a response to the Estey report. When we look at the whole set of

recommendations, there are some things that certainly are of interest. I think it's interesting that there is a recommendation in there that pertains to joint running rights which over a period of time holds some promise to put some competition into the rail sector. I think it's also true that it will take some time to get there in terms of that kind of a solution, getting the competition that everyone would like to see in the railway industry.

There are some other recommendations I think, that are very concerning, and we're looking at those ones. But they include things like the removal of the Canadian Wheat Board in total from the handling and transportation aspect of its role.

Another recommendation essentially ends the freight rate cap. And certainly we have said, in I believe both of the submissions that we participated in with other western provinces to Estey, that there must be demonstrated competition in that railway industry before one should ever contemplate removing that freight rate cap.

And so that one leaves us somewhat concerned. We have not formally responded at this point to the report, but we're in the process of putting together a response, and also talking to other western provinces about what their views of it will be.

Mr. Hillson: — I don't mean to put words in your mouth, but are you saying that the recommendation to remove the Wheat Board's authority over grain handling and transportation is not one that meets with favour of the Government of Saskatchewan?

Mr. Scott: — It is not what western provinces recommended to Estey. It goes well beyond what western provinces recommended to Estey.

Mr. Hillson: — And what do you see as the downside in giving this authority to the grain companies?

Mr. Scott: — Well I'm not sure, Madam Chairperson, whether I should be . . .

Mr. Hillson: — Okay. This is . . .

Mr. Scott: — . . . I should be delving into this particular question at this time. I've flagged a couple of things but I would really prefer that this be responded to at the ministerial level. I think that's appropriate.

Mr. Hillson: — Okay. I respect that. Then one last area — the material provided to us by the audit, for which I thank them, which details very dramatic decrease in expenditure on Agriculture and Food. Now you've already told us that a lot of these figures include areas in which federal contributions are administered by provincial . . . by the province, such as crop insurance.

Mr. Scott: — Yes.

Mr. Hillson: — Now crop insurance, that is 50/50, is it not?

Mr. Scott: — Crop insurance is cost shared 50/50 between the federal government and the province. There's also, of course, producer premium contributions that go in as well.

Mr. Hillson: — Yes, but in terms of the government contributions.

Mr. Scott: — That's right.

Mr. Hillson: — And then it's administered by the province?

Mr. Scott: — Administered by the province.

Mr. Hillson: — So that for instance where it shows under Saskatchewan Crop Insurance, they show, say, 782 million in '92 and 42 million in '98, that isn't obviously . . . Well that's not not just provincial spending; that includes federal contribution.

Mr. Scott: — Yes, and in fact, if I understand these numbers correctly, that is the indemnity payment that is made to producers.

Mr. Hillson: — When was that paid out?

Mr. Scott: — And therefore would include federal government, provincial government, plus producer.

Mr. Hillson: — Plus premiums?

Mr. Scott: — Yes, because the three parties effectively finance the indemnities that get paid to producers. This is why we don't want to read this reconciliation as an indicator of the commitment of the governments to the industry. That's just not a correct interpretation.

You know I certainly want to give the auditor's office an opportunity to respond to that. But I think that's my understanding and please correct me if I'm wrong on that.

The Chair: — Would you like an opportunity to respond?

Mr. Strelieff: — Sure. Madam Chair, members, the schedule that we gave you just shows the total spending carried out by all government agencies. Now some of the sources of revenue that government has at its disposal includes money that's transferred through appropriations from the Department of Agriculture, money that is provided to producers or provided to agencies from producers from the federal government, and its primary purpose is to show the total spending carried out by all government organizations.

And then from there, it helps you — at least in my view — helps you then move in a more detailed way to find out what the sources of revenues were and what the patterns are likely to be in the future.

Mr. Hillson: — However, the very first spending by the General Revenue Fund on agriculture — 574 million in '91 and 204 million in '98. Now that would be, I assume, a pure provincial government figure, would it not? Would not relate to farm premiums or federal government? Is that . . . am I reading that correct?

Mr. Strelieff: — In general what that number is is the amount that is appropriated through the General Revenue Fund. Now General Revenue Fund is one organization of government . . .

Mr. Hillson: — But if we could just stay on that. That's a pure provincial government figure?

Mr. Strelloff: — It's a pure General Revenue Fund figure. The government is bigger than the General Revenue Fund.

Mr. Hillson: — I realize that. But if we just look at that, that is from the provincial taxpayers — the General Revenue Fund — all revenue collected by the province of Saskatchewan.

Mr. Strelloff: — It's what has been recorded. You might want to ask the comptroller about this question as well. All I can say on a quick basis is that's how much of the costs of agriculture have been recorded in the General Revenue Fund that year.

Mr. Hillson: — Okay. Would the comptrollers also like to respond?

Mr. Paton: — No. Just looking at the schedule that the auditor has prepared, I would assume that these are the General Revenue Fund figures, the ones that form part of the estimates, but I haven't had a chance to review them or agree or disagree with them.

Mr. Hillson: — No, that's fine, Madam Chair.

Mr. Shillington: — Are there not cost-shared programs in the Department of Agriculture, which I think was Mr. Hillson's question? Are there cost-shared programs in Agriculture? It was my understanding, Mr. Scott, there are. Am I wrong?

Mr. Scott: — There are certainly cost-shared programs, yes. Crop insurance is a cost-shared program.

Mr. Shillington: — Yes, but Mr. Hillson had excluded that in his comment. Are there not other cost-shared programs in Agriculture?

Mr. Scott: — There is the Agri-Food Innovation Fund, you know, if you get away from the General Revenue Fund.

Mr. Hillson: — That's recorded separately too here.

Mr. Scott: — There's the Net Income Stabilization Account program that is cost shared. The federal government administers that, however, and the province is billed by the federal administration and we forward the necessary funds to them. But it is a cost-share program.

Mr. Hillson: — But I guess, if I can come back to it, and maybe we're talking cross purposes here, but on the very first line — spending by the General Revenue Fund — I assume when we talk about spending by the General Revenue Fund, we are not talking about the federal government and we're not talking about farmer premiums. We're talking about the General Revenue Fund. Is that a correct assumption?

Mr. Strelloff: — There's so many different agencies in here that it's . . . in general the monies that go through the General Revenue Fund for agriculture do not include producers' premiums. Now for federal/provincial cost-sharing programs the main ones for government are health and education. They go through the General Revenue Fund, health and education;

but for agriculture, most of the federal/provincial cost-sharing programs, the federal contribution goes straight to a specific government agency like the Crop Insurance Corporation rather than going through the General Revenue Fund and then being moved out.

But there may be other smaller organizations that have federal provincial cost-sharing program components to it that go through the General Revenue Fund and out to the . . . I'm not quite sure. In general it goes separately.

Mr. Hillson: — Okay.

Mr. Scott: — For example in this General Revenue Fund line here, the province receives the federal contributions for the administration costs of crop insurance but not for the premiums. The premiums go directly to Crop Insurance Corporation, but the administrative funds come to the General Revenue Fund and then we get, in Saskatchewan Agriculture and Food's budget, an appropriation to cover the entire administrative costs of the program. So that's one example.

Mr. Hillson: — I think I understand. I think you're saying the answer is that in general you're agreeing with me but you're not saying there would not be some smaller items included under general revenue. Okay. And so just to wrap up. Though well I grasp what you're saying that this isn't just provincial government spending on agriculture, nonetheless in the total picture we do have for both levels of government what appears to be a very, very dramatic decline from 1.2 billion in '92 to a quarter billion in '98.

There does appear to be . . . well you've got to take some of your comments into account. There does appear to be a very dramatic decline in the spending of the two levels of government on the agriculture programs in the last six years.

Mr. Scott: — There has been a decline. This set of numbers highly exaggerates the decline certainly at a provincial level because of the way certain programs were financed in the past. And because these payments that you're seeing in '92-93 include some of the producers' own money which goes back to them in terms of indemnity payments. So it's just not a . . .

Mr. Hillson: — It's not the whole story.

Mr. Scott: — It's not a good indicator if you're looking for the provincial history over time. This is not a good indicator at all. But yes, there has been a decline.

Mr. Hillson: — So if you were looking more for what the provincial support for agriculture, would that top figure of spending by the General Revenue Fund be a more accurate indicator in your view? Would that be closer to an indication of what happens to agriculture programs in the province?

Mr. Scott: — In terms of indicating the relative change in the provincial government's expenditures, it would be better than that bottom line by far.

However, if you're looking for what's the commitment to agriculture, then there are programs that are operated outside of Agriculture and Food department that you would need to

consider as well. Things like the fuel tax rebate do not show up here. Things like the exemption on provincial sales tax for agriculture do not show up here. So even this is not the whole story.

Mr. Hillson: — Are there programs besides some of the — you say that some of the tax relief that farmers received — are there other programs you were able to mention there?

Mr. Scott: — The fuel tax rebate program for . . .

Mr. Hillson: — Yes, you mentioned that.

Mr. Scott: — And then the exemption on the PST (provincial sales tax) on most of the farm inputs.

Mr. Hillson: — Yes. Are there other programs you can think of besides some of the tax benefits to producers?

Mr. Scott: — Those are the big ones.

Mr. Hillson: — Those are the big ones. Okay. Thank you very much. That's all, Madam Chair.

The Chair: — Thank you very much. Thank you, Mr. Scott. And we'll go on to Mr. Whitmore.

Mr. Whitmore: — Thank you very much. Just to carry on I guess referring to the document there that was released in terms of the numbers. I think it needs to be clarified at a later date the specific provincial government contributions to clear this up in terms of this document in terms of some of that.

Some of it illustrates a wind-down of the gross insurance program which was not a happy program accepted by producers and it winding down, and that's within this too. So I think we have to look at that.

I'd like to carry on in the area of the federal program where Mr. Gantefoer was speaking earlier. And I think that's the clear definition of it — that it is a federal program. From start to finish, as Mr. Scott has indicated, is that the federal government has said, we're going to spend this money, and they predetermined what that program was going to be.

Because my sense is that other provincial governments, except the province of Alberta, did come with alternatives, and I think this department did too — presented alternatives in terms of programs, in terms of a national income disaster relief program. Is that not right, Mr. Scott, in terms of other alternatives to what has been proposed by the federal government?

Mr. Scott: — Yes. We had discussed a number of options with the federal government, including things like cash advance type programs, certainly certain amendments that could be made to the Net Income Stabilization Account program, some of which I think certainly we're still interested in pursuing some of those things.

There are some — oh, what should I call them? — weaknesses I think in the NISA program that could be cleared up with some fairly straightforward amendments to it. And some of those things we have discussed with the federal government.

But as far as the national income disaster program that was put on the table prior to Christmas, the concept and the model was delivered by the federal government, presented as a done deal in terms of the actual program model. Details, yes, they'll discuss details of it. But the actual concept was chosen clearly by the federal government.

Mr. Whitmore: — That bothers me I guess from the standpoint of being a producer too. I know that there'd been a call for several years from farm organizations in this province and across Canada for a third line of defence. Provincial ministers of Agriculture had asked for a third line of defence and it wasn't until November 4 or early November that the federal government reacted to that.

I worry, too, that when it's talked about a long-term disaster relief program, long term means two years. I think for the producers of Saskatchewan that will be somewhat of a shortfall because if you see . . . as you see income numbers it takes 18 months, 2 years sometimes by the time deferred income from previous sales filter through the system, and other things like this is that it could be the third year for the province of Saskatchewan to see it. And with this kind of program, I worry that the province will be left or the producers will be left high and dry in that third year.

Is there any indication from the federal government that they see this as a start to a long-term program beyond two years?

Mr. Scott: — There is. I think what they will attempt to do, is to put this in place for two years, see how it works, and then if there is general acceptance of it or satisfaction, then I believe they will want to see this as an ongoing program.

However, they have said very clearly and explicitly that the funding for this program, the 900 million over two years, is only a two-year commitment. They have no approval for funding beyond that time.

Now the other thing that I think we will need to be very careful about with this program is it's also been indicated that . . . if I can back up just for a moment, the federal government currently puts in about \$600 million per year into farm safety nets. With this new commitment, 450 million per year, 900 over two, their annual commitment for the next two years would be just over \$1 billion per year.

Now they have said clearly as well that \$1 billion is not their new level of commitment. It will be somewhat less than that. So what that says to me is, if we're going to have this particular program put in place and they don't have the dollars committed into the future, then there'll be a need to squeeze other parts of the safety net package. And so the question then becomes, well, what gets squeezed? Is it this new program squeezed to provide a lower level of support, or is it crop insurance that gets squeezed, or is it the Net Income Stabilization Account program that gets squeezed?

And so that, if you look out over beyond two years, is one of the questions I think that we bear some discomfort over.

Mr. Whitmore: — The problem seeing it from my point of view is that this year it's one of cash flow for those areas where

prices have dropped but there's still been production and an income problem to areas that have had more, I guess, one would say either a poorer crops due to that or other commodities that have dropped more quickly — this is on the cereal grains side which I think is the bigger window or the bigger problem down the road. Next year it being an income problem across the piece.

I seem to be . . . I'm fearful not so much with this year as I am for next year and the next year after that. And so I worry that the feds have only anted up for the two years and we'll have to wait and see.

I know that initial reports that came out of the paper when it first went to the federal cabinet, Mr. Vanclief went with \$2 billion and a three-year program. So cabinet must have shaved off a billion dollars, or maybe that was just him thinking out loud before he walked into cabinet, I'm not sure.

But I think it's important to note that it is a federal program. And I guess when it gets down to the administration, where would this program be administered, by who? Do you have a sense of that, who'd be dealing with the administration of such a program?

Mr. Scott: — Yes, that's one of the things that remains to be worked out fully. There are a couple of options that people are looking at. Alberta of course has an administration in place so they will prefer to deliver the federal program as well, I suspect.

A number of other provinces are looking at having the net income stabilization administration run this program. A lot of the same data and information that producers file for NISA is also needed to calculate payments for this type of program. So there's a bit of a logical marriage there between the two administrations.

Whether there'd be some things that the federal government would want the provinces to do in addition, remains open for some discussion.

Mr. Whitmore: — I think producers would prefer if this is the game in town in terms of what the federal government offers and it's certainly not the most desired, but that not a second administration be formed; that it be done under present administration structure, being NISA, since they will have the numbers already.

Because as I've outlined before on other occasions, with the payout, even within NISA it requires income tax to collect the numbers, usually in April. The turnaround time, if picked up in April, is June, and 30 days after that for NISA to pay out in terms of some requests seems to be the normal practice.

And what producers have said to me in NISA payouts is that, if we put another level of administration in there, I'm fearful that that would slow it up already, and since NISA already has those numbers it would be better to continue with that.

That's the end of my questions. Thank you.

The Chair: — Thank you very much. We've got three more. And before we go on, I'd just like to ask Mr. Scott, I know that we have booked till 2 o'clock and it looks to me like we

probably have an area of about half an hour before we could finish up and then we would be finished with Agriculture. Would that work into your schedule?

Mr. Scott: — Yes, that would be fine.

The Chair: — Okay. Thank you very much.

Ms. Stanger: — Well, Terry, I just have to say my colleague has been a might more polite than I will be. I actually have lived in Saskatchewan all of my life and I know there has to be changes made. But I'm going to make a comment and then ask you a couple of more questions on another subject, but I'm going to make a comment on what is going on with the disaster relief program. And then I'd like you to make a comment on it.

I see an abandonment of Saskatchewan and actually rural Saskatchewan by the federal government. I see other governments making far more commitment of the G7 countries and other countries to their agriculture producers. I don't see that commitment by our federal government. They are not making the commitment in any area as far as transportation and other areas.

I can remember full well that we were guaranteed that if we went along with NAFTA (North American Free Trade Agreement) and GATT (General Agreement on Tariffs and Trade) and other agreements, that our farmers would be put in a level playing field. Well it looks like a very unlevel, bumpy playing field to me right now. And it kind of makes me sad when I know that agriculture has to change just like everything else in response to technology and what is going on in the world today.

But I don't like what our particular federal government is doing. I don't think they're making a commitment to the people that feed us in this country. And I know that especially a lot of the young farmers in my area are going to have a great deal of trouble surviving in the next three years.

And I'm like Mr. Whitmore. It's not just the next two years. I'd like to see a logical — finally some type of program that wouldn't encourage people to grow things that didn't need to be grown or wouldn't, you know, keep them less competitive — but a long-term commitment to a program that would level out the peaks and valleys in an industry that is difficult because it goes up and down and these things happen. So I'd just like you to make a comment on that.

The other area where I think we can really point to and say to the federal government and to other people, our urban taxpayers, these people in rural Saskatchewan have diversified like no other area. I mean I've talked to colleagues in North Dakota, South Dakota, Montana, other areas, our farmers have done an amazing job at diversification.

My question is, to you, is that an area of diversification in my constituency is elk farming. And I think these folks are really doing a good job. I would encourage you to push for elk farming being included under ag and food. I don't think it belongs under SERM (Saskatchewan Environment and Resource Management). I would encourage you to increasingly push that if you can.

And the other thing is, if we are encouraging these folks to diversify, shouldn't we be doing all we can do to lessen the regulations while keeping everybody safe for good business? And this is what I'm looking for — is I think we have a chance in this province to really be leaders in the game farming industry — and we are in a way — but I don't like some of the rules and regulations that are taking too long to happen, though I know we have to be cautious.

So I'm just saying, are we progressing in this area? That's my other question.

And the third one is just a short question. The timeline of this disaster funding, whatever it's going to be. Like are we going to know soon what is going to happen. Are those people going to have to sit there getting ulcers for the next three months wondering whether they can put their crops in or not?

Mr. Scott: — Madam Chairperson, I'll respond to each of these three issues. The first, the direction the federal government is taking in regard to safety nets generally, and you raise the question of the whole farm and not having something in place that's going to cause producers to grow what isn't wanted or to produce what isn't wanted. And certainly the whole farm approach and providing safety nets in a way that isn't going to distort what we do is certainly one that the province has promoted for the last number of years.

And I think to a certain degree, and I think to a significant degree, that has helped or gotten out of the way one of the barriers that the industry has had that was holding it back from diversifying and doing some of the things that you have pointed out. Because we used to say to our producers, you know, if a certain safety net program is going to provide you support to grow a particular product whether it's wheat or something else, grow it, because the taxpayers will pay even though the market might be saying you should be producing elk or bison or canola or something else.

And so what we've seen, and I think Saskatchewan over the last number of years has shown a fair amount of leadership in the area in terms of moving a whole safety net framework towards a whole farm type of program.

Now the second question becomes, well at what level? And I think that's where I see certain elements of the industry not being satisfied with the level of support. I don't hear a lot of criticism that we should be moving back to commodity specific safety net programming. I just don't hear it. You know, maybe I'm not listening but I don't hear that kind of sentiment out there.

But you do hear the sentiment, what about our level of support relative to what other countries are getting — Europeans, the Americans, and so on. I think the level of support is probably the issue.

And when we look at the role of the provincial government in this whole scenario and we look back at some of the things that have happened that have actually diminished our income, like the elimination of the Crow benefit takes 3 or \$400 million out of producers' pockets, and then along comes a disaster assistance program designed by the federal government and the

taxpayers of Saskatchewan are asked to help pay for it. Then in effect and this is a fact, it's hard to argue with the fact that to a certain degree the taxpayers of Saskatchewan are then being called upon to pay for a policy change that was made at a federal level. I mean that's just plain fact; it's hard to debate that. And so you get a number of different issues all mixed up in that last number of years of development of this whole safety net area.

Your second point on diversification — I hear comparisons between North Dakota and Montana and Saskatchewan as well. And they certainly look to Saskatchewan and they wonder how we do it in terms of some of the new things that we're doing. And we're actually putting together in the department right now a comparison of what's been happening in states like Montana and North Dakota and comparing that to what's been happening north of the border and specifically in Saskatchewan. So that may be interesting information. We'll publish that information for people to see.

The timeline of the disaster funding — when we deputies met prior to Christmas as I indicated, it was said right at the outset of that meeting, before we even started to talk about the details of the program, the federal officials said that it would be in their estimation June before there would actually be money in producers' pockets. And we, of course, said well that's just not going to solve the problem. We need to see those dollars flowing much quicker than that.

So the jury is still out in terms of when that money is going to be available but we continue to press for something available prior to seeding.

Ms. Stanger: — Just as supplementary to that, just a short one. Well is there a piece of paper or something that these people can go to the bank with to say that they will be getting some money? Because I'm not kidding you, there are people that won't be able to put their crop in.

Mr. Scott: — What the producer will be able to go to the bank with — if in February the details are all nailed down, we'd be able to go to the bank and say, here's my record of my gross margin; here's my 1998 gross margin; I'm below my reference period or base period, so I should get X amount of money.

Now there's a catch, however. Because I mentioned earlier that the program expenditure is capped at \$900 million over the two years. And so if the program turns out to cost more than the \$900 million, then what happens according to the federal proposal is that the payments would get prorated. So the producer may get actually less than they expected to get based on the strict application of the formula once it's put in place.

So I would not call this a program that you'll be able to take to your bank with certainty until all of the filing of income tax has been done and the final calculations of the total program costs right across Canada have been made.

Ms. Stanger: — Thank you, Terry.

The Chair: — Thank you.

Mr. Koenker: — Thank you very much, Madam Chair. Mr.

Scott, I'd like to continue the line of questioning that Mr. Hillson initiated on November 23 and again today regarding food aid.

Now you've said many times that it's not a market driven approach that's going to solve anything for Saskatchewan farmers, and I think we fully understand that. On November 23 you referred to it as a pebble on the beach, and I think we understand that.

Nonetheless, food aid may not be a solution to the problems faced by Canadian farmers or Saskatchewan agricultural producers, but some better measure of food aid from Saskatchewan and from Canada sure is a solution to the problem of hungry people. There'd be no denial of that.

And for a province that has a Department of Agriculture and Food so named, I would argue it's incumbent upon us to consider some of the global implications of our food policy. I'm a little bit distressed then to hear that there are no discussions now with the federal government in this regard.

There really is an ethical question here, if I may say so. And while food aid may not move the market price, I think the involvement of the Government of Saskatchewan in this kind of issue would move Saskatchewan farmers to help hungry people across the world, or maybe even here at home in Saskatchewan through the food banks as my colleague has suggested.

I look for example to the work done by the Canadian Foodgrains Bank. And I think there's no question that over the tight agricultural years of the '80s, Saskatchewan farmers responded very well to donating grain to the Foodgrains Bank. And while that didn't solve the agricultural problems then and still doesn't now, it's still a positive measure.

And so I think the point has to be made that farmers aren't simply looking for a financial handout from the federal government or from this Government of Saskatchewan. But I think that they're also willing to extend their hands and open their pocketbooks to some . . . or their granaries or their hog barns. Florian Possberg has demonstrated this.

And I'd just like to conclude then by asking: is there not some way your Department of Agriculture and Food can initiate discussions on this subject with the federal government? Because I think as the Foodgrains Bank example demonstrates, you really do have to have federal involvement there. Even if we're going to have a pebble on the beach, it could be a bigger pebble than a small pebble with the federal involvement.

Is there no way you can initiate discussions? Which branch of your department would do that? Could you talk to Intergovernmental Affairs about a joint kind of venture in this regard? I think the issue is just too important to let it die on the vine because it doesn't affect the market price for producers.

Mr. Scott: — And certainly I would not . . . I certainly do not diminish the value of food aid. I think food aid, as I indicated previously, is something that I think we all have a responsibility to pay some attention to. As a deliberate policy to solve farmers' problems, it strikes me that it's not the most effective.

But in terms of how one might initiate discussion on this if we were to want to examine whether there is something that could or should be done, it's certainly not just a Saskatchewan Agriculture and Food question. You mentioned Intergovernmental Affairs, and Intergovernmental Affairs I believe is still the department that runs the matching grants program which represents a fairly — as I recall the history of it — a fairly significant contribution in this general area.

So, Madam Chairperson, with this issue coming up time and time again, I certainly would be willing to advise the relevant people about the concerns around this area and we can look at it. In terms of my advice, I wouldn't want us to think that it is going to be a big solution to the farmers' problem. That's all. But I certainly concur wholeheartedly with the desire to pay some attention to the food aid question. It is an important one.

Mr. Koenker: — And I think it needs to be put to the public that way or to the Saskatchewan people that way, that it isn't a solution to the ag crisis but it's still the right thing to do. Just that simple — to do what good that we can. And Saskatchewan people will understand that because they're good.

The Chair: — Do you have further questions, Mr. Koenker?

Mr. Koenker: — No.

The Chair: — Okay, thank you. I have a couple of questions unless somebody else has questions, and then we can go ahead with our recommendations.

We were talking about hogs, Mr. Scott. I know when we mentioned the million dollars that Sask Pork got about the same time that SPI lost its monopoly. I'm wondering how this money was spent? If it was given to pork international to spend, and if not, can you update me on what pork international is doing.

Mr. Scott: — Madam Chairperson, the million dollars that was allocated was allocated to Sask Pork. And of course what happened with SPI was that the what I'll call the commercial part of SPI, which is the marketing activity of SPI, essentially is now established under The Business Corporations Act as a private corporation. Sask Pork remains in place under The Agri-Food Act and with the mandate to collect a producer check-off for research and development purposes for the industry. And they're involved in funding research; they're involved in operating quality assurance program for the hog industry which we work directly with and to develop those kinds of things.

In terms of actual allocations of that million dollars . . . was that your question, Madam Chairperson? I am not sure that they have actually spent any of the money yet. They have been of course over the last number of months busy putting a new organization in place, hiring staff. And I'm advised just before Christmas that they have hired a general manager for Sask Pork. So I suspect they will be moving very quickly to start to make some decisions about where those dollars should be spent.

Now when the money was allocated to them there were some general areas that the monies were targeted for. And one of the areas, specifically, was that a significant amount of this money would be spent on environmentally related research as it

pertains to the hog industry. So we will no doubt see some of those monies go for those kinds of purposes. But other than those general kind of directions to Sask Pork, it will be up to them to make decisions about where those monies would actually be spent on.

And the money, just incidentally, is drawn from the Agri-Food Innovation Fund. The money was actually put into the Agri-Food Innovation Fund and as Sask Pork makes decisions about where they want to spend it, then the money will flow to Sask Pork.

The Chair: — Who's going to get an application? Who's aware that this million dollars is there for research or that type of thing?

Mr. Scott: — I'm not familiar with exactly the process that they will go through and I don't know if anyone here is. But I would assume that what they'll do is through their Sask Pork newsletter, which goes out to producers and to related industry, they will make people aware of the dollars and the kinds of things that they'd like to see done with them.

The Chair: — It's going to be along the same lines as Pork International where they don't really have a clear mandate or they don't have . . . they just are . . . I'm not really sure how they determine where they're going to be putting their emphasis and I'm just wondering if you can tell me if they'll be working along that same line and maybe tell me what Pork International is doing right now.

Mr. Scott: — Sask Pork International is actually marketing hogs for producers who choose to use their services. And the vast majority of producers are marketing through SPI. But that becomes SPI's role in life is to market hogs for producers on a voluntary basis. SPI always marketed hogs. It was a compulsory or single desk up until several months ago. But they now are a private company and they're marketing hogs on a voluntary basis for producers who want to market through them.

Sask Pork has a different mandate. They have the part of SPI's old mandate where they collect check-off from producers and they expend those funds on research and development that benefits the entire industry. And for example, one of the things that they do with their check-off dollars is they send a certain portion of it over to the Prairie Swine Centre which develops . . . does research in hog production in areas like nutrition and engineering and animal behaviour, those kinds of things, and ultimately things that will reduce the cost of production for producers.

So Sask Pork, through their check-off, is supporting that kind of activity. And that's just one example of what they'll use that check-off money for.

The Chair: — I think that in early December the hog prices in the States were in the single digit numbers for the first time in history, and in fact just a couple of cents above the price they would have got if they'd sent them to rendering plant is what some of my people have been telling me. And the futures themselves for midsummer, they were lower than expected. And you say they jumped to \$1.40 by next summer, and I guess that must have been a considerable increase in a short time.

I'm wondering if you can tell me what you estimate the hog program that your government has recently released, what you think it will cost, or the amount of money that will be asked to be borrowed.

Mr. Scott: — We are estimating that we will issue about \$25 million of loans.

The Chair: — Okay. And have you had very much input from farmers regarding their satisfaction with the program?

Mr. Scott: — Generally pretty positive I would say, Madam Chairperson. I think the industry found itself in a situation where confidence was waning very quickly and I think the initiative has certainly given many producers a way to cash flow thorough this downturn and has certainly, I think, sent a signal that there'll be a program there to stand behind them.

And of course the initiative was taken because we felt that the disaster program being developed federally is just not going to put money into the hands of producers, hog producers, fast enough, and we would have seen a significant harm done to the future growth of our industry had we not moved.

The Chair: — I believe most people realize that there had to be something done for hog producers really immediately because they were in a terrible state. But I've had a number of calls from people saying it's going to be, it's just going to prolong the day when you finally start making money and then, depending on the way the payout is, if it's going to be set in stone it might just mean that it's prolonging the day that they actually go bankrupt or go into big trouble.

Have you been hearing those kinds of comments or is the payback in such a way that it's not going to just mean that they will go . . . that they'll be in big trouble as soon as the price goes up?

Mr. Scott: — Any time that one opts for a loan program as opposed to a straight cash assistance, you will get producers in a position where they have to decide: if I take this loan, will I have the ability to pay it back?

Now what we've said is that the ability to pay it back, we'll design the program in such a way that through the downturn we won't be attempting to collect that money back. When prices recover and they exceed \$1.40 is the price that we chose, and exceed \$1.40, which is a price that pretty well all producers can recover their costs, at that point only would we start to collect that money back.

So I think we've attempted to deal with their concerns about payback. There's no doubt that producers individually have to consider their own viability. And some may decide, well I just don't want this loan because I think it will be something that gets me into trouble. I mean that's fair game. But for those who want a way to find their way through a downturn, this will be I think a real benefit in terms of enabling them to have cash flow.

The Chair: — I agree with that. I'm just concerned that the payback will be in such a way that it will cause them a lot of problems. Right at the moment it turns to . . . the price has hit \$1.40 doesn't mean they're immediately going to have a whole

pile of cash in the bank.

So I'm just asking that when the terms, when you make out the regulations for paying it back, that it's not done in such a way that it's going to cause a problem at that time.

Mr. Scott: — Yes, okay. We anticipate recovering this loan over about a three- or four-year period. So it stretches it out pretty well, I think, for producers. But I will certainly take that into consideration.

The Chair: — I just have . . . You had indicated that there were nine new approvals under the agriculture diversification . . .

Mr. Scott: — Agri-food equity fund.

The Chair: — Agri-food equity fund. I know that there was a number of applications. Are the majority of them approved or is there a lot more refused than approved?

Mr. Scott: — To some degree it depends how you count them. There are different stages that we go through with projects. And we'll find ourselves in any given year talking to dozens and dozens of individuals, companies, who want us to take a look at their project.

Now a lot of them never get beyond a very, very preliminary stage. So I would say that compared to the number that we actually talk to and do some preliminary investigation, the ones that we end up approving are a very small subset.

That, I think, speaks to a certain degree to the diligence that we put the applicants to. It's an equity investment, and when it's an equity investment it's essentially putting taxpayers' dollars into these projects in an unsecured way. And so we want to be very sure that we're putting the dollars into projects that are going to have a reasonable chance of return.

So the small number, relative to the total number that we talk to, is not disconcerting to me. I think it just means that there's a lot of good ideas out there, and not all of them need or is it wise to put an equity investment into through our equity fund.

The Chair: — Are they usually larger projects?

Mr. Scott: — No. These would be relatively small-scale equity investments that we make through the fund.

The Chair: — I just have two short questions. One is them is on the new . . . the chicken quota. I've had a number of calls from people who wanted to be new producers and they were told, when I phoned the department actually, that the first priority was existing producers. And that was a disappointment to some of them.

Is that . . . And you had indicated to Mr. Gantefer that it wouldn't be just new producers that . . . or just existing producers that would be looked at.

Mr. Scott: — Yes. Now I'm not sure if . . . Was that a response that came from the department or from the chicken board? I'm not sure. But anyway it's probably not the point.

The point I want to make is that this expansion will take place over a four-year period and at some times it may make sense to allocate quota to existing producers, but I believe what the Agri-Food Council will do is to ensure that over the period of the expansion that there is an opportunity for some new producers to enter this industry.

It may not happen right at the beginning but I believe that the Agri-Food Council — and I've actually discussed this with them — I believe they'll be putting pressure on the board to be sure that other people get an opportunity to get into the industry over the next period of expansion.

The Chair: — Thank you. And just my last comment, and I'm sure you have nothing that you can do about it, but I've had also people telling me that the NISA payouts where they send in applications in July — June, July, and August — and got their cheques the last week in December, just in time to pay income tax on them. So they're frustrated, I think, was one of the terms that . . . And I realize it has nothing to do with you but it's something that seems to me to be happening.

If there's any other questions, we'll go on with the recommendations. Anybody else have any comments? Recommendation no. 1 — concur, note progress. Agreed.

No. 2? Agreed. No. 3, are working on . . . okay no. 3 and no. 4 concur note progress? Agreed. Okay, no. 4 we continue to recommend the government direct this document of governance policy? Oh that's no. 5, actually I guess. Concur on, note progress? Yes, I think it was just a miss. No. 6 working on compliance or . . . Concur on, note progress? Agreed. No. 7, this . . .

A Member: — Concur on, note progress.

The Chair: — No. 8?

A Member: — Concur on, note progress.

The Chair: — And no. 9?

A Member: — Concur on, note progress.

The Chair: — Agreed.

Mr. Hillson: — Can we delay this, Madam Chair, but I just wonder if we do need any comments on this because it's not something, as I point out, that the committee has ever discussed and perhaps we should have the department just briefly say what their view of no. 9 is.

The Chair: — No. 9? We recommended that the board prepare a written contingency plan and test the plan.

Mr. Scott: — Sorry, Madam Chairperson, I lost count as we were going through the recommendations. On the Milk Board, the department is in full support of the recommendation and we will be working with the Milk Board to be sure that the plan is in place at the date indicated.

The Chair: — Okay.

Mr. Shillington: — I think I'm going to interrupt here too, Madam Chair. I think the committee ought to congratulate the department on what I think is a — a laudable effort is the word I'm searching for — a laudable effort to comply with the Provincial Auditor's recommendations and bring your financial reporting systems up to date. It appears you've been quite successful in doing it, so I think the committee ought to extend its congratulations to this department.

Mr. Scott: — Thank you.

The Chair: — Before we . . . No. 9, I just want to make sure that for the record that we concur on, note progress? Agreed. Okay.

Again I'd like to thank the department as well for the work that they have done. It's obvious that you've been willing to work with the board and answer any questions, going overtime, and we do appreciate that.

I'd also like to thank the auditor and his staff because this overview is very nice and we appreciate it. So thank you very much and see you probably this year.

Mr. Scott: — Thank you very much and to all the committee members and the Provincial Auditor's office, comptroller's office with Finance.

The Chair: — The next one on our agenda is Saskatchewan Growth Fund. And so they didn't send their deputy, Mr. Benson, they just have their comptroller that they sent. So he's waiting out there anxiously, so if we can be back here by quarter to. That gives us just about 15 minutes and then I'm sure we can catch up today. Okay?

Thank you very much.

The committee recessed for a period of time.

Public Hearing: Saskatchewan Government Growth Fund

The Chair: — Good afternoon, Mr. Merth. Welcome to the Public Accounts meeting. And I apologize in *Hansard* here for making you wait. The members appreciate it. It gave us an opportunity to finish our last department. And I'm fumbling here to find my witness . . .

First of all I'll ask the Provincial Comptroller — I think he has the new . . . no, ask the Provincial Auditor. I think he's got a new member with him.

Mr. Strelieff: — Sure, Madam Chair, members. The official with me is Dale Markewich. He leads our work at SGGF (Saskatchewan Government Growth Fund).

The Chair: — Thank you. What we usually do is I read a statement to the witness, and then we'll have an opportunity . . . the Provincial Auditor will review this chapter and then you will have an opportunity to make any remarks you may want to or not want to. And then we'll ask for questions from the members.

So the statement by the Chair:

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.

And please address your comments through the Chair.

So I'll ask the Provincial Auditor to have his people give us an overview of this chapter.

Mr. Strelieff: — Okay. Thank you very much, Madam Chair. Page 235 begins the text in the fall report, presents our findings for the year ended December 31, '97.

The Management Corporation manages government-administered venture capital funds under the federal government's immigrant investors' program. At the time of our report the corporation had set up four fund companies to manage investors' funds.

In addition, it created a numbered company, 617275, that would serve as an eligible business investment. And this numbered company then would enter into leases with Saskatchewan Crown corporations.

We worked with Deloitte & Touche public accounting firm to carry out our work. And we formed the opinions identified on page 236. Our conclusions and findings resulted in three recommendations.

The first recommendation is a new issue that this committee has not dealt with. The other two recommendations were dealt with by this committee on November 26.

Now Dale Markewich will provide more detail on our chapter. Dale.

Mr. Markewich: — Thank you, Wayne. Good afternoon, Madam Chair, members of the committee.

On pages 236 and 237 of our *1998 Fall Report, Volume 2*, we recommend that Saskatchewan Government Growth Fund Management Corporation should obtain an order in council before borrowing money. During 1997 Management Corporation obtained a short-term interest bearing loan of a hundred and five thousand dollars from SGGF III without an

order in council as required by section 41 of The Crown Corporations Act. On November 10, 1998, Management Corporation obtained the required order in council.

On pages 237 to 239, we report two areas where Management Corporation and its fund companies could provide more or better information to MLAs (Member of the Legislative Assembly) and the public.

Our second recommendation is at page 238. We recommend that the Saskatchewan Government Growth Fund Management Corporation's annual report and the annual report of its fund companies include comparisons of planned performance to actual results. We think MLAs and the public need this information to understand and assess the performance of each company.

Our third recommendation is at page 239. Here we recommend Management Corporation and its fund companies publish a list of persons who received public money and the amounts, or discuss different public disclosure requirements with the Standing Committee on Public Accounts, or if the Assembly so directs, with the Standing Committee on Crown Corporations.

Currently the fund companies provide good information on companies they invest in. However, Management Corporation and its fund companies pay money to other individuals or corporations that provide goods and services. This information is not provided.

The Standing Committee on Public Accounts considered recommendations no. 2 and 3 at its meeting on November 26, 1998. The committee agreed to invite the Assembly to refer these recommendations to the Standing Committee on Crown Corporations.

That concludes my presentation.

Mr. Strelloff: — Thank you, Dale. Members, you may want to discuss with management today our recommendations, as well as the changing nature of how the government is managing venture capital funds under the federal government program. Thank you, Madam Chair.

The Chair: — Thank you. Do you have a comment?

Mr. Merth: — The only comment we would have is we acknowledge that we should have gotten an order in council for the borrowing. We tried to rectify the situation but were unable to get the order in council because of the time that had passed since June of '97 when the original money was borrowed. We have since rectified the problem where we now have an order in council to borrow funds, if need be.

Mr. Gantefer: — Thank you, Madam Chair. If I could, Madam Chair, I would like to refer to an issue that the Provincial Auditor raised in a story on December 3. And I want to be very sensitive of not putting you in a position to have to answer a political answer. I want you just to verify the facts as they were quoted, knowing that we all absolutely trust everything that's quoted in the media for its accuracy.

I would like to refer to, I guess it's the Saskatchewan Growth

Fund I, that was the immigrant investor fund I believe, and it was wound down. And the initial commitment in that fund was that any profits after the disposition of the assets would be allocated to charities. Can you substantiate the initial intent and the fact that it's quoted in the article, at least there was some approximately \$20 million of earnings after the winding down of that fund. I would ask you if you would verify the accuracy of the general information.

Mr. Merth: — The comment that I can make is that the fund has not been wound down as such. There's still some \$18 million worth of investments that are in the fund that have yet to be liquidated. That in fact amounts to the \$20 million that is expected for profit. That \$20 million is not in cash at the present time, it's not in our bank account. So once these investments are liquidated then we can wind down the fund.

The fact that's stated in there that all of the investors have been repaid is true.

Mr. Gantefer: — So that the absolute number will indeed be different from the \$20 million upon completion and that will only be determined exactly when everything is completed.

Mr. Merth: — Yes.

Mr. Gantefer: — But there is something in that approximate order of 15 to 18 million, somewhere in that order would be expected.

Mr. Merth: — That's what's expected now, yes.

Mr. Gantefer: — Yes, okay. And the expectation under the way the fund was originally structured, that whatever those numbers were on wind-down would be then allocated to charitable purposes.

Mr. Merth: — My understanding is that it may be allocated. It's a discretion again of SGGF I and of Management Corp.

Mr. Gantefer: — But it's quoted in here that Mr. Benson acknowledged and I'm quoting: "that the articles of incorporation for SGGF I stated that any money left over after the wind-down would be turned over to charity". So it would indicate that while the overall order in council that created the fund said it may, it seems that in the articles it said it would.

Mr. Merth: — I'll have to leave that for Mr. Benson. Again I can't answer.

Mr. Gantefer: — Thank you. That's the questions I had, Madam Chair.

Mr. Shillington: — I have a ... I want to get to the recommendations of the Provincial Auditor but I have a question first. It is my understanding that the federal government has undertaken a review of these immigrant investor funds and has been painfully slow with those deliberations if I may so characterize them. Are we still in the position where we have not got a definitive answer from them about the future of these immigrant funds?

Mr. Merth: — The latest we've heard is that the current

program has been extended until March 31, 1999. After that time we do not know what the program, if any, will look like.

Mr. Shillington: — Does the demand for this investment outlet remain in . . . it's basically Asia we got this money from. Is there still a group of investors who are anxious to take advantage of this and so gain immigrant status, or is that pooling a little with the transfer of Hong Kong to the mainland government?

Mr. Merth: — Since this extension until March 31 has been announced, we've been experiencing what we call a run on the program.

Mr. Shillington: — There's a lot of interest there?

Mr. Merth: — There's a lot of interest, yes. In our funds, yes.

Mr. Shillington: — It seems to me it's certainly been of benefit to Saskatchewan in the sense that we have had access to a very cheap capital, and I'm going to get to this in a moment. I think it's been put to good use and presumably the immigrants have got landed immigrant status, which was what they wanted, and they got their money back, at least from us if not from the . . . Generally I think there's been some problems with these but not with this one. Not with ours; they got their money all back.

Mr. Merth: — Yes.

Mr. Shillington: — Have we taken a position with the federal government with respect to whether or not we'd like to see the program continued or ended or whatever?

Mr. Merth: — We're in the process actually of formulating a response. We're going to approach the federal government and, you know, express our concerns if they do change it.

Mr. Shillington: — The Provincial Auditor has . . . I suspect at the end of this we're going to refer this to the Crown Corporations. I can't help . . . I can't contain my curiosity. I want to ask the question.

The Provincial Auditor has suggested that we should include comparisons of plan to actual results. I don't know why we wouldn't leap at that opportunity because I think in this case . . . This is going to sound like a self-serving comment by a government member, but in my view this is one of the better managed growth funds in Canada. Very few . . . very, very few could have obtained the results that we did.

As I understand, the goals were we wanted to break even, give them their money back, and that's why you have this strange provision that the excess has to go to charity. No one contemplated large profits. The immigrants wanted landed immigrant status and they wanted their money back. In fact we have greatly exceeded those in these funds.

And I frankly would be delighted if the story were better understood because I think it rebounds to the credit of the Government of Saskatchewan and to some extent the people of Saskatchewan. So I don't know why we wouldn't leap at the opportunity to take advantage of the suggestion made by the Provincial Auditor.

I make the . . . I'm a little less knowledgeable about what problems might be caused by having a list of payees, although you're not in competition, I know.

So I'd just like you to comment before we . . . I suspect we're going to refer it to the Crown Corporations, but before we do, I'd like you to comment on it.

Mr. Merth: — The planned to actual results causes us a lot of concern because in the planned results it would include divesting of some of our investments and if that was made public, well obviously that wouldn't be good for anyone if they knew, you know, the steps we were taking to recover our funds.

With respect to the payee question, I mean that again that's a CIC (Crown Investments Corporation of Saskatchewan) question. We really have to take our direction from CIC.

Mr. Shillington: — Those are my comments.

Mr. Hillson: — Yes, I didn't really want in here except to say that I appreciate Mr. Shillington asking the question. As I understand it, just do we think that this fund is a legitimate arm of public policy. And that question is probably better asked in Crown Corporations than here but I think probably that's really the key question to be asked around this.

In view of the program winding down and possibly being replaced, is this really, we think, a legitimate public policy goal and as I say, I appreciate that issue being raised. Thank you.

The Chair: — I just have a couple of questions before we go to the recommendations. I know that there was a number of private investment funds as well, growth funds, and I think they used up all their money as well. So was there a lot more requests for funding than you had money for?

Mr. Merth: — For?

The Chair: — Was there more requests for funding than you have money for?

Mr. Merth: — Not to this point in time, no. We always have excess that we could lend, if I could use that term, yes, that we're looking to invest. Yes.

The Chair: — So at this time you're not really, you can't really go out and get more funding until the federal government renews the rules?

Mr. Merth: — We're continuing to market. We have two funds that we're currently marketing now, SGGF IV and SGGF V that we're continuing to attract capital to at the present time, until March. And we expect to fill up both those funds by the end of March.

The Chair: — I'm not sure of the details but I understand that Quebec has a different policy than Saskatchewan?

Mr. Merth: — Yes, they have a different . . . they operate under the same sort of program but because of their special status, they have certain exemptions they can use within the program that offer people an easier chance to get in. One is they

have their own immigration officers.

The Chair: — I see.

Mr. Merth: — So the criteria that they use are different. Where they can get their people in within six months, we have to wait up to three years for some of our investors to clear the process.

The Chair: — Are these details something that was worked out with the federal government or are they just go ahead and do it? You don't have to be political here because we're . . .

Mr. Merth: — Hard to say. Again it's Quebec and they do what they want to do sometimes and they've worked this out with the federal government and that's the way we have to operate. So that's our competition, is the province of Quebec. That's our main competition.

The Chair: — So are all of the monies that were lent out or have they all been good investments to the growth funds?

Mr. Merth: — No, we have our fair share of warts, I guess you would call them, where we have not recovered some of the funds. I mean, that's the game we're in, we don't always have winners. That's investing debt.

The Chair: — Bad debts. I guess the one that we're all aware of lately is the Ceapro one in . . .

Mr. Merth: — Canamino and Ceapro, yes.

The Chair: — Yes, exactly. Can you give us . . . is the Growth Fund completely out of that business now?

Mr. Merth: — Actually, no. We still have a loan that we're hoping to recover from the disposition of the company when the receiver disposes of the company.

The Chair: — I think also through the press and the media we had heard reports of possible lawsuits and so on. Is there anything amounting at this time?

Mr. Merth: — Nothing has materialized at this point in time but the threat is always there.

The Chair: — Okay. Any other questions on this? I hope by the end of March if the federal government hasn't come up with something, what will happen to your department?

Mr. Merth: — We're asking the same question right now. We're kind of going through that exercise right now to determine what's going to happen to us at the end of March. We will still have the funds to administer because . . .

Mr. Hillson: — You could run in the election.

Mr. Merth: — No thank you.

The Chair: — So then I guess there isn't any . . . can't get answers from somebody who is asking the same question as we are.

Mr. Merth: — Yes.

The Chair: — If there isn't any further questions, then I guess the only thing we need do is go onto the recommendations. The first one, I understand there is compliance with because . . . Compliance. Agreed.

And the second two, no. 2 and no. 3 were ones that we dealt with on November 28 and we asked at that time with a motion for the Assembly to refer it to the Crown Corporations Committee. Should we just fall back to our November 28 resolution?

Mr. Gantefer: — We reiterate our position.

The Chair: — And agreed. Okay, so then everybody is in agreement that we repeat what we said in November. Then I believe we don't have any further questions of you. We thank you very much for your attendance and we thank you for your patience waiting out in the hallway. I'm sure that it was a delightful experience for you to come in here. Thank you very much. We appreciate it.

Okay, ladies and gentleman. We go on to Department of Justice and we're just barely 10 minutes behind schedule. If we have a chance today to go through any of Thursday's — whatever you want to call them — agenda items, the only one that the Provincial Auditor feels that we're ready for, and I agree because I think some of us have questions on them, would the Research Council. And I think it would be important today to not go over. We have a meeting afterwards.

So if it's possible we'll try and be done by 5; and if we do do one, it will be the Research Council. Anybody not in favour?

Public Hearing: Justice

The Chair: — Good afternoon, Mr. Whyte, and officials. We'll go through the same process that we normally do by asking you to introduce the people you've brought with you today.

Mr. Whyte: — Thank you, Madam Chair. To my immediate right is Doug Moen, the executive director of public law and community justice. To my immediate left is Elizabeth Smith, the director of administrative services. Now sitting at the table in the red suit is Stella LaRocque, the assistant director of administrative services. Right behind me is Barbara Hookenson, who is the executive director of court services. To her left is Ron Hewitt, the assistant deputy minister of registry services, and to his left is Keith Laxdal, the associate deputy minister, finance and administration.

The Chair: — Thank you, and welcome to everyone. I believe the Provincial Comptroller has people to introduce.

Mr. Paton: — Yes, Madam Chair. I've got two individuals joining us today. One is Lorie Taylor, who is a manager in financial management branch, and Dan Dufour who is an analyst in the same branch.

The Chair: — Thank you, and welcome to you as well.

Mr. Whyte: — Madam Chair, I did ignore to the left of Keith Laxdal, John Baker, who is the executive director of law enforcement services, when I introduced my team. Thank you.

The Chair: — Welcome, Mr. Baker. The Provincial Auditor has one extra . . .

Mr. Strelloff: — Yes we do, Madam Chair. Ed Montgomery from my office has joined us. He's preparing for the SaskPower chapter.

The Chair: — Thank you very much. Before we proceed I'm going to read the statement by the Chair to witnesses:

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:

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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 Clerk, who then distributes the document and records it as a tabled document.

And please address all your remarks through the Chair. Thank you.

The chapters that we have to go through today are chapter 7 of the fall report, and I'll ask the Provincial Auditor and his staff to go through that department . . . that chapter.

Mr. Strelloff: — Thank you, Madam Chair. I'm going to turn it over to Dale Markewich who leads our work at the department.

Mr. Markewich: — Thank you, Wayne. Good afternoon, Madam Chair, members of the committee.

Page 135 of our *Fall Report, Volume 2*, presents our findings for the Department of Justice and the funds and Crown agencies the department is responsible for. Page 138 provides a list of these funds and Crown agencies.

On page 137 and 138 the introduction briefly sets out the roles and responsibilities of the department and the total spending of the department as shown in the government's summary financial statements and *Public Accounts*.

On page 138 to 142 deals with the key issues or risks the department faces. We think it's important that the legislators and the public know what the key issues are that face the department and how the department manages those risks.

We report on five areas that the department must manage well to ensure it's successful. This includes dealing seriously with crime, contributing to Aboriginal justice reform, promoting

social justice, resolving disputes appropriately and effectively, and providing effective and efficient services support, and supporting economic development. Those issues are dealt with in pages 138 to 42. I won't go into them in any detail.

On pages 142 to 147, we set out our audit conclusions and findings for the Department of Justice and some of the trust and Crown agencies the department is responsible for. Our audit conclusions and findings result in three recommendations specific to the department.

The first recommendation is on page 144. We recommend that the department should improve its procedures for ensuring the accuracy and integrity of its court information system.

The department records court decisions and adjustments to decisions in a Justice automated information network or JAIN. The department must ensure the accuracy and integrity of the JAIN system to ensure court decisions are carried out. Currently the department does not reconcile transactions made in the JAIN system to the department's financial records. In addition, the department does not ensure accurate segregation of duties in court offices.

The second recommendation is on page 145. We encourage the department to consider whether it needs to change its procedures for collecting fines. We note that fine revenue for the department has increased marginally over the last three years, yet the amount of revenue not collected from court fines has doubled and the amount of fine option and time served has decreased by 50 per cent.

The last recommendation is also on page 145. We recommend the department record its bad debt expense in the year it occurs. At March 31, 1998 the department estimated its unpaid fines owed to the department of 9.7 million. The department estimated it would not collect 7.3 million of these fines but only recorded 4.8 million of its uncollectible fines as bad debt expense.

The last two audit findings are reported on pages 145 to 147. We provide an update on two issues reported in previous years. We note the department is currently working on strengthening its information technology security procedures and procedures in developing contingency plans for its IT (information technology) systems. These two issues were dealt with by the Standing Committee on Public Accounts on October 8, 1998.

On page 147 to 152 includes our results of a study on the department's strategic plan. Since the department has a varied and complex mandate with many challenges, the department requires sound long-term planning.

We compared the department's strategic plan to the key elements of a strategic plan as outlined on page 148. Overall we are pleased with the department's significant strategic planning efforts. The department's challenge is to adopt performance indicators and targets and design and implement an information and recording system to compare actual results to targets.

That concludes my presentation.

Mr. Strelloff: — Thank you, Dale. Madam Chair, members,

officials.

The Chair: — Thank you, Dale. Mr. Whyte, do you have any comments you'd like to make?

Mr. Whyte: — Thank you. I just want to acknowledge two elements of chapter 7. The first is the key issues the department faces and how well that is expressed from our point of view and with respect and in particular the five identifiers for success for the department are well expressed.

And I particularly want to state that it is satisfying for us to have recognized the important role the Department of Justice plays in promoting the efficiency of the market place through its fairly hefty responsibilities for economic regulation and how that work either supports or impedes economic development, and that it is an important goal for the department to conduct its regulatory responsibilities in a way which promotes economic development in the province. Second I want to just acknowledge the auditor's recognition of our strategic plan in the part of the chapter called, "Study of the Department's strategic plan." That planning has been going on for some years now. One plan was completed; it's now in a fairly significant revision. This process has been very productive for us in terms of understanding some large objectives for the department and clarifying throughout the whole department some of our basic goals.

And in that regard we do accept the auditor's challenge to develop performance indicators and targets so that we can tell whether the goals that we have set ourselves are being approached or met. And in fact we have a fairly extensive commitment to evaluation so far with respect to new programs. The challenge of course will be to find evaluation measures and evaluation processes and, I'm afraid, evaluation dollars for the vast range of existing programs. Thank you.

Mr. Gantefer: — Thank you very much, Madam Chair, and welcome Mr. Whyte and officials. A couple of areas that I want to touch on are a number of areas. The first one follows out of the Provincial Auditor's recommendation no. 2 regarding the collection of fines and an update on where you are with that whole issue.

Mr. Whyte: — Thank you, Mr. Gantefer. We have about \$10 million of fines in the province a year, and our collection success ratio is just over 80 per cent — which represents a nearly 20 per cent loss. Three years ago a committee was established to look at that problem and made a series of recommendations, many of which we put in place.

The main recommendations have been to ease payment through making it possible to make payment of fines by credit card and now, more recently, by debit cards. And secondly we decided to move to collection agency collections of outstanding fines and have sent very, very significant amounts of uncollected fines over the last two years to the collection agencies. Perhaps because of the age of some of these accounts . . . I mean we collected everything in the past or at least a large chunk of everything in the past. The collection agencies have not proven to be remarkably successful — producing under 10 per cent recovery — although recent months collections, when they are dealing with newer debts, are sending the figures higher. So we

hope that the collection agencies will be doubling their success rate perhaps.

It still means that there is a portion of uncollected fines, and we are examining a number of interprovincial initiatives first, asking other provinces for information about their debt, their fine debt collection methods and successes, and in fact I'm afraid finding nothing terribly illuminating from that canvass. It turns out other provinces are not . . . There's no . . . there's no aces of success apparently in this.

Secondly, we are approaching again the province of Alberta, where there is a fair amount of debt migration, to see if we can get some specific co-operation from that province. I think that's maybe all I have to report about that at this moment.

Mr. Gantefer: — As I understand the Provincial Auditor's comments, there was at the date of this report, March 31, there was almost \$10 million on the books, if you like, in terms of uncollected fines. And I appreciate your outline of steps your department is taking to recover some of those monies.

Is there a process or is there time when in essence you look at . . . or do you indeed write off the fine and give it up as a hopeless cause.

Mr. Whyte: — Yes, we should write off fines. And my understanding is we haven't been writing off fines, taking them off the books. From an accounting perspective we have been chunking money into the accounts to represent write-off, but accounting for a write-off and actually writing off are two different things. And we haven't, as I understand it, been writing off fines and it would be appropriate I think to do that to some . . . to a considerable extent — to realize that we're not going to collect some fines.

Mr. Gantefer: — Are the bulk of these fines serious fines or are they the kinds of things where people don't pay parking tickets. They include in it . . . I recall a story I heard of a young lady that was picked up on a routine kind of a check and all of sudden it was discovered there was some 7 or \$800 in unpaid parking tickets so she went forthwith to the slammer and then had to negotiate a repayment plan.

Is that kind of situation typical? Or are these major fines that people have just neglected or is there kind of an overview of what constitutes these negligent fines?

Mr. Whyte: — Well again, I'm told that the average fine that is unpaid for sufficiently long to be transferred to a collection agency is around a hundred to a hundred and twenty dollars. Very, very large fines would be of course would be — such as environmental fines or occupational health fines — would be collected, if not paid, through civil proceedings. Although we haven't done that because they have been paid.

No, I don't get the sense that there are . . . that the fines that are not paid are large.

With respect to the slammer, maybe I should point out that since Bill C-41, the federal government's sentencing Bill, jail hasn't been an option for unpaid fines. And in fact, we think that there is some causal connection between the federal law

reform which removed jail as a remedy for not paying fines and the slight increase in unpaid fines.

Formerly people were able to proceed by way of a fine option program so that if they didn't have the money they were able . . . they did community service. And they still can, but we're finding that fine option is being used 50 per cent as much as it used to be used so we suspect that perhaps people who can't pay fines are realizing that there is not the same consequence for not paying. So we think we're dealing with the fallout from Bill C-41.

Mr. Gantefer: — Thank you. Madam Chair, my colleague had a question on this topic and then I'd like to go back to my question.

Mr. Hillson: — Yes, thank you, Mr. Gantefer. You talked about writing off bad fines and I certainly concur with that but what I want to know though is, is there any mechanism to make sure that a judge will know when an individual coming before him has a record of non-payment of past fines.

Mr. Whyte: — I don't know that. Let me just ask Ms. Hookenson.

Ms. Hookenson: — It depends. In some particular cases the record of the individual will be called up for the judge's perusal when making their decisions. But I can't guarantee that that kind of information would be before the judge each and every time, that somebody came before him with unpaid fines.

Mr. Hillson: — I mean like I say I agree that there comes a point which you pursuing it makes little sense but this is information surely that a judge should have.

Mr. Gantefer: — Thank you, Mr. Hillson. Turning to another topic there has been some indication and concern raised in some communities, particularly small communities, and I understand in the south-west regarding the closure of some RCMP (Royal Canadian Mounted Police) detachments. I believe of particular concern are small one and two member detachments. Can you update us as to what that issue is all about?

Mr. Whyte: — Yes, thank you very much, I can. First of all policing isn't an infinite resource in the province, and there is a duty on the Justice department in conjunction with the Royal Canadian Mounted Police to allocate this limited resource in a way which is most responsive to need and that actually gets connected to incidents of crime. And it is true that there are widely diverging crime rates in various parts of the province and the South is much less criminal than the North and south-west is apparently particularly socially harmonious — you'd be pleased to know. So that constantly there is a question of what are we doing with our police officers, are we making the best use of them?

However the RCMP has a very, very strong policy against moving police officers, closing detachments, reducing detachments, without local community consultation and that policy is in place currently.

In December of 1997 there was a letter sent from an officer of the RCMP which I think could be said to be badly worded,

suggesting that large changes were afoot on a unilateral basis. That is not the truth; that's not the case. The letter was misunderstood and perhaps in fairness misexpressed, and the RCMP has no intention of making changes to detachments without a broad and extensive community consultation. That doesn't mean that there won't be changes to detachments or changes in the establishment in a particular detachment, but they do intend to and will consult fully with communities that might be affected.

Mr. Gantefer: — And what is your department's role in that? Do the RCMP operate under contract with the Department of Justice and what is your input in terms of saying we would like the number of detachments reduced or we would like our cost exposure reduced in that geographic area, or what's your role in this whole process?

Mr. Whyte: — Well as a matter of historical fact, we actually don't give that kind of direction. We do not prescribe cost-saving allocation of personnel for the simple reason that we're not on the front line and don't know. We're not the ones to initiate this. The RCMP initiates as a matter of practice. It's not as a matter of law which . . . it is a matter of practice. However they're not able to make organizational changes including the opening and closing of detachments without agreement of the Minister of Justice, and to date the RCMP has not asked our minister to make any changes. But ultimately if there are changes it would be on the consent of the Minister of Justice.

Mr. Gantefer: — Thank you.

I understand a year or two ago there was a Martin and Wilson report in the province as to how public prosecutions could be improved. Can you update us as to the status of that and your response to those recommendations?

Mr. Whyte: — Yes, the Martin Wilson report had a list of recommendations and I don't have them in front and I don't know the number of them. I would say there were four areas that I can think of offhand that they suggested there need to be improvement — five, I can think of. The fifth one I just thought of is they did say that in particular they thought that the prosecution function would be aided in this province if it enjoyed ongoing political confidence and support, which I think is a fair thing to say. That a prosecutorial body needs to know that it is . . . and the public need to know that the prosecutorial body is doing the work in the public interest and is understood to be acting in the public interest.

But the other four are more prosecutors because the load was too heavy, and they were too often too overstretched. Secondly, better support which both meant human support and computer support. Third was the reviewing of prosecutorial guidelines. And the fourth was allowing more autonomy for the regional directors and less hands-on regulation from the Regina head office. I think I'm right about that fourth one.

What has happened since then is that we have created new prosecutorial positions — five new prosecutorial positions in the, I think in the previous two years budget — the year we're in and the previous year. We have now supplied all Crown prosecutors with personal computers and appropriate software

so that they are able to maintain their files in an efficient way.

We have thought long and hard I think about the question of central control as opposed to regional autonomy, and we I think to some extent wonder if that's exactly what is needed. We still have a very, very solid central office which is available for giving guidance and in hard cases, direction. And my sense is that that relationship between the regions and the central office has not changed much, largely because we are so confident of the quality of the central office prosecutorial analysis.

Finally with respect to a review of charging guidelines, that was conducted and we are constantly reviewing with our regional directors the charging guidelines to see whether they meet the crime context and the social context in which crime is being committed in the province.

So I would say that we take Martin and Wilson seriously and are trying to implement its terms thoughtfully.

Mr. Gantefer: — Thank you very much. In terms of the courts, I guess perhaps the right word isn't waiting list, but in terms of the time between charges being laid and the opportunity to appear in the court system, where are we at in terms of waiting list if you like? I know that's a poor choice of words but I think you get the intent of what I'm looking for. And how do we compare to other provinces in that regard?

Mr. Whyte: — I'm going to ask Ms. Hookenson if she knows the answer to these questions or Mr. Hewitt. I don't. Whichever?

Ms. Hookenson: — In our province we're actually quite proud of our length of time to next trial date. And particularly at the Court of Queen's Bench level we feel that we have about the best length of time to next trial date in all across Canada.

As far as the Provincial Court in most locations of the province, again our length of time to trial date in the Provincial Court is very acceptable. We have some northern communities where we do have problems, and when that arises some special court sittings have to be designated to allow some catch up in the backlog.

We recently experienced some problems in Saskatoon Provincial Court but those have pretty well been resolved by adding an additional courtroom, an additional judge in Saskatoon.

So at the present time other than some of our far northern circuit points, we really don't have any issues with a serious trial delay.

Mr. Whyte: — In that context I did want to underscore Ms. Hookenson's comments on north in saying that the North always is a problem — the distance that people have to be transported, the complexity of transporting people, the very periodic nature of court dates in remote locations.

And I'm afraid the situation may be getting worse because of overwork. There are four judges in the North, two in Meadow Lake, and two in La Ronge, and their workload is increasing and justice is slowing down a little bit in the North.

Mr. Gantefer: — Thank you. I wonder as well, and it maybe has some relevance to accessibility and that's to the Legal Aid system, there's been certainly ongoing comments made that the system is taxed to the extreme.

And I've had a couple of individuals come to my office recently, you know, voicing some concerns about how difficult it seems to be to get the level of support perhaps they're looking for from the system. Can you update us on what steps are maybe taking to alleviate that situation?

Mr. Whyte: — We accept the assumption behind your question certainly that Legal Aid lawyers themselves personally are overstretched, are working too hard, and have trouble handling and balancing their caseload. And that is causing delays and affecting the quality of justice in the province to put it at its grimmest. And what are we doing to deal with that? We're seeking to expand the Legal Aid program in the province.

Mr. Gantefer: — Thank you. The final area is the area of maintenance enforcement. I appreciate in past comments you've made to our committee that the department goes about this with a great deal of diligence.

A situation arose again from an individual coming to my office whereby the person that was supposed to pay maintenance was in a Maritime province which was a long, long way away. And it seemed as if the individual living here, residing here where maintenance was due, seemed to be getting hung up into the works a little bit.

And I wonder if you could update us on the status . . . do we have agreements right across Canada or are there areas that are weaker or stronger in terms of reciprocal agreements?

Mr. Hewitt: — The biggest challenge I mean is, of course was always, the inter-provincial and inter-jurisdictional maintenance collection. Because when we send files out to other provinces we're at their . . . they'll often do their own work first is sometimes the problem and we're often then subject to their collection methods which often aren't as good as our collection methods. And we get files in to our province, we like to think we treat them the same as we do any others. In the example you gave, I think you said that there was a Maritimer complaining about Saskatchewan enforcement?

Mr. Gantefer: — A Saskatchewan resident that was entitled to maintenance from a person in the Maritimes.

Mr. Hewitt: — In those cases — and we are working with the other provinces to try to improve that. There's a national group working to try to find ways to simplify it. For example, what happens now is, if you get a provisional order in another province, it has to be confirmed in Saskatchewan first, or vice versa a Saskatchewan order has to be confirmed in the other province. And we're working with the other jurisdictions to come up with a uniform legislative package where the provinces will agree that if it's ordered in Saskatchewan it should be enforced in Newfoundland or wherever, for example.

We're also looking at ways of perhaps using telecommunications to allow people to appear in different ways across Canada so that we can improve that. It's definitely the

area that's the most difficult and often people will leave one jurisdiction. Just when you get an enforcement going in Alberta, they'll move to B.C.. So it is the area that we do have the biggest challenge in but we are doing everything we can to try to minimize that.

Some of the provinces, Alberta for example, we do have direct access into their data base so we share information with them directly. So we're trying to set up reciprocal agreements like that with other provinces as well because that really does help speed things up.

Mr. Gantefer: — Thank you very much. Thank you, Madam Chair.

Mr. Hillson: — Good afternoon. So I take it you do acknowledge, Mr. Whyte, that Legal Aid has become a bottleneck in the justice system.

Mr. Whyte: — It seems to be. I know that sounds like a cagey acknowledgement. One of the things we've been saying since this problem came to our attention in a particularly emphatic way really since the summer of 1997. Let me just parenthetically say to be fair to the Chair of the Legal Aid Commission, perennially she had been saying that Legal Aid could use — needed — more resources. So I'm not saying the Legal Aid's needs were not explained to us but over the years, but certainly in the summer of '97, it became a much louder issue.

And one of the things we've been saying since that is that we're just not absolutely sure about the extent of the problem. We acknowledge there is a problem and I think I would take your words precisely that it would be one of the sources of bottleneck, one of the causes of delay in the criminal trial process. I think . . . yes, we'd say that without equivocation. Just how slim or too slim or too inadequate our system is we're not sure and we are attempting to conduct a review at the moment to assess the extent of the Legal Aid needs and shortcomings in the province.

Mr. Hillson: — Thank you. And related to that, a bit more specific question. I'm told that when, for instance, murder cases are done by non-staff lawyers, there is of course a tariff but increasingly side deals are having to be made. And it seems to me that it's problematic when special deals are made as, you know, if the tariff's inadequate perhaps it needs to be reviewed. But it is . . . but doing special deals for various people seems to me problematic in a public defender system.

Mr. Whyte: — Well it is. It would be problematic but it's not quite the situation. Accused persons, on behalf of their . . . apply through their lawyers or mostly . . . apply for court-appointed counsel in serious crimes such as murder. In the context of that application for a court-appointed counsel — that is a counsel that the accused person selects himself or herself and not the Legal Aid lawyer — the applicant or counsel will ask for a particular rate that is to be paid higher than the statutory per hourly rate for court-appointed counsel. And I don't know in how many cases, but in certainly in one case in Saskatchewan — one well-known case in Saskatchewan — the justice of the Queen's Bench awarded a special rate . . .

A Member: — That was the court office?

Mr. Whyte: — Yes, the court. And so the court awards these rates and quite frankly we're not terribly happy.

Mr. Hillson: — Yes, but you don't have control over that?

Mr. Whyte: — No. Well, no. We could try and appeal the court order but . . .

Mr. Hillson: — Okay, thank you. But you're saying then, sir, that insofar as you have control where the commission must make an appointment, that you believe that the tariff should be followed and special deals ought not to be made?

Mr. Whyte: — Right. And the commission just . . . And then we . . . Sorry. In court-appointed counsel without a particular court order we pay the statutory rate.

Mr. Hillson: — Okay. The federal youth justice Act. It seems to me that the drafts that have been circulated follow closely many things that Saskatchewan had been saying earlier. And now we're being told that there will be lengthy consultations and hearings and that the new Act may not be introduced for quite some time yet.

Is it the view of the province that the new youth justice Act should simply be introduced and debated or is the province concerned with the draft that has been circulated?

Mr. Whyte: — I'm afraid the province is very concerned with a number of key elements in the current version of the federal legislation.

It's a little bit delicate in the sense that our knowledge of the current draft, which the federal government says it will introduce into the House of Commons in February of this year, our current knowledge is based on — what's the word — embargoed briefings.

Mr. Hillson: — There has been a public summary, I guess, but not publicly a draft.

Mr. Whyte: — Yes, and Mr. Runciman from Ontario has been forthcoming about what it says but for his fine efforts at public communication he's been chastised by the federal government. Whether that would bother Mr. Runciman, I don't know, but it would bother me, not having an independent constituency.

But there are some elements — without going too far in that — there are serious elements in the federal draft. And if I were to summarize it I would suggest that they don't leave enough . . . they don't express enough confidence in our own police officers and prosecutors. And they do that by way of imposing terribly complex and endless review processes.

So the toughening up — and there is toughening up of the Young Offenders Act — we think are in accord with what this government announced last February. Some of the administrative measures seem to be costly, counter-productive, and needless.

Mr. Hillson: — Okay. So you're saying that it's still

bureaucratic and burdened down with formulas and automatic reviews and . . .

Mr. Whyte: — Yes. What is currently being suggested seems overly bureaucratic, is the way I would leave it.

Sorry, I don't mean to tell you what to ask. It's the way I would leave it. You can ask more.

Mr. Hillson: — No, no. Okay. The new land system. I have been told . . . and please correct me if my information's wrong, but I've been told that it may well have the effect of effectively excluding most of the legal profession from conveyancing. That's a big stretch.

Mr. Boyd: — No.

Mr. Whyte: — No. But I will ask Mr. . . . In fact it, in some ways it is I think a great enhancer of the legal profession in terms it gives them very efficient, and one might say — although I think it's not quite right — privileged access. But I'll let Mr. Hewitt provide a more full answer.

Mr. Hewitt: — Okay. Right now of course anyone can submit any documents to the Land Titles Office and it's largely lawyers that do. It's all done in paper form as you know — nothing electronic. Under the new system we will be accommodating both paper submission as well as electronic submission as well as on-line registration. So there's three different categories. The person who still wishes to do their own transaction will be able to submit it in paper in the usual way and get things in as they do today.

On-line submission will be permissible by anybody that has a way of submitting the paper to us electronically, but it will be checked in the same way as paper submissions would be. What we're talking about introducing that we don't have today is on-line registration, which will actually allow a person with appropriate access and the authorization from us — in other words a person that we're satisfied has the qualifications to verify the transaction, etc., has insurance in case things go wrong — to actually register on-line with the system, so instantaneous registration.

That is something we anticipate would require a great deal of skill and knowledge and ability, and in a lot of case that . . . that in fact is the lawyers. And that is what I think Mr. Whyte was talking about when he said in fact in a lot of ways for on-line registration it would actually enhance the role of lawyers, to actually do that.

There is some concern I think in the legal profession, which is maybe what you're hearing, that on the on-line registration component we're talking about authorized users, and that's a person who has the authority from us to use the system.

Mr. Hillson: — Does that mean certified or licensed?

Mr. Hewitt: — They would have to be certified by the department to be able to use the system because in effect we'd be allowing them to be on-line to our system. And in that case we would want to ensure that they had the qualifications to do it.

I think what probably is coming up in the context that you're raising it is that there's concern out by the lawyers — and we're trying to deal with this — that, for example, tax liens. Right now municipalities file their own tax liens in paper form. We really anticipate there probably would be no reason — lawyers don't do that now — that there's no reason why a municipality couldn't be on-line and register their tax lien with us. So they would be an authorized user of a certain kind. They would have the authorization to only submit tax liens. We might allow mortgage companies to submit discharges of caveats or discharges of mortgages. They'd be an on-line authorized user for that purpose.

So we're able to break it down to different levels of authorization. But we have no intent to give authorization to people who don't have the qualifications or the backup or the insurance for example to ensure if something goes wrong that people would be protected. And of course, the integrity of the Land Titles system is a critical component to all of this, so we have an interest in ensuring that the people doing it know what they're doing.

Mr. Hillson: — So, Madam Chair, you're saying that it's not anticipated that, as I say, real estate firms or banks would be able to simply register the transfer and mortgage?

Mr. Hewitt: — It's an open question. Transfer's a different category probably. Mortgages, we haven't exactly come to a conclusion yet of the level of skills that would be required to register a mortgage. That is the one area that I think we still have some discussions ongoing with the Law Society and I'm sure with the mortgage companies themselves, the banks.

Mr. Hillson: — And . . . (inaudible) . . . what's then the status of the assurance fund for on-line registrations?

Mr. Hewitt: — The assurance fund? Our assurance fund? The Land Titles assurance fund?

Mr. Hillson: — Yes.

Mr. Hewitt: — We would still provide assurance to those; we would still guarantee that the title that's in the system is the guaranteed title, and the assurance fund would still compensate anybody suffering loss for that.

If in fact we determine that the error was made as a result of an authorized user's improper activity then we would have the possibility of going back to that person and claiming against them. Really not any different than today we would have with a lawyer who submitted an improper document. It's just that it would put . . . And the lawyers insurance company is not particularly concerned right now that they include the level of liability they would be assuming would be that much greater than it is today.

Mr. Hillson: — Okay. But at least . . .

Mr. Hewitt: — The assurance fund would still be there.

Mr. Hillson: — Okay. And so you still have a guaranteed title and the quote, "victim" would be compensated. What your remedies would be is another?

Mr. Hewitt: — That's right, yes.

Mr. Hillson: — Okay. Now by the way, has there ever been a claim against the assurance fund in this province?

Mr. Hewitt: — Oh yes, we have several a year. I shouldn't say, oh yes — there are very few and they're for very small amounts of money.

Mr. Hillson: — But it does happen.

Mr. Hewitt: — But it sure does happen, yes. Generally speaking, therefore, writs — they're not really in relation to registration, loss of property, to registration — they often are in relation to writs that we don't attach which is the debt collection mechanism that we improperly attach to a piece of property or haven't attached to the operation of the manual land titles system. That tends to be where the claims of the assurance fund come nowadays.

Mr. Hillson: — And let me raise the question of restorative justice for a minute. And this may be more by way of a comment than a question but I would like your reaction to it. While I generally approve of what you're trying to do with the concept of restorative justice, I would suggest that it's an unfortunate term in that you never really restore a victim of crime whether it's a rape, or assault, or the loss of family members through a murder, or even a minor break-in. To talk about restoring that person is in one sense insulting, and I fear it can lead to maybe more anger and bitterness against the justice system because it seems to me the term is promising something that can never be delivered.

And so I say well I think I understand the concept and I agree with what you're trying to do, I'd just like to put to you that it's occurred to me it's an unfortunate term that may promise something, as I say, that you simply can't deliver.

Mr. Whyte: — Thank you. Yes, I can see that it assumes a sense of well-being which is not genuinely felt by those who have been victims and that would be aggravating, re-aggravating. In fact the Department of Justice actually hasn't been using the phrase, community justice, and for this reason — restorative justice — and instead talks very much about community justice and community justice programs, and it does it for this reason because it turns out that the restorative objective that we've had all along is to put a community that has been violated through a crime, however small or whatever neighbourhood, back into some, back towards some level of mutual trust and mutual respect when it has been broken.

So very much is directed at neighbourhoods and communities, and in fact our entire community justice program is directed towards developing leadership in and participation by members of a community in alternative ways of dealing with criminal activities. And for many, many crimes alternative methods are not appropriate nor are they wanted by the victim in which case we don't pursue them.

But where there is a context that the crime is not so serious, and where the victim is willing to participate and where there is — and this is a very big if — where there is a genuine community commitment to participating with victim and accused in a way

to restore public confidence in relationships and in the justice system, then we provide justice workers and provide community justice help to work with the accused and the victim in the community generally.

So for us, restorative justice is a word which doesn't refer specifically to victims — as you say, they're not restored; there the violation to their sense of well-being is a permanent experience — but works to restore some level of confidence in the community in which the crime took place. And it's the confidence that the crime is a serious crime and needs acknowledgement and needs redressing. And when a community understands that something bad has happened and it has happened in a way which is not acceptable and in violation of social norms, and the people who committed it are accountable and are willing to come forth and account for their wrong to the community, then we think there's some level of societal restoration.

Mr. Hillson: — Thank you. And one last area I'd like you to comment on if you would, the area of Aboriginal justice. I think we all recognize what a desperate need there is in this province in particular to make Aboriginal people full participating members in the justice system and to be full partners in the system. On the other hand, some of the things we from time to time hear on the issue of Aboriginal justice seem to undermine the concept of equality before the law.

And I'd like you to comment on how you balance those two issues, of the need for some cultural sensitivity in justice for Aboriginal people, but on the other hand respecting the constitutional principle of equality before the law.

Mr. Whyte: — I would say that all the instruments that we have in the administration of criminal justice for dealing with Aboriginal offenders are available for all offenders. They involve community justice, they involve alternative measures, they involve victims' services programs.

Now it is true that there are Aboriginal court workers which offer some kind of front-end legal assistance, but I don't think that that's much different than is readily accessible for accused persons in most of the centres of this province. I don't think that there is anything that we're doing by way of Aboriginal justice which is not exactly the same or a very close analogue to what is available to persons who are accused of crimes and who are victims of crimes.

Now in so far as we're talking about Aboriginal justice initiatives which go to the development of an Aboriginal justice system, that is a system which stands outside of the regular justice system, then of course we'd be dealing with a special regime.

And there is one tribal council in this province with whom we are meeting to see if there is some level of tribal justice system that we can or should put in place. While those discussions have been going on for quite a long time, I would still label them at a fairly preliminary stage.

We believe that what we are doing in these discussions, if we get to some place where there is some level of tribal court, tribal sentencing, tribal accountability or first nations court, first

nations sentencing and first nations accountability, that what we will be doing will be giving flesh to the constitutional requirement under section 35(1) of the Constitution Act, 1982 to recognize existing Aboriginal rights.

That is, this government is on record as saying that within the past we have Aboriginal rights recognized in section 35(1) is some level of governance capacity. It's been very — what's the word I want? I was going to say equivocal — I think a better word would be something very indeterminate about what level of governance activity might be caught up in a section 35(1), right. We're proceeding on the assumption that that level of governance could logically and constitutionally include some level of Aboriginal justice.

So I'm sensitive to your worry about equality. Our answer to it is that if we get down this road, it will be not technically in violation of section 15(1) of the charter of rights because it will be manifesting a constitutional entitlement under section 35(1) and thereby not subject to that equality charge.

And in any event we want to say there will be substantive equality. We're not taking about a system of exemption; we're talking about a system of self-administration.

Mr. Hillson: — So you say more procedural than substantive?

Mr. Whyte: — Yes, yes. And in fact I could go further and say that our present discussions relate very much to first nation bylaws and first nation specific laws which would be culturally specific maybe and in support of the cultural integrity of the first nation who imposes them and would not be supplanting Criminal Code charges.

Mr. Hillson: — Okay. Yes, thank you, Madam Chair.

The Chair: — Thank you.

Mr. Koenker: — I'd like to defer to Mr. Shillington.

Mr. Shillington: — I have just a couple of questions. First of all with respect to strategic planning, we get high marks on that, and that's important. Perhaps the single most important thing a department does is its strategic planning. So if you get high marks on that, it's an important area to come out on top.

And I think it shows in your work. The brief before the Supreme Court on the reference on Quebec's right to secede unilaterally was extremely well done. It was a credit to the province; perhaps the single most widely quoted document before the Supreme Court. It was a real credit to the province and certainly a credit to you.

Mr. Whyte: — Thank you.

Mr. Shillington: — If the Provincial Auditor was generous with his praise on strategic planning, he was a little more sparing in his praise with respect to the collection of the fine. And this does strike me as a bit of a problem.

I suspect if it were widely known that if you don't pay a fine, all you've got to do is deal with a collection agency, your problem would balloon. I suspect most people think you go to jail if you

don't pay a fine, and you're living on the myth. And as the myth crumbles and dissolves, your problem is going to increase.

So the Provincial Auditor's recommendation that you need to review your procedures strikes me as brutally self-evident, and I'm sure it's brutally self-evident to the department as well.

I'm surprised . . . in that background, I'm surprised that the suspension of a licence is not more effective. Why doesn't that jar most of them into . . . jar the other 20 per cent into paying their fines?

Mr. Whyte: — Because being licensed to do something isn't the same as doing something.

Mr. Shillington: — I suppose some of them have their licence suspended in any event.

Mr. Whyte: — Well yes. And it's interesting. I mean first of all I want to acknowledge that the auditor's anxiety is indeed our anxiety. It's a lot of money. First and foremost, this is a lot of money. And secondly, it's a scoff-law problem. And we don't like either. We don't like to lose money and we don't like scoff-law. It's not good for the system.

If jail is not a remedy, and you know in some ways jail always was a very poor remedy and you might as well admit, an immensely costly remedy . . .

Mr. Shillington: — The actual execution was not a very effective system.

Mr. Whyte: — Yes, that's right. I think that's right. And so then you try to think of other incentives and other consequences. Surprising — not surprisingly — it's not been that easy to convince SGI (Saskatchewan Government Insurance) or even licensors within our own department to adopt the harsh civil consequences for non-payment of fines, for a very good reason.

Our highways are safer and our cars are safer and our indemnification system is safer and our consumer protection is safer and our transaction integrity is safer if we have broad and effective licensing and registration. And those people responsible for licensing and registration, I'm so happy to see big holes cut into it, because it helps with our fine collection. They would rather us have trouble with fine collection than have holes in their system. And that's not crazy.

So we are skating between a need for an effective registration system and some real civil consequences for non-payment of fines. And it's not an easy line to draw.

Mr. Shillington: — Having been minister here, I've had a taste of some of the public pressures on beats, but you'd have one more if it were widely known that 20 per cent of the fines aren't being collected. That's a very interesting statistic.

It's also . . . I was going to make the point it's a fair sum of money. I sat on Treasury Board for the full seven years I was a minister in this government, and I remember hassling this department about far smaller sums than this.

Mr. Whyte: — And we beg shamelessly for small sums, far smaller.

Mr. Shillington: — That's right. And the department begged shamelessly for much smaller sums than this. That's right. So I guess the Provincial Auditor's recommendation is self-evident. Something needs to be done. The difficulty I guess is the something.

But just as a practising politician, I tell you if this becomes widely known that the fines aren't being collected, you're going to do something, because the public pressure is really going to heat up. So this strikes me as being relatively urgent that one finds a solution to this. And I think if I were minister I might lean a little harder on SGI than has currently been the case to resolve it.

I think you've got a potentially serious problem here and it's not just financial. But that is a large sum of money. It's going to be a potential political problem if it becomes more widely known.

So I leave that with you, but as I say, the force behind the Provincial Auditor's recommendation I think is brutally self-evident.

Mr. Whyte: — We are exploring with the federal government, mechanisms — is that a thought or actually have we started exploring with them — to make Criminal Code fines also subject to licence revocation. And so we are working, perhaps not with quite the sense of urgency that you suggest we need to, but I hear what you say and don't disagree with it at all.

Mr. Shillington: — Thank you, Madam Chair.

The Chair: — Okay. I just have a couple of questions unless members have any other questions. Mr. Whyte, the collection agency that you work with, what percentage of the money do they keep?

Mr. Whyte: — We work with two agencies. One agency keeps 23 per cent and another agency keeps 18 per cent. The agency that keeps 23 per cent has a better success ratio, which tells you something about economic incentives, I suppose.

The Chair: — And if there's really not a large success in using collection agencies, are you reconsidering using them?

Mr. Whyte: — No, I don't think we're . . . it's still producing. I had the figures here today. The net outpouring in the 18 months has been a million dollars, net million dollars. And we're actually hoping when they get newer fines and maybe more refined fine collection, that that number will go up. I don't want to say we're banking on collection agencies, but by no means are we . . . we haven't come to a wall with the collection agency experiment. We think it's at an early enough stage that we reasonably have some hope for it to be more effective.

The Chair: — I'm always kind of amused with the community service part of the fines, is the number of people who use it are the ones that I always thought were quite capable of paying the fine but they just think it's quite . . . I'll go drive a Zamboni for awhile. Why not?

Mr. Whyte: — I didn't know that was an option. That sounds pretty attractive.

The Chair: — Yes, that's what they thought too.

Under the maintenance enforcement proceedings, I know that somebody who is trying to get the maintenance enforcement under way, first of all there's the waiting time for the legal aid system to work and then the time that it takes to actually . . . the other spouse can deny parental . . . being the parent and they can use other systems to actually make sure the courts work in their favour so they don't have to actually have the enforcement against them for a while.

Is there . . . And basically then the parent that has the child doesn't start collecting until this has all gone through the court system, which can take two or three or four years in a number of cases. Is there ever any time when they go back to the time of the original court date? Or is it they just start paying from the time they are actually go through . . . the court is actually saying you are the parent?

Mr. Whyte: — Yes, you can apply to the court in a dissolution proceeding and get an interim order until the final order is made. And furthermore there are back orders made by courts for money owing for some period which was not . . . for which there was not a contribution. You can get a portion awarded against the non-custodial parent which is meant to be back payment.

Mr. Hewitt: — Maybe I'll just add that in terms of once an order is registered and if we don't collect it right away, then the arrears accumulate. But we do take steps to collect those arrears as well.

The Chair: — Once has a back order actually . . .

Mr. Hewitt: — Once there's an order implemented, yes. That's right.

The Chair: — And I just have one other question. Recently, I understand, in B.C. they're starting to hire RCMP officers on an overtime basis to work with different, I think it's the department . . . it's the insurance part — is it ICBC (Insurance Corporation of British Columbia)— is hiring the RCMP officers on an overtime basis. Is that something that you've heard of?

Mr. Whyte: — To chase down insurance fraud, people who claim to have accidents or . . .

The Chair: — Or even working with the traffic cops or at weigh scales or just hiring them.

Mr. Whyte: — No, I don't think that we are hiring RCMP officers. Or maybe I should let Mr. Baker, who is the law enforcement person, answer that.

Mr. Baker: — Madam Chairperson, the ICBC is hiring both municipal and RCMP officers on overtime when they're finished their regular work to do extra traffic law enforcement — their photo radar program, they have a province-wide program targeting drinking drivers. And much of this is done on these extra hours, something equivalent of just over a hundred

person-years.

The Chair: — Okay.

A Member: — Not in Saskatchewan?

Mr. Baker: — We've never done this in Saskatchewan. There's been some discussion between the police chiefs and RCMP management and SGI as to whether SGI through some of their safety programs might assist the police. But most of the conversation has been in terms of providing things like roadside testing equipment, and equipment as opposed to paying for time.

The Chair: — Yes, I didn't mean to imply that Saskatchewan was doing it. I just understood that . . . It had just come to my attention that B.C. was, and I was just wondering if there was something new that was being worked on.

Any other questions by anybody? Okay, then we can deal with the recommendations.

The first one is on page 144:

We recommend the department should improve its procedures for ensuring the accuracy and integrity of the court information system.

Move concurrence? Are you working towards it right . . .

Mr. Shillington: — Yes, I think it's progress on it. Concurrence, is it not? I guess that's a question perhaps as much for the Provincial Auditor as to the department.

Mr. Whyte: — Do you want us to speak to this a little bit?

The Chair: — Yes, please do.

Mr. Whyte: — Okay. The court information system called JAIN — J-A-I-N, Justice automated information network — was not and is not a financial management system. The auditor's concern, as I understand it, that it is not tracking useful financial information pertaining to fines nor is recourse to JAIN at year end providing an accurate reconciliation between outstanding fines, new fines levied, and fines paid which theoretically should net out to zero. JAIN can't do that, doesn't do that — it wasn't designed to do that.

We agree that we need better financial tracking of court orders. We can attempt to make JAIN do it but one of the real concerns is that JAIN is probably not long for this world. Well we don't know what "long for this world" means in the current fiscal gloom, but we don't want to invest a lot in JAIN when we hope that sooner or later there'll be a better court information system.

But having expressed that caveat, we share the concern of the auditor that there is not possible now a way of achieving reconciliation over court-ordered court orders. And we're seeking to improve the system so that we can get that.

Mr. Shillington: — It seems to me the department is working to develop a way of meeting the Provincial Auditor's comment and therefore I think that we could record progress — perhaps

modest progress.

The Chair: — Agreed. Okay.

The second one: we recommend the department should review its procedures for collecting fines.

Mr. Hillson: — Madam Chair, I think this would meet with all-party agreement. I'd like to add the phrase to this recommendation:

And that procedures be developed to ensure that when repeat offenders appear in court the sentencing judge will be informed if previous fines are unpaid.

I think this comes back to Mr. Shillington's point too that there's a real danger that increasingly some members of the public may find out just how lax the unpaid fine system is. And one obvious one seems to me is that the sentencing judge should know that if that's the case, as a minimum.

Mr. Shillington: — I was just wonder if the department has the capacity to do this.

The Chair: — Actually, Mr. Shillington, Mr. Hillson put this on a motion.

Mr. Whyte: — Oh sorry, is there capacity? Yes, there certainly is in terms of overnight arrests and people pleading guilty in the morning and not staying in the system long enough. I think we can't pull that information out fast enough.

Mr. Hillson: — Well, Madam Chair, I mean I guess when I say it's a recommendation, I mean, I'm not saying that you'll hit 100 per cent but I just think it's something that the justice system should try to be on top of when they can. And I recognize . . . you know, I'm not demanding perfection here as CPICs (Canadian Police Information Centre) aren't always complete and et cetera.

Mr. Whyte: — Well we certainly can instruct our prosecutors to make it a regular matter to check for outstanding fines. Certainly in the context of sentencing, unless the sentencing happens very quickly as it sometimes does, we can make every effort to provide up-to-date fine information.

Mr. Shillington: — I don't have a copy of the text but if the recommendation would read, where possible, you might have covered it off.

Mr. Hillson: — I have no objection to that being added "and that where possible procedures be developed".

The Chair: — Okay, so what we have before us right now is a recommendation and that we recommend the department should review its procedures for collecting fines. We concur with recommendation no. 2 of chapter 7 and:

Further where possible that procedures be developed to ensure that when repeat offenders appear in the court the sentencing judge will be informed if previous fines are unpaid.

Is that in agreement?

A Member: — Agreed.

The Chair: — Agreed. Okay, no. 3. We recommend that the department should record its bad debt expense in the year it occurs. Concur?

A Member: — Concur.

The Chair: — Agreed? Concur?

A Member: — Agreed.

The Chair: — Thank you very much to Mr. Whyte and to the officials. We again appreciate your presence here and for the helpfulness. And Happy New Year to you all.

Mr. Whyte: — Thank you. And we're all very impressed with the seriousness with which you begin the new year.

Public Hearing: Saskatchewan Power Corporation

The Chair: — We don't have any officials here. Maybe we should just read each recommendation and then we can go through it at that time.

Mr. Shillington: — I'm not sure you can proceed in the absence of any opposition members.

The Chair: — And what am I?

Mr. Shillington: — You're not actually a voting member. I'm prepared to do it if you think it okay.

The Chair: — All right. I guess we can wait a minute for Mr. Hillson.

A Member: — Oh, here he is.

Mr. Shillington: — Here we go.

The Chair: — I think all the members got this copy today, and inside is all the recommendations from the fall report of '98, the spring report of '98, and the fall report of '97. So we'll ask the Provincial Auditor to review these and to give us his words of wisdom on it and then we can go into recommendations.

Mr. Strelloff: — Thank you, Madam Chair, and members. With me today is Ed Montgomery who is responsible for our audit of SaskPower as well as Brian Atkinson — I saw him around — who used to be responsible for our work at SaskPower.

We have provided you with a binder showing all the different reports that are outstanding to date and also a summary of the recommendations that also are outstanding to date. The recommendations in these chapters have not been addressed by either this committee or the Standing Committee on Crown Corporations.

So Ed's going to provide you a brief update on what happened regarding these recommendations at the recent meetings of the

Crown Corporations Committee. Ed?

Mr. Montgomery: — Good afternoon, Madam Chair, committee members. As Wayne just said, he asked me to give you a brief overview of what happened at the recent Crown Corporations Committee meetings and also to summarize the status of our recommendations regarding SaskPower.

The Standing Committee on Crown Corporations last met regarding SaskPower on November 30 and December 1 of last year. The committee's agenda was to cover the annual report and the financial statements of SaskPower and its subsidiary, SaskPower Commercial and Power Greenhouses Inc., for the year ended December 31, 1997.

To our knowledge, none of the chapters before you today have been referred to the Standing Committee on Crown Corporations. Therefore, the Crown Corporations Committee have not passed any motions on whether or not that committee concurs with our recommendations.

We provided the Crown Corporations Committee with an advance copy of our fall 1998 report on SaskPower. We did this because we expected that the committee would want to complete its work on SaskPower for the year ended December 31, 1997. Also we thought our report might assist the committee in considering SaskPower.

Several members of the Crown Corporations Committee used chapter 21 of our fall 1998 report to question officials of SaskPower on progress being made to address our recommendations. The committee also passed a motion noting that the recommendations of the Provincial Auditor were taken into consideration during the review of SaskPower for the year ended December 31, 1997.

SaskPower officials noted that SaskPower is making progress on improving its governance and management controls. Examples are that SaskPower has now put together new terms of reference for all its board committees. The Board of SaskPower International which was formerly actually SaskPower Commercial is now the same as the SaskPower board, the same board members. In addition, SaskPower board members have each completed about eight days of board training in the last year.

At the end of the meetings the Crown Corporations Committee passed a motion noting that it had concluded its review of the annual report and financial statements of SaskPower and its subsidiaries for the year ended December 31, 1997.

Therefore to summarize the status of our recommendations, first, the recommendations in these three chapters have not been considered by the Public Accounts Committee. Second, none of the three chapters is being referred to the Crown Corporations Committee. Third, although the Crown Corporations Committee considered the recommendations included in chapter 21 of our fall report, it did not indicate whether it concurred ... or whether or not it concurred with our recommendations. And finally, the Crown Corporations Committee appears to have completed its work regarding SaskPower up to the December 31, 1997 year end.

And that concludes my comments on the update of the Crown Corporations Committee.

Mr. Strelloff: — Thank you, Ed. And, members, just once again we provided you a copy of the three chapters that are outstanding as well as a summary of all the recommendations and an update as to our understanding of the current status. So it's all yours, Madam Chair.

The Chair: — We don't have . . . I've got Mr. Gantefer and Mr. Shillington, and we don't have a SaskPower official here so we'll be . . . any questioning will have to be done to the Provincial Auditor.

Mr. Gantefer: — Thank you very much, Madam Chair. When I was polled in terms of what we were going to do with this situation, I guess I assumed that we may end up in the same position that we were at our previous meeting where we were going to do this reference.

But I think that the report we've heard illustrates the need for getting this whole situation clarified and a working relationship and a clear definition of roles and responsibilities set out. Because what I think we clearly heard this afternoon is that by just making a blanket referral from our committee to the other committee is almost decreeing that everything is going to fall through the cracks and nothing is going to happen with it with the current status. And this isn't placing blame in any way, it's just a reality what seems to be happening.

And I think it's an important function of this committee to perhaps at the end of the week to look at really seizing the initiative in terms of working through a process of coming up with a much clearer working relationship so that this stuff doesn't just get lost in the works somewhere. Either we're going to have to stop deferring this stuff and dealing with the issues that are referred to us by the Provincial Auditor or we've got to find an methodology to make sure that it clearly is going to be dealt with appropriately. And that's not the current status.

So I think that the report we've received today from the auditor's department really reiterates the importance of that exercise happening in a timely fashion. And I think in the very near future we're going to have to come up with a situation where this gets dealt with, otherwise these recommendations are just going to sit in limbo. The process of just referring it to Crown Corporations is not going to work under the current relationship.

Mr. Shillington: — I was not going to recommend to the committee that this be referred to the Crown Corporations for a variety of reasons. Let me say with respect to tidying up the relationship between the two. I've had discussions with the chairperson of the Crown Corporations Committee — numerous discussions actually — and I have expressed the view to her that this matter needs to be resolved in a Rules committee.

I think I'd say it would be possible, I guess, for the two committees to get together and to resolve it, but the practice is so well established of having Crown Corporations matters referred to both committees that, in my view, it would properly be referred to a Rules committee.

I think I am in a position to say as well that I think the members of the legislature would be well advised to establish a Rules committee following the election, and among the things I would put on the agenda would be this problem of having two committees deal, in some cases, with what are the same problems.

The two committees have a different function. The Public Accounts Committee, as all will know, deals with past accounts and past expenditures to determine if the expenditures were authorized, if they were executed in a way which is efficient and effective, economical, and so on.

The Crown Corporations Committee has a narrower focus in terms of what it deals with — the Crown corporations. But it is broader. It essentially plays the same role as the Committee of the Whole does with respect to the line departments. It is . . . it reviews the entire spectrum of the Crown corporations activities.

So they have a slightly different focus. But I agree with both the chairperson of the Crown Corporations Committee, who's expressed this, and also Mr. Gantefer. I agree that it needs to be resolved. I think it needs to be resolved in a Rules committee. And I think that's probably not going to happen till after the election.

With respect to this report, let me then deal with this report. I went through this report, and I actually went through this. I went through the comments in the . . . in the report. I thought, I thought it was well done. I thought the recommendations added to the work, to the very extensive work done by the Crown Corporations Committee this spring. And three of us . . . Half of the people present actually were on that committee so there is some crossover.

I thought the recommendations added to it. They come from a slightly different perspective but they're useful.

I was going to suggest to the members of the committee that we do not refer this — in all the circumstances we pass these. I think they make sense. I think they add to the work done by the Channel Lake inquiry. And that I then think will dispose of the matter, and it will remain I think for the members of a new legislature after the election to solve the knotty problems of the Crown Corporations Committee and the Public Accounts Committee getting tangled up among themselves in work.

So I was going to suggest we pass these. I think they are good recommendations from beginning to end.

Mr. Hillson: — Well, Madam Chair, I am surprised but I think it's appropriate. We seem to be starting the new year in a spirit of non-partisan co-operation. I thank Mr. Shillington for his comments. And I mean I agree that Channel Lake of course started in Public Accounts, and without belabouring all the twists and turns, it went to Crown Corporations. If Crown Corporations is not interested in this last detail then, yes, let's have Public Accounts do it. Crown Corporations, as I understand the report we received, did have the opportunity and has declined. So referring it back, it doesn't seem to make a lot of sense, and actually I'd also say in a non-partisan sense here that I think the recommendations the auditor has given us are

actually more fleshed out and more detailed . . . of recommendations the Crown Corporations already passed.

I think we, as I see it and as I understand, I think we've already passed the recommendations. However, the auditor has done a better job of being more specific and . . . well as our resolutions were more general, so I think the auditor's recommendations give more guidance than the recommendations already passed. But they don't really conflict as I see it. They don't conflict with what was done but they are more detailed and therefore I think they're of more value and I'm pleased to hear a government MLA say let's just do it and I certainly concur.

Mr. Gantefer: — Thank you, very much, Madam Chair. I too would like to say that I'm pleased to see that the recommendations as I understand them — correct me if I'm wrong — that you're willing to move forward are the ones in regard to chapter 21, this current issue. There are also two other reports, the '97 fall, chapter 5, and the spring '98, chapter 1, which are a part of the quandary and I certainly concur in terms of the chapter 21 out of the '98 fall report. That still leaves us with those other two chapters that are still on the table for this committee. And I concur in terms of chapter 21. I think that's great if we can move that forward.

And finally in a comment in terms of the Rules committee, I'm not too sure that you know . . . I'd be willing to have discussion in terms of is that the most appropriate body? I think perhaps that, you know, that the members of the two committees may be the more knowledgeable about the dilemmas that occur in this circumstance, and I think Mr. Shillington quite clearly identified in a general sense the difference between the two committees.

And it seems to me that in a way we've done a disservice by referring a lot of the recommendations of the Provincial Auditor to the Crown Corporations Committee because indeed they've come under the mandate of the Provincial Auditor's recommendation on terms of how the corporation carried out its mandate, which clearly by your definition is part of Public Accounts, where the Crown Corporation is more the policy and the issues. And I think you described it quite well in a way that it's a Crown that is operating similar to what the Committee of the Whole does in terms of the General Revenue Fund in the legislature.

So I think we've got to review our willingness to just refer this over to the Crown Corporations as much as we have. I've expressed that concern in the past and I think, you know, that I don't think we got to the Rules committee. I think maybe we got to just make a reaffirmation of our roles and responsibilities and do it. Because if it comes to us then I think we got to take it very seriously before we just sluff it off somewhere else.

And I don't mean that in a trivial sense. I mean that I think we can legitimately exercise our responsibilities by reacting to the Provincial Auditor's recommendations that are made to this committee. So I'm delighted that we can deal with chapter 21 and it still leaves us with a conundrum about this other section.

Mr. Shillington: — Yes. I had the opportunity this morning, I've not had the opportunity to discuss this with anyone so that members of my own caucus should feel free to disagree with

me, but I had the opportunity this morning when I was reviewing this to go over the recommendations from the past auditor's reports and it struck me we could deal with those as well here. I think they've become largely self-evident with the passage of time. It struck me we could deal with them all.

The Chair: — They're all in here then?

Mr. Shillington: — I'm not sure where they are all but I . . . they're all included in the summary, okay.

The Chair: — So what I'm hearing right now then is that . . .

Mr. Shillington: — I guess the only . . . the two exceptions to that, which my colleagues draw to my attention are .49 and .52 which are . . . we have sent . . . perhaps to be consistent all the other Crown corporations the recommendations with respect to comparing planned activities to actual results and providing a list of payees, we're referred all that to Crown Corporations. So perhaps those two resolutions should be hived off and sent to the Crown Corps to be consistent. And the rest dealt with.

Mr. Gantefer: — I think that's consistent, and I agree with the fact that at least it's consistent. The problem is, is that we've just heard it just gets lost somewhere. It doesn't adequately deal with it but that's another issue that I think that we have to participate in finding a solution to.

Mr. Hillson: — However I think in fairness to the government, it does seem to me that as well as referring it, we have never taken the view that a list of all payees has to be made public. I think we still . . . we've had some question as to the appropriateness of that and I'm not personally stating a position on it. I'm wrestling with it. But it seems to me that that's also been the position of the committee is that we're really not sure. So if it does come back to us, I think at the very least, .49, .52 would need further discussion because I don't think we've ever expressed a view.

Mr. Shillington: — Yes, let's send it. Let's do what we've done with all the others. Send it off to Crown Corps. They may not deal with it. However, you know that's not the end of the world cause I suspect it's all going to come back in the 1999 report anyway for someone to deal with. And hopefully by that time we'll have sorted out which committee is responsible for it.

The Chair: — So then what is the final outcome then?

Mr. Gantefer: — We are going to deal with all the recommendations except .49 and .52 of the *1998 Spring Report*.

The Chair: — Do you want to go through them in this order then?

Mr. Gantefer: — Yes.

The Chair: — Okay. Should I be reading them out or . . . (inaudible interjection) . . . Highlight them? Okay.

From the fall report, '97 fall report, recommendation .25.

Mr. Gantefer: — Concur and note compliance, by this report.

Mr. Shillington: — Concur and note compliance.

The Chair: — Okay.

Mr. Strelloff: — Could you note progress?

A Member: — Oh, okay.

Mr. Shillington: — You're ... (inaudible) ... confident with the execution of this. All right.

Mr. Hillson: — That could become official policy.

Mr. Shillington: — I think it's official policy. I don't think what the Provincial Auditor is saying, I don't think it has been done yet.

The Chair: — Okay. So then concur and note progress.

Mr. Shillington: — Note progress.

The Chair: — And is that agreed?

A Member: — Agreed.

The Chair: — Okay, .38, ensure its subsidiaries have rules and procedures. This recommendation has been superseded by a more detailed recommendation in the fall report ... (inaudible) ...

Mr. Strelloff: — So our recommendation on this is to leave it because the more recent report issued in the fall deals more specifically with this issue.

Mr. Gantefer: — So how do we note this one recommendation then to ...

Mr. Strelloff: — No action required.

Mr. Gantefer: — We don't have to do anything? It will go away?

Mr. Shillington: — Perhaps the minutes could simply note that the recommendation has been superseded by a recommendation.

The Chair: — Agreed?

A Member: — Agreed.

The Chair: — .45, SaskPower should obtain cabinet approval before it's subsidiaries purchase shares.

Mr. Shillington: — That's also government policy now.

Mr. Gantefer: — Concur and ... Should we note compliance?

Mr. Hillson: — Well, it's not in legislation yet.

The Chair: — It says ...

Mr. Gantefer: — So note progress?

The Chair: — Making progress.

Mr. Gantefer: — Concur and note progress.

The Chair: — Okay. Is that agreed?

A Member: — Agreed.

The Chair: — Okay. Spring report, .42. SaskPower ... (inaudible interjection) ... Same thing?

Mr. Gantefer: — Concur and note progress.

The Chair: — Okay. Agreed.

Mr. Strelloff: — It's the same as .25.

The Chair: — Okay, .49

Mr. Shillington: — Note the recommendation and refer to the Crown Corporations Committee.

The Chair: — .49 and .52 then will be referred to the Assembly or to the Crown Corporations. Okay.

Our whole report of chapter 21 — okay, no. 1, governance. I won't read these all out.

Mr. Strelloff: — As Ed, my colleague, mentioned in his overview, he said there has been some progress on this governance issue, some progress.

Mr. Montgomery: — But we haven't actually started the 1998 audit other than the planning, so we can't ... we haven't really examined the minutes and the ...

The Chair: — So can we say that we do agree that we concur?

Mr. Gantefer: — Governance — should we concur and note progress or just concur?

A Member: — Just concur.

Mr. Gantefer: — Just concur.

The Chair: — We're concurring. Is that agreed? Agreed.

No. 2, organization structure. Concur?

A Member: — Agreed.

The Chair: — Under policy, again concur?

A Member: — Concur.

The Chair: — Agreed. Management controls, again concur?

A Member: — Concur.

The Chair: — Agreed. No. 7, legislation, concur?

Mr. Hillson: — Yes, I think in this one, as Mr. Shillington's pointed out, it's already government policy but the legislation

hasn't been changed and I think our recommendation still is that the legislation ought to be changed.

The Chair: — So, concur then?

Mr. Hillson: — Yes.

The Chair: — Concur. Agreed.

And the last one, the recommendation on financial statements should be tabled?

Mr. Shillington: — I think we should concur with this. I have a little background information on this. This is an NGO (non-governmental organization) and is an attempt to try to enable Northerners to be able to bid and supply material to SPC (Saskatchewan Power Corporation). It's actually a good little program, but there is no reason why they wouldn't file their financial statements. There is nothing ... this is not a commercial or competitive venture at all.

The Chair: — So we concur then? Agreed. Okay.

Mr. Strelieff: — Thank you, by the way. It will now help us in this round of audits and working with management and making sure progress progresses.

Public Hearing: Saskatchewan Research Council

The Chair: — Okay. I think that we should go through on Thursday's items, the Research Council, which is chapter 17. This is the one where we all gave the Research Council accolades for the good job they were doing and how they were the model. And now we have one recommendation in here to deal with after the 1998 ... it's chapter 17 ... (inaudible interjection) ... Yes, it's the last one on Thursday.

Mr. Strelieff: — Just for an opening, Corrine Rybchuk has just provided me a — well, you read it, Corrine — an overview of what's happened since our last meeting.

Ms. Rybchuk: — The last time the committee met to discuss SRC (Saskatchewan Research Council), we had a list of five recommendations, and four of those recommendations have already been addressed by the SRC.

The only recommendation that remains outstanding is the first recommendation regarding the contingency plan. And SRC is continuing to work on their contingency plan and we will monitor their progress in our upcoming audit. And they expect to have it completed in this next year.

The second recommendation is a new recommendation and it's regarding the tabling of separate financial statements for SRC's subsidiary, TecMark. The SRC's position has been to draft some financial statements for the board to review in February. The board will then decide how to proceed for the March '99 year-end. And that's an update.

Mr. Strelieff: — Thank you, Corrine.

The Chair: — So then for this last one, this will be the first time that the SRC has actually had a subsidiary, isn't it? I think

so. So it will be ... Their board will be working with something new and personally I believe it wouldn't be bad to give them an idea of what we're asking of other subsidiaries so that they know that they're not out there by themselves.

Mr. Whitmore: — Could we recommend that the Public Accounts work with SRC or SRC work with the Provincial Auditor to reach a satisfactory resolution to this issue, pending the outcome of what their new financial statements are.

Mr. Gantefer: — Why don't we just concur with the auditor's recommendation.

The Chair: — I think we should concur.

Mr. Hillson: — I sense there's a dispute here.

Ms. Rybchuk: — No, we've already provided them with a draft set of ... (inaudible) ... as to what we thought and they need to look at that and decide whether ...

Mr. Strelieff: — What were the issues? Were there any issues that they were concerned about?

Ms. Rybchuk: — They were concerned with potentially how to record the assets of the corporation, whether they would be shown in an amount or simply what were the expenditures, if they were referred to as grants or expenses — those kind of issues.

The Chair: — So then working with ...

Mr. Koenker: — Are there client confidentiality issues as well? This TecMark?

Ms. Rybchuk: — It's involved in joint ventures. Risk ... very risk-oriented kind of ventures so where normal risk capital won't go to that kind of an operation. And I think it's not really client confidentiality, it's more that some of these projects may or may not get off the ground, and then and how that's reflected in the financial statements and reported publicly.

Mr. Koenker: — In fairness to SRC, they may hold client confidentiality concerns, may they not?

Ms. Rybchuk: — I'm sure they're always concerned with client confidentiality. And it would depend what ventures they got into.

Mr. Koenker: — In light of this, I'm not sure ... and not having the officials here, I think essentially we're in concurrence but then we always run into this problem of maybe not knowing exactly what we do.

Mr. Hillson: — ... might be.

Mr. Koenker: — Exactly. The caveats.

Mr. Gantefer: — I think, though, that we've got to be clear. Like what this is asking is that they table financial statements. It doesn't get to the issue of disclosing payees and all the rest of that thing where we got into the problems in terms of some of the subsidiaries and into joint venture sorts of things in terms of

disclosure.

I think that clearly we should be in support of the auditor's recommendation and the position of our recent history that subsidiary financial statements should be tabled. Now, down the road it may well be, after they go through this review, that the auditor's department finds that the way they're tabled and the information disclosed in it isn't perhaps adequate enough and then we're going to have to deal with that part of the issue. But I think that a financial statement should be tabled and we can concur with that. We may down the road get into a discussion about how detailed that financial statement is and may or may not concur with the recommendation that may or may not occur about that issue.

Mr. Koenker: — I basically agree although I personally have a little bit of an uncomfortable feeling not having officials here to speak to it.

And I'm wondering if the auditor could speak to it in light of that.

Mr. Strelieff: — I think it's better to have the officials here to answer questions. My understanding, general understanding of their possible concern, is that some of their activity involves making loans or investments in other organizations. Now the collectibility of those things are probably . . . The probability of collectibility or the investments realizing are probably very low so they'll have to . . . so their investment in or a loan to a number of organizations were recorded at, say, a million dollars; I don't know what the exact amounts are, but a million dollars. We'll have to take a valuation allowance of perhaps a million dollars.

And their concern is that that may signal to who they're dealing with that they don't expect ever to get the money back. And so they're thinking, well, if we make that public in such a focused way, one small subsidiary, that just may impact their ability to realize.

Now that's, I think, some of the thinking that's going on in their minds and they're trying to assess how they could structure financial statements that wouldn't give that information or that indication out. On the other hand, for legislators who are overseeing use of public money, that's good information to know that the loans or investments that are being made by this organization aren't likely to be realized. But that's the nature of its operations.

So that kind of discussion is what the SRC, my understanding the SRC is going through, and if, for example, we come back next year and they say they're not tabling it, they'll probably come back and say well here's some of the reasons.

Mr. Shillington: — I set out frankly supporting your recommendation and I think you just talked me out of it. Like Mr. Gantefer, I have difficulty seeing how a simple financial statement could disclose information which they had any right to be nervous about. However having heard your explanation of what a financial statement might contain, I'm beginning to see why they might be nervous about a simple financial statement.

As I say, having heard your explanation, I now actually like

Grant's formulation of the recommendation better. So you kind of talked me out of it in a way.

The Chair: — Mr. Hillson is on the . . .

Mr. Hillson: — Just a question here. Just so I understand. I understand a lot of Canada's foreign aid is recorded as loans but in point of fact they're not loans, and you're saying this is true of the SRC and could be . . . (inaudible) . . .

Mr. Strelieff: — Well, Mr. Hillson, members, now you're getting into the Public Accounts of Canada but this was a similar issue there that in the loans to, say, Poland for export assistance that really the likelihood, the probability of that money coming back in the near future was low. So in preparing the accounts, they would do a discount of the probability of cash flows coming in, compare that to the loan amount and end up thinking there's a big amount to write off. But they didn't want to disclose that publicly, that we were expecting this particular government, foreign government not to repay. So they buried in a big valuation allowance that had a whole bunch of things in it.

Now so it was recorded as not as an expense as not being likely to be received, but it was lumped with a whole bunch of other things so that someone looking at it from another country and trying to figure out what the probability of the expectation of repayment wouldn't be able to see through it.

Now in this case, this organization is a small company with very little lending activity and therefore perhaps not the opportunity to lump it with a bunch of other things. Now it's strange that I'm arguing against or pointing out issues related to one of our own . . . (inaudible) . . .

The Chair: — Actually I'm going to ask the Provincial Comptroller . . .

Mr. Strelieff: — And I hope that the Provincial Comptroller will take the opposite, the opposite of . . . (inaudible) . . . and put out reasons why it should be.

Mr. Paton: — No, Wayne, I just want to support your comments.

I just wanted to provide a little bit more information that I have on this. First of all, that at March 31, 1998, the investments that this corporation had was about \$300,000 — just to put it in perspective for you.

The second thing is that this information is provided to the Legislative Assembly, not in a set of separate financial statements, but they are consolidated in the SRC. So you do have an opportunity to get the information through SRC. It's not like it's not provided. It's not provided separately . . . (inaudible interjection) . . . You could get the information through SRC, through an examination of their financial statements.

The last thing I guess in support of the auditor's recommendations, I do understand that management is considering doing it this next year. They are looking at it and I believe they're going to take it to their board who may approve

this for the coming year.

Mr. Shillington: — I suspect when the thing comes back if this committee is of the same . . . if the next committee is of the same temper as this one, they're not going to countenance their reluctance to file their financial statements. However until we hear from them, I must say I am more comfortable with Grant's formulation of it; ask the Provincial Auditor to work with them in . . .

The Chair: — Okay. So then we have to start with the first recommendation which is, should complete its contingency plan and test the plan. And that I think they're working towards compliance.

A Member: — Agree. Concur and note progress.

The Chair: — And the last one is that we're going to be asking the Provincial Auditor to work with SRC to develop some kind of accounting formulation. Okay, is that agreed?

A Member: — Agreed.

The Chair: — Okay, so there we have completed a day's work.

The committee adjourned at 5 p.m.