



Legislative Assembly of Alberta

The 29th Legislature
Fourth Session

Standing Committee
on
Alberta's Economic Future

Ministry of Economic Development and Trade
Consideration of Main Estimates

Wednesday, April 11, 2018
3:30 p.m.

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Fourth Session**

Standing Committee on Alberta's Economic Future

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van Dijken, Glenn, Barrhead-Morinville-Westlock (UCP), Deputy Chair

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Standing Committee on Alberta's Economic Future

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Ministry of Economic Development and Trade

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Sonya Johnston, Assistant Deputy Minister, Strategic Policy and Corporate Services

Matthew Machielse, Assistant Deputy Minister, Trade and Investment Attraction

Toby Schneider, Executive Director, Policy and Information

Alberta Innovates

Laura Kilcrease, Chief Executive Officer

3:30 p.m.

Wednesday, April 11, 2018

[Mr. Sucha in the chair]

**Ministry of Economic Development and Trade
Consideration of Main Estimates**

The Chair: Good afternoon, everyone. I'd like to call the meeting to order and welcome everyone. Before we commence, I would like to recognize that this meeting is commencing on the traditional territory of Treaty 6. The committee has under consideration the estimates for the Ministry of Economic Development and Trade for the fiscal year ending March 31, 2019.

I'd ask that we go around the table and have all MLAs introduce themselves for the record. Minister, when we get to you, if you could introduce the people joining you at the table.

Mr. Bilous: Yes.

The Chair: Excellent.

I'm Graham Sucha, the MLA for Calgary-Shaw and chair of this committee. We'll continue with the members to my right.

Mr. van Dijken: Good afternoon. Glenn van Dijken, MLA for Barrhead-Morinville-Westlock and deputy chair.

Mr. D. Schneider: Dave Schneider, Little Bow.

Ms McPherson: Karen McPherson, MLA for Calgary-Mackay-Nose Hill, and this is my research assistant, Ben Li.

Mr. Gotfried: Richard Gotfried, MLA, Calgary-Fish Creek.

Dr. Starke: Good afternoon. Richard Starke, MLA, Vermilion-Lloydminster.

Mr. Bilous: Good afternoon. Deron Bilous, MLA for Edmonton-Beverly-Clareview, Minister of Economic Development and Trade. To my left is Sonya Johnston, who is our ADM for strategic policy and corporate services. To my right, Jason Krips, deputy minister. To his right is John Brown, ADM of the science and innovation division.

Mr. Dach: Lorne Dach, MLA, Edmonton-McClung.

Mr. Coolahan: Craig Coolahan, the MLA for Calgary-Klein.

Connolly: Michael Connolly, MLA for Calgary-Hawkwood.

Mr. Carson: Good afternoon. Jon Carson, MLA for Edmonton-Meadowlark.

Mr. Piquette: Good afternoon. Colin Piquette, MLA for Athabasca-Sturgeon-Redwater.

Mrs. Littlewood: Good afternoon. Jessica Littlewood for the beautiful rural constituency of Fort Saskatchewan-Vegreville.

Mrs. Schreiner: Good afternoon. Kim Schreiner, MLA for Red Deer-North.

Ms Fitzpatrick: Maria Fitzpatrick, MLA, Lethbridge-East.

The Chair: Please note that the microphones are operated by *Hansard* and that the committee proceedings are being live streamed on the Internet and broadcast on Alberta Assembly TV. Please set your cellphones and other devices to silent for the duration of the meeting.

Hon. members, the standing orders set out the process for consideration of the main estimates, including speaking rotations. As set out in Standing Order 59.01(6), the rotations are as follows. The minister or the member of Executive Council acting on the minister's behalf may make opening comments not exceeding 10 minutes. For the hour that follows, members of the Official Opposition and the minister may speak. For the next 20 minutes the members of the third party, if any, and the minister may speak. For the next 20 minutes the members of any other party represented in the Assembly or any independent members and the minister may speak. For the next 20 minutes the members of the government caucus and the minister may speak. For the time remaining, we will follow the same rotation just outlined to the extent possible; however, the speaking times are reduced to five minutes as set out in Standing Order 59.02(1)(c).

Members may speak more than once; however, speaking times for the first rotation are limited to 10 minutes at any one time. A minister and a member may combine their time for a total of 20 minutes. For the rotation that follows, with speaking times of up to five minutes, a minister and a member may combine their speaking times for a total time of 10 minutes. Discussion should flow through the chair at all times regardless of whether or not the speaking time is being combined. Members are asked to advise the chair at the beginning of their rotations if they wish to combine their time with the minister's time. If members have any questions regarding speaking times or the rotation, please feel free to send me a note or speak directly with either the chair or the committee clerk about the process.

A total of six hours have been scheduled to consider the estimates for the Ministry of Economic Development and Trade. The committee will continue consideration of ministry estimates on Thursday, April 12, at 9 a.m. With the concurrence of the committee for today's meeting I will call a five-minute break near the midpoint of the meeting; however, the three-hour clock will continue to run. Does anyone oppose having a break? No.

Committee members, ministers, and other members who are not committee members may participate. However, only a committee member or an official substitute may introduce an amendment during the committee's review of the estimates.

Ministry officials may be present and at the direction of the minister may address the committee. Ministry officials seated in the gallery, if called upon, have access to a microphone in the gallery area. Ministry officials are reminded to introduce themselves prior to responding to any questions. Pages are available to deliver notes or other materials between the gallery and the table. Attendees in the gallery should never approach the table. Members' staff may be present and seated along the committee wall. Space permitting, opposition caucus staff may sit at the table to assist their members; however, members do have priority seating at the table at all times.

If debate is exhausted prior to six hours, the ministry estimates are deemed to have been considered for the time allotted in the schedule, and the committee will adjourn. The scheduled end time for the meeting is 6:30 p.m. today.

Points of order will be dealt with as they arise, and the clock will continue to run.

Any written material provided in response to questions raised during the main estimates should be tabled by the minister in the Assembly for the benefit of all members.

The vote on the estimates and any amendments is deferred until consideration of all ministry estimates has concluded and will occur in Committee of Supply on April 19, 2018.

Amendments must be in writing and approved by Parliamentary Counsel prior to the meeting at which they are being moved. The original amendment is to be deposited with the committee clerk,

and 20 copies of the amendment must be provided at the meeting for the committee members and staff.

I will now invite the Minister of Economic Development and Trade to begin with his opening remarks.

Mr. Bilous: Thank you, Mr. Chair, and hello, everyone. I'm pleased to be here with my esteemed colleagues and committee members to discuss the budget for the upcoming year for Economic Development and Trade. Before I begin, I'd like to take an opportunity to introduce a couple of my staff. Heather Mack is my chief of staff, sitting in the row behind me. We're also joined by Kristina Williams, who is the CEO of Alberta Enterprise Corporation, and by Laura Kilcrease, who is the CEO of Alberta Innovates, amongst many other department officials. As I mentioned, beside me is Jason Krips, my deputy minister. To my left is Sonya Johnston, and to my right is John Brown.

I'm pleased to share information about the Ministry of Economic Development and Trade's budget for the 2018-19 fiscal year. Before I delve into where we're going, I'd like to provide a brief summary on where we've been. The government established Economic Development and Trade in the fall of 2015 to lead the province's economic development efforts. Since then the department has focused on programs and initiatives that support businesses and private-sector job creation, enhance access to capital for small and medium-sized enterprises, co-ordinate and leverage research and innovation to increase the commercialization of Alberta ideas, facilitate export development and investment attraction from targeted international markets, enhance Alberta's national and international presence, and support Alberta's participation in negotiations on domestic and international trade agreements.

EDT has also played a vital role in implementing the Alberta jobs plan, which outlined the government's plan to support job creation and diversify the economy. In fact, this past December marked the one-year anniversary of the unanimous passing of Bill 30, the Investing in a Diversified Alberta Economy Act, which allowed the implementation of two tax credits that support Alberta businesses.

It has been a full year since we began accepting applications for the capital investment and Alberta investor tax credits. The capital investment tax credit encourages timely capital investments that offer opportunities for economic growth while the Alberta investor tax credit encourages investors to provide entrepreneurs across sectors with greater access to the capital they need to innovate and expand. It's also important to note that both of these tax credits have been asked for by the business community around the province for many, many years and that these tax credits are enjoyed by other provinces across Canada and have levelled the playing field for Alberta businesses. Together these tax credits will support 9,000 direct and indirect jobs and will add at least \$1.2 billion to Alberta's GDP while helping propel diversification and job creation province-wide.

Under the Alberta jobs plan we also launched the community and regional economic support program, known as CARES, to help communities with limited resources and common interests tackle economic development projects that they might not have been able to on their own. Since its launch CARES has supported 173 projects across the province, representing close to \$13 million in funding support from three intakes. Through these projects regional leaders are working together to accelerate economic development and diversification that will help Alberta become more competitive and prosperous, creating jobs along the way.

The department has also spent significant effort on enhancing access to market for Alberta's products and services. Last year we led five ministerial missions and 49 business delegation missions to

priority markets to promote Alberta's products and services and help Alberta businesses access new markets.

Government of Alberta staff worked with Alberta companies to help them succeed in international markets through a variety of means: facilitating participation in trade shows and missions; offering programs like the Alberta export expansion package, which includes the export support fund, the global buyers and investors program, and the export readiness program; and working with communities across the province to support their investment readiness. With the support of our 12 international offices, we offer information about trade and investment opportunities, market intelligence, and business contacts in these priority markets for interested companies.

3:40

These actions have shown positive results. For example, last year we took more than 400 Alberta companies on our trade missions to key international markets, and the companies reported more than \$500 million in actual trade and investment as a result. These missions have a significant impact on jobs and the economy here at home. These are just a few examples of the work my ministry has done and focused on since its establishment. But we know that there is more work to do. In 2018-19 we intend to build on these successes.

EDT's budget for 2018 focuses on leveraging existing programs and supports to encourage private-sector capital investment, attracting new businesses and investors to the province, supporting continued job creation, and stimulating more economic diversification. Budget 2018 includes recapitalization of the capital investment and Alberta investor tax credits at \$30 million each per year out to 2020-2021, implementation of a new interactive digital media tax credit to bring more tech entrepreneurs to Alberta while keeping our talent here to grow and inspire the next generation of tech innovators, continued funding for the community and regional economic support program to ensure Alberta's communities and regions have access to financial support for initiatives that promote long-term economic growth, and ongoing support through the climate change innovation and technology framework for government investments in research and innovation to help commercialize new technologies that reduce emissions.

The three tax credits will encourage investment in new products, services, and capital projects. As mentioned, the capital investment tax credit and the Alberta investor tax credit have already helped foster significant investment and growth in the province.

We've recently announced some successful projects under the CITC, including Seven Generations Energy, a liquids-rich natural gas developer, that received conditional approval of a \$5 million tax credit to build a natural gas processing facility in the Montney-Kakwa River area. This project will create about 150 construction jobs and dozens of direct, permanent jobs once operational.

Mr. Chair, iFly will build a new 557-square-metre, eighth-generation indoor skydiving facility in Calgary. The project will create about 18 full-time jobs and eight part-time jobs.

Aurora Cannabis Enterprises is a manufacturing and processing facility at the Edmonton International Airport. This facility will be the largest of its kind in the world and will employ about 300 people once operational.

Tolko Industries, a forest products company, will use CITC's support to restart its strandboard mill in High Prairie. This project will directly employ almost 800 people in three communities across northern Alberta.

We're confident that the new interactive digital media tax credit will follow suit and will encourage the growth of the digital media industry. IDM is a burgeoning sector that has great growth potential

here in the province. Recently I had the pleasure of announcing the introduction of the IDM tax credit with several prominent IDM players at BioWare. Not only did the IDM sector tell us specifically that a tax credit was essential to attracting more companies to Alberta, but they also said that they want to stay in Alberta because they're so proud of being Alberta based and Alberta raised. This tax credit would help them stay.

The tax credit programs delivered through EDT offer increased opportunities for more economic activity, diversification, and employment growth across all sectors. We know investment is a key driver of growth and diversification, and we want to ensure government continues to promote economic diversification, support employers and entrepreneurs in creating jobs, and encourage high-tech job opportunities in the province. This budget will continue to stimulate growth across sectors, supporting job creation and opening doors for businesses and entrepreneurs to start and expand.

We recognize that a sustainable economy contributes to healthy communities and that job creation means consistent tax revenues to fund the programs that make life better for Albertans. We want to ensure Alberta continues to be a place where investment thrives.

The Chair: I hesitate to interrupt, Minister, but we will now move to the members of the Official Opposition for the following hour. Would you like to share your time with the minister?

Mr. Gotfried: I would, yes. Thank you, Chair.

The Chair: Excellent. Would you like us to set the clock at 20-minute intervals just so you're aware?

Mr. Gotfried: That would be fine as well. Thank you, Chair.

The Chair: For sure. Please proceed.

Mr. Gotfried: Great. Thank you to the chair today and thank you to the minister and your very talented and very dedicated staff. I've seen lots of great work done over the years by some of the individuals involved and had some chances and opportunities to chat with many of them at different functions, so I wanted to congratulate and thank them.

I was going to say some really, really nice things about you, Minister, until you said today that the opposition wasn't very interested in economic diversification. But I'll forget that for now because we've got to spend six hours together over the next couple of days, and I wanted to thank you as well, Minister, for a lot of your hard work. I know that you do work very hard. Even if we may disagree on certain ideological principles, we certainly can agree on hard work and trying to do what's best for Albertans.

Minister, I'll go straight into some issues and items out of the strategic plan, and I welcome your discourse on that and, certainly, your input and ideas to share with Albertans. On page 7 of the strategic plan the first paragraph of strategic priority 1 reads:

Our government is focused on extending the recovery to all Albertans and continuing to build a more resilient, diversified and stable economy that is less vulnerable to oil price shocks, so that this recovery is built to last for working people.

Minister, we know that the term "economic diversification" is often bandied around with lots of perspectives attached to it, but what does economic diversification mean to you in the context of this statement?

Mr. Bilous: That's a great question. Thank you for that. I appreciate your comments on the hard work that the department does, and I agree with you wholeheartedly.

When we talk about economic diversification, we're talking about building on our strengths. Those are strengths within our

traditional sectors like energy, which is why, through the Department of Energy, currently on the floor of the Legislature is Bill 1, looking at opportunities to enhance upgrading, value-added to our energy products, so really adding new links in the value chain. I'm happy later on to go into detail about PDP 2.0 and some of those projects because we work very closely with the Ministry of Energy.

As well, for ourselves, diversification is building on our strengths, and that's in agriculture and our agrifood processing sector, that's in forestry, and that's also in tourism and then the sectors where Alberta has incredible strengths but sometimes is less known to the world, so in the areas of artificial intelligence; UAV, or unmanned aerial vehicles, including drones; as well as the tech sector. But the tech sector really spans across all the other sectors. I mean, technology is a way to enhance and applies to all sectors.

When we're talking about diversifying the economy, it's creating supports. I can tell you that that's part of the reason why we're extending the tax credits and recapitalizing them, because we've had success. I'm happy to get into details later on about that and how they have been contributing towards supporting diversification in Alberta.

But as you know, Member, government is not the job creator. We create the right conditions and help support the private sector in order to invest and expand, and that's really the purpose of, you know, our tax credits and a number of other initiatives that we launched under the Alberta jobs plan. As you're well aware, Member, we increased access to capital because we know that small businesses need capital in order to grow and expand. This is also, I believe, why the business community asked for the investor tax credit for a number of years, quite frankly.

I mean, the province of British Columbia has enjoyed the investor tax credit since 1985. Alberta is just now catching up. When you look at how B.C.'s economy is fairly diversified, it's in part because of a credit like that, which provides support to all of their sectors. That's also why, when we introduced the tax credits, the business community and a lot of the chambers of commerce, who were instrumental in the creation of these tax credits, had said: "Government, please ensure that it is sector-wide, that you're not limiting the tax credits to an individual or a handful of sectors. You know, let companies decide if they are interested in that."

What I love about the investor tax credit is that it provides an opportunity for Albertans to invest in their own backyard, in companies that are in need of capital in order to expand and, of course, hire more people, which means a higher number of working Albertans and jobs, which is obviously a priority of our government.

3:50

Mr. Gotfried: Thank you, Minister. I heard a lot of the things that I expected to hear.

A couple of interesting observations. You said that you don't create jobs, but you have created quite a number of jobs. I don't have the number, but I think it's in excess of 30,000.

The other thing is that for some of the credits, although I think you did expand the scope of some of them, there is some limitation there. There is also, I think, some picking of some winners and losers within some of the sectors. But we'll move on from that and talk about that a little bit later.

With respect to, really, the core diversification that is in Ag and Forestry and Tourism, could you just outline specifically some of the initiatives you're working on with those departments? Give us some very specific examples, if you would, of the collaboration between yourself and, specifically, Ag and Forestry and Tourism, maybe a couple each that you can just show us to demonstrate to us

that you are collaborating, that you're working with those ministries well, and that you're able to deliver results to Albertans through those efforts.

Mr. Bilous: Sure. Absolutely. You know, one of the reasons the Premier created this ministry back in October 2015 was to ensure that we are taking a whole-of-government approach. I think we've seen in other jurisdictions and in the past that it's common for government departments to work in isolation from each other and to work in silos. Part of the success of the Ministry of Economic Development and Trade is that we work very closely with Agriculture and Forestry, with Tourism, and with Energy. There are a number of examples to point to.

I can tell you that through our trade missions that we lead, we have a number of companies that participate from all three sectors. You know, they attend with us, where our department leads, I guess, the contacts and identifying potential investors and partners in other countries. We work very closely with the two different airports and to promote, obviously, whether it's air access or to promote as well the fact that those two vehicles are crucial, whether it's Ag and Forestry, well, more on Ag, less on Forestry, as far as getting our products to market.

You know, the one example that comes to mind where it really was a whole-of-government approach was in securing the Cavendish Farms investment in Lethbridge. This was, again, a crossministry initiative, with supports through Infrastructure, Transportation, Ag and Forestry, EDT, in order to ensure that the community of Lethbridge has the ability to not just attract Cavendish, which, by the way, is the largest single investment in the history of Lethbridge, very, very impressive. I can tell you that they were looking at a number of different jurisdictions not just in Canada but in North America for where to go. I'm very proud of the work that we did and the advocacy of our two MLAs from Lethbridge, identifying and recognizing that this was an incredible opportunity to showcase some of the great things that we have in Alberta.

Champion Petfoods decided to open up a \$250 million kitchen – I have to be very clear that it's not a warehouse, it's not a facility, but it's a kitchen – just inside Parkland county that has led to hundreds of construction jobs, many long-term jobs . . .

Mr. Gotfried: Minister, I hesitate to interrupt, but I was really sort of maybe looking for some of the initiatives.

Mr. Bilous: Oh, I'm just warming up.

Mr. Gotfried: I know you are. Thank you for those examples there, which I am well aware of.

With respect, obviously, there are some great opportunities within those sectors and some of the other sectors you mentioned to diversify the economy, but could you explain to us how you're measuring how diversified the economy is?

Mr. Bilous: Yes, I can. Sorry. I was distracted. I was about to grab more coffee.

You know, we have a number of measurements that we use. We're obviously working very closely with the companies who have received support through the investor tax credit and the capital investment tax credit. As far as . . .

Mr. Gotfried: I'm talking about economy-wide. How are you measuring how diversified the economy is, not individual companies but actually tracking the statistics about diversification?

Mr. Bilous: Yeah. I mean, it's the individual companies that we use in order to ascertain, you know, how strong our different sectors

are. This is through a number of different initiatives. Again, when we're trying to help support the diversification of the economy, it's supporting companies within the energy sector, promoting diversification within the already existing – again, that's really the thrust behind Bill 1, that's currently being debated in the House – as well as through supports that we provide to companies looking to access new markets.

It's also supports through our entities like Alberta Innovates and the Alberta Enterprise Corporation, that work in a variety of ways to support companies, especially those that are in their infancy on the Alberta Innovates side. The most fascinating part about some of the success that Alberta Innovates has had is that it often isn't the large buckets of money that companies are looking for; it's strategically targeted, whether it's advice or mentorship.

You know, at some point I can bring Laura up to talk about some of the microvouchers that we've provided to companies to help get them off the ground.

Mr. Gotfried: Minister, I appreciate it. Sorry to interrupt you, through the chair. You're talking about some of the qualitative stories here, which I appreciate – and I love those stories – but I'm actually talking about some of the measurables, some of the aggregate measurables that you're using to actually say how diversified the economy is. I'm looking at, you know: do you have a measurable percentage of GDP targets for the sectors you're targeting, and how are you achieving that? How are you using those to measure your success at the end of each fiscal year?

Mr. Bilous: I mean, part of it is that we work very closely with the companies that we support and ask them to share their information back with us. Again, as you pointed out and as I said earlier, it's not the government of Alberta that's creating the 90,000 jobs that were created last year in the province of Alberta. They were mostly in the private sector. I mean, obviously, we use data like from StatsCan but as well internally companies that we support, that we obviously track.

I can tell you – you're looking for some numbers; I'm happy to share them with you – that our goods exports were up nearly 27 per cent from 2016, to over \$100 billion. That's \$100 billion worth of goods that we exported to 26 countries.

Mr. Gotfried: Where is the diversification there? That's an aggregate number. That's a huge aggregate number. I'm looking for statistics that will actually indicate increased diversification and some that are achievable measures which maybe show what's actually happening on an aggregate basis, not the total, because that, obviously, has a huge bundle of different goods in there. If you're targeting diversification, within those targets you need to be able to measure that. How are you doing that?

Mr. Bilous: Well, there are a number of ways, and I'll give you a number of examples. But with my last comment, diversification is not just in the products and types of companies; it's also market diversification. The number of markets that Alberta companies export to is up from 21 to 26, so there are more companies exporting to new markets in the province.

I can tell you, for example, that in the Alberta Enterprise Corporation they measure the number of tech companies that they've been supporting. It has steadily increased. In 2009 there were 700; in 2012, 900; in 2016, 1,400. So they've been . . .

Mr. Gotfried: Some of those are companies that aren't even necessarily operating in Alberta. Isn't that correct?

Mr. Bilous: Well, they go fund to fund, and then from the fund model they invest in companies.

Mr. Gotfried: That doesn't really give us a statistic that is based on the reality of Alberta's diversification necessarily.

Mr. Bilous: Well, no. It does a couple of different things. One of the things that it does is that because these funds are jointly funded, not only by the government of Alberta but by a number of equity investors in private companies, what it's doing is putting the spotlight on Alberta as far as an incredible place to invest, including showcasing a number of Alberta companies that then, either directly through Alberta Enterprise Corporation, through their fund model, will come back into Alberta companies, or it's also showcasing Alberta companies as potential investments. So there are always follow-on investments.

Now, to clarify, though, Member, those numbers are Alberta companies; those are not international companies. There is a steady increase in supports through the Alberta Enterprise Corporation to Alberta businesses.

4:00

Mr. Gotfried: Minister, again through the chair, not to cut you off here, but you still haven't answered my question about how you're measuring this on an aggregate basis so that, you know, 12 months from today you're going to be able to say to us: we've had success by aggregate diversification in tourism, ag, forestry, AI, UAV, and tech. If you don't have measures and you don't have specific targets that are around those aggregate measures, how are you going to know whether you've achieved the desired level of diversification that you've set out to achieve within your ministry?

Mr. Bilous: Right. We do this through a number of ways. I appreciate what you're asking, but what I'm hoping to relay to you is that the government of Alberta, through Economic Development and Trade, is a partner that works with other entities, again, whether it's Alberta Innovates, who then also partners with our postsecondaries, partners with our incubators around the province. They help deliver on government's priorities. You know, when we look within the innovation sector, we've identified three areas that are priorities – health innovation, agriculture, and, as well, energy – that we are focusing on. Those vehicles will provide supports, will partner with the private sector.

Again, one of the things that we are focusing on is leveraging our dollars. Now, that's through the federal government as well, leveraging federal dollars but, as well, private-sector investment. Culture and Tourism, for example, helps us deliver on tourism. As far as increases: now, I know that tourism . . .

Mr. Gotfried: Their statistics are almost, well, a year and a half old, Minister, so that's not really a great example of tracking.

Mr. Bilous: Whose statistics are a year and a half old?

Mr. Gotfried: Culture and Tourism's. They just had a great announcement about the 2016 results, a year and several months old. Those are trailing statistics.

Mr. Bilous: Well, they also announced last year that tourism was up significantly from the year prior.

Mr. Gotfried: But the statistics are trailing by 14 months.

Minister, again, let's double back on this question here. You talk about economic diversification. You talk about specific priorities that you deliver and expect from the organizations that you're working with, but I've yet to hear anything that is going to deliver

a measurable. If you can't measure it, you can't manage it. How are you managing this when you don't have specific targets such as the specific GDP breakdown or aggregate GDP or other targets that maybe are better ways to measure, absolute measures, to show that you're having success in these areas of diversification? It's all great to have some broader objectives and to send those out to the organizations you're working with, but I'm assuming that you measure that for success at the end of the year. I'd like to know how you do that.

Mr. Bilous: We measure it on an ongoing basis. I mean, again, it depends on what we're talking about. Our international offices measure through CRM the companies that they're working with, that access our offices for support, whether to line up potential investors, et cetera.

Mr. Gotfried: I'm not asking about the offices. I'm asking you about diversification. How are you measuring diversification and success?

Mr. Bilous: What I'm saying is that we use a variety of tools. The international offices have their system on how they measure the companies that we're working with.

I can tell you, you know, that with the investor tax credit, for example, the breakdown is: 30 per cent is professional, scientific, tech services; 28 per cent from general manufacturing; 24 per cent from information and cultural industries; 3 per cent from mining; 3 per cent from arts, entertainment, accommodation, and rec; 2 per cent from ag, forestry, fishing, and hunting; 2 per cent from utilities.

With the capital investment tax credit we know that we have 27 per cent of those applicants from food manufacturing. There's 25 per cent from miscellaneous manufacturing; 14 per cent from tourism and rec; 10 per cent from chemical manufacturing; 8 per cent from wood product manufacturing; 7 per cent that supports mining, quarrying, oil and gas extraction; again, 6 per cent from ag, forestry, fishing, and hunting; and 3 per cent from primary metal manufacturing.

We see and track, obviously, working with companies, a number of different successes. I can tell you that companies that have been growing because of supports that we provided through my department – you know, again, there's significant growth.

The Chair: Before we start the next 20 minutes here, as well I would like to just as a friendly reminder – and I appreciate the tone of the conversation. Obviously, with sharing of time, to avoid the cutting off of responses, however, I do want to remind the minister as well of brevity in his responses so that there's ample amount of opportunity for questions and answers to be provided.

Mr. Gotfried: Thank you, Chair. Minister, I understand, you know, what you're doing, and I think the intentions of what you're doing are more than admirable. You've got some great stories and whatnot. However, you could have a success in one company and have a failure in another company in the same sector.

I think what's important to Albertans if we're talking about economic diversification – and you've given us some key target sectors that you're trying to work on to increase, I think, their absolute size and in some cases their relative sizes in the economy. I'm not hearing how you're measuring that. Maybe I can just sort of – GDP is not necessarily the best way to go because GDP can be skewed. If we have significantly reduced oil and gas activity, it will make that diversification seem like a great success even though the absolute size of those sectors has not increased.

I'm going to ask you one more time here: is there some way that you are tracking this? "On an ongoing basis" is a great story, but

there also has to be something where you actually have a hard stop and you say, "How have we done in the past 12 months?" – that's what I expect; that's what Albertans expect from you – "We invested this money into these sectors, these were our targets, and these were the results," because, again, you could have a failure and a success. Cavendish Farms could be a great story, but if you have a failure of another company within that sector, your net gain may be minimal. How are you going to give us those aggregate statistics that show us that the efforts of your department in terms of economic diversification are achieving the desired results, whatever those may be? If you could share with us what the desired results are and how you're going to measure them for us, that would be greatly appreciated.

Mr. Bilous: Sure. I mean, there are a number of desired results, right? One of them is that we are adding jobs to the economy, and we know that, again, as I've mentioned before, the government of Alberta is not a job creator, but we support the companies who create jobs. The fact is that over the past year 90,000 new full-time jobs have been created in the province of Alberta. Now, don't get me wrong, Member. I'm not trying to take credit for those 90,000 jobs. That was the private sector, the entrepreneurs, and the businesses in this province.

Again, what we're trying to do is to play our part in providing support, and that support, frankly, starts with our education system, both K to 12 and our postsecondary system, which we have been making significant investments in. As well, as you know, we made an announcement, and it's part of Bill 2. Should the bill pass through the House, that would create 3,000 new tech spaces, because we know that there are significant opportunities in technology.

I think, Member, in the House I quoted the VP of Air Canada talking about: why did Air Canada recently announce a direct, year-round, daily nonstop flight to San Francisco? Because he looks at how the tech sector is growing in Edmonton, in part because of entities like Alberta Innovates and the Alberta Enterprise Corporation that are working with our postsecondaries and incubators like TEC Edmonton as well as with the private sector directly in order to identify, "What is the talent that is needed, that these companies need to grow and expand?" but also providing supports to entrepreneurs to start their own business.

Again, through a variety of programs, from Business Link to Futurpreneur to other programs that we cofund and cosupport with the federal government, we're trying to provide as much support to those companies as possible. What I can tell you and what I've heard, from, you know, 10 years ago and in the past, is that there were companies – and this is feedback from them – that found it very hard to get the ear of government if they weren't directly tied to the oil and gas sector. Now, again, that's feedback that I've received.

4:10

Mr. Gotfried: Minister, respectfully through the chair, my question was actually how you're going to measure economic diversification. You seem to be moving to some other very great and interesting stories about what you're doing. I'm going to move on because it seems to me that I'm not going to get a clear answer on how you're going to set specific and measurable targets for economic diversification that you can share with us and share with Albertans. I hope that you will do so in the future and will be able to do that in a way where you can actually show some hard-and-fast metrics of your success or failure.

Mr. Bilous: If I can just say, Member, that there's a document that I believe is public – correct? – that is produced every year, I believe. We can table this in the House, but it's on the website of Economic Development and Trade. It's economic highlights, page 10, Highlights of the Alberta Economy 2017. It does a comparison of economic diversity back in 1986 to 2016, where total GDP was about \$59 billion back in '86; it's now \$314.9 billion in 2016.

Mr. Gotfried: I'm familiar with that . . .

Mr. Bilous: It does a breakdown of the sectors – right? – for oil and gas, construction, ag and forestry, health care, education, finance, public admin, retail, tourism, real estate, transportation and utilities, manufacturing. That gives a snapshot in time back in 2016 as far as efforts moving forward to help support and diversify the economy.

Mr. Gotfried: Thank you, Minister.

Now, I referenced your comments in the House with respect to the fact that the members opposite did not believe in economic diversification. I would like to read a couple of quick points from a 2017 Alberta Economic Development and Trade presentation, which I think is part of what you're referring to, available online: the oil and gas and mining sector accounts for 17 per cent of the province's GDP compared with 23.2 per cent in 1986; the construction sector grew from 7 per cent share of GDP in 1986 to 10.7 per cent in 2016; finance, insurance, and real estate sectors, 13.5 to 16.7; and business and commercial services sector from 6.6 to 11.7.

Minister, with respect to when it was shared on your own website – and you've just referenced here. It was shared with me by the Member for Vermilion-Lloydminster on his iPhone here as well. During that period there was strong growth not only in these other industries but in the energy sector as well. Were these strides made under your watch? I think it was 1986 to 2016, so there was quite a bit of diversification happening during that period. I'm curious as to – you're using metrics here which indicate that there is a lot of diversification, yet you said in the House today that the members opposite don't believe in economic diversification. Well, the statistics would actually state otherwise.

Mr. Bilous: What I was referring to in the House – I mean, I'm happy to discuss question period in estimates.

Mr. Gotfried: Your quote, Minister.

Mr. Bilous: There were a number of comments that the previous critic from your current party, when he was a member of the Wildrose – we can look back in *Hansard* to find comments of his basically disagreeing or commenting on diversification, that that was not a focus or a priority of theirs.

Mr. Gotfried: I don't think he's here today.

Mr. Bilous: I mean, I'm happy to clarify. I recognize, Member, that at that time you were a member of a different party. My comments were made based on his comments around diversification, criticism around our international trade missions. I think you understand and appreciate the value of our international offices. As well, you know, again, part of that also comes from, I think, Member – I believe that both your former party and his former party voted against the Economic Development and Trade budget last year and the year before. Within that were a number of initiatives to help diversify the economy. So one can see that if the budget was voted down . . .

Mr. Gotfried: Thank you. I think, from the statistics on your own website, you're seeing that there was a significant amount of diversification within the economy from 1986 until 2016.

I'm going to move on, Minister. I'd also like to provide a quick quote from a paper by Dr. Bev Dahlby and Mukesh Khanal from the policy school at the University of Calgary, published just in January 2018. "In 1997, the oil and gas sector accounted for 35.81 per cent of total Albertan economic output. By 2009, that share was 24.95 [per cent], a decline of 10.86 percentage points." Would you not agree that that demonstrates a significant diversification from 1997 to 2009?

Mr. Bilous: Again, what we're focused on is our budget, which moves to stimulate the economy through supports, partnering with our businesses, our incubators, our small-business economy or small businesses throughout the province.

You know what? I'm happy to discuss the estimates that are in front of us.

Mr. Gotfried: Sure. These were linked to it because economic diversification is a focus.

Mr. Bilous: Sure. Tell me which page or line item you're referring to.

Mr. Gotfried: These are all relating, actually, to page 45, outcome 1: "Diversification is increased through the implementation of focused strategies." I'm just trying to determine the focus here.

In the release for that article Dr. Khanal also stated:

Research shows that economic output in Alberta today is as diverse as in Ontario. Alberta's economic output has become quite diversified in the last 20 years, and that has resulted in a 21 per cent decline in the volatility of economic output.

Minister, can you provide any statistical evidence that economic diversification wasn't already on its way up before you formed government? You've said, I believe, in the House that until you formed government, there was – and you mentioned earlier about levelling the playing field. I would suggest that the playing field that we played on before was actually higher. Can you give me some statistical evidence that the economic diversification that you're undertaking now is something that is just not a continued path of what was happening in the years prior?

Mr. Bilous: Well, Member, I'm happy to. First of all, the tax credits that we introduced did not exist under previous governments and despite the fact that business had asked for them for decades. I think that if you ask any Albertan how the global collapse in the price of oil has impacted them, every Albertan in this province would tell you that it has affected them. Part of the reason why our economy wasn't able to weather that sharp drop in the price of oil is because our economy was overreliant on a single industry. So we have been focused on . . .

Mr. Gotfried: In spite of the statistics that you shared on your website?

Mr. Bilous: We have been focused on supporting diversification, as I mentioned, within the energy sector. This is something, frankly, that we saw under the leadership and vision of former Premier Peter Lougheed, who recognized the value in, well, value-add to our existing energy sector.

Honestly, Member, this is why I am so proud that it's Premier Notley and a New Democrat government that is continuing building on the legacy of Peter Lougheed, you know, with our petrochemical diversification, the first iteration of that program. We're seeing hundreds of millions of dollars already invested in Alberta with the

company Inter Pipe. Their price total is \$3.5 billion that they are investing in the province of Alberta, resulting in thousands of construction jobs and hundreds of long-term, high-paying jobs once the facility is operational.

That program was extremely successful in that we had 16 companies from around the world apply for the first round of PDP. I can't wait, Member, for the second round, when the Department of Energy posts the application window. I'm confident that we're going to see even more companies interested in investing in Alberta. And I'll tell you why. You know, what's fascinating when you look at that program is that it is the first time we are upgrading propane to propylene and polypropylene, and I hope it begs the question: why wasn't there a facility like this in Alberta already?

When I sit down with a number of companies, not just Inter Pipe, from the Gulf coast, they've said: Minister, Alberta is probably the best place, one of the best places, to build this facility. We have a cheaper feedstock, and we have liquids-rich natural gas, but the reason that companies haven't built here in the past is because there was an unlevel playing field. On the Gulf coast companies are heavily subsidized. There are significant incentives that are provided by governments down south. Companies said, "If you can help us overcome the initial hurdle that we have in upfront costs" – in Alberta it is more expensive to build one of these facilities because of our weather and because we've had higher costs traditionally than those on the Gulf coast – "if you help us level this playing field, the project will be more profitable and more successful than even in the Gulf coast."

What we did was built a program that does not put taxpayers or Albertans at risk. If the company goes over budget or there are delays, it doesn't cost Albertans a penny because it's future royalties that we are forgoing and future royalties that the province has not and would not be collecting without this program, because there is nowhere where we upgrade propane to propylene.

4:20

So this is an excellent example of how our government has listened to industry. We've looked at our strengths, we've looked at how we can add a new link in the value chain, and then our government acted. We introduced this program, and it was so successful that the second program – Member, I hope you're going to vote in favour of Bill 1 to show your support for our petrochemical industry and for companies to help diversify and grow our economy.

Mr. Gotfried: Minister, you know, it's interesting. Once upon a time we maybe didn't have to provide all the subsidies and credits and whatnot to attract business to Alberta. I'm concerned that you're employing some – you've levelled the playing field, which actually is in our disfavour. Once upon a time we had the Alberta advantage, which actually attracted a lot of investment here. I look at 2016. When we look at diversification of the province, Minister, through the chair here, in fact our economy in Alberta, without oil and gas, was still larger than the GDP of British Columbia. That's pretty diversified, I think, given that we don't have tidewater access, which they do, and that we don't have a real estate boom. I'd like to think that once upon a time, when we had the Alberta advantage, it was actually the fundamentals of the platform that actually attracted people here.

Mr. Bilous: Well, if I can just clarify for a second, Member.

Mr. Gotfried: I've got a question here. It dovetails back to the measurement I was asking for before. The diversification we saw between '86 and 2016: are you willing to commit to us that over the next 30 years, to 2046 – you may not have that long to work on this.

But over the next few years are you willing to establish targets that you can meet that equal or improve on the track record of the past 30 years?

Mr. Bilous: Well, I think, Member, that there are a couple of different things. First of all, please, you need to recognize that Alberta today continues to be the lowest taxed jurisdiction in the country, okay? Albertans pay \$11 billion less than the next lowest taxed jurisdiction, which is Saskatchewan. We have that competitive tax advantage. That still exists, even with the carbon levy. And don't take my word for it. I encourage you to dig up the numbers, but you will see and come to the same conclusion.

You know, I think what you're saying, Member, is that the PDP program is not needed or wasn't needed to diversify the economy, but I can tell you that if it wasn't needed, then why weren't these companies already building these facilities in Alberta? I can tell you that I've spoken with a number of them directly, and they've said: until you level the playing field, we're not coming into Alberta. I mean, again, if it was just low taxes, well, then, they would have been here 20, 30 years ago, but they weren't. Now they are and are very, very interested.

The other thing. A great example about levelling the playing field is if you look at the interactive digital media space, which, again, is through Bill 2. It provides a 25 per cent tax credit on employees, with a 5 per cent top-up for diversity. You know, I really have to commend the work of our government caucus on introducing that, the first of its kind in the country, where we are actively not just encouraging but have taken action to encourage underrepresented groups to be in this space and to reward companies that are employing people from underrepresented groups. That digital media tax credit has existed in British Columbia and Quebec for many, many years, and when you look at the strength of their sectors – we've had companies say to us, number one: the students, when they graduate . . .

Mr. Gotfried: Minister, with respect, my question was: are you willing to commit to measuring over the next few years to see whether you can actually meet the same kind of growth rates in diversification that we've seen in the past 30?

Mr. Bilous: We are tracking our investments and our growth. We're working closely with companies to be able to track those, you know, the investment, the growth, the jobs that are created, and the GDP.

Mr. Gotfried: With respect, I think the answer to my request for a measure is no. We're not going to get those strict aggregate measures, and we're not going to get strict targets that you can be measured against on behalf of Albertans, the kind of aggregate information on GDP, which is on your own website . . .

Mr. Bilous: Well, we have that.

Mr. Gotfried: That is on your own website, showing . . .

Mr. Bilous: We have that.

The Chair: If I may interject for a quick sec before we go into the next 20 minutes. Obviously, as I've referred to before, allow for questions and answers to be able to flow through the chair, and allow for an ample amount of time for responses.

Further to that – and I apologize on a personal note. I am a nerd for this: if we can refer to either the business plan or what we're citing so that I as the chair and the members at the table can follow along during this process as well.

Mr. Gotfried: Thank you, Mr. Chair.

The Chair: Thank you very much.
Please proceed to the next 20.

Mr. Gotfried: Thank you, Minister, but I'm going to move on here because I'm not sure we're going to get a specific answer to that question on measurability.

I'm going to reflect on key strategy 1.1: "provide leadership on the development of sector strategies for sector development as Alberta works towards reducing vulnerability to boom-and-bust cycles and diversifying its economic base." Minister, how are you defining and measuring vulnerability in this instance?

Mr. Bilous: Sorry, Member. Can you . . .

Mr. Gotfried: It's key strategy 1.1.

Mr. Bilous: Yeah, but what was the end of your question?

Mr. Gotfried: How are you defining and measuring vulnerability? It's referencing: "towards reducing vulnerability to boom-and-bust cycles and diversifying." I'm just wondering how you are defining and measuring vulnerability in this case. It's one of your key strategies.

Mr. Bilous: Right. Okay. I will answer that, but I just wanted to point out – I disagree with your last comment about performance measures and that we're not measuring – that, actually, if you go to page 46, we have our performance measures for our AITC, our CITC, and our export expansion. I do want to point out again the success of this. Our last actual on the investor tax credit was a 3.3 to 1 leveraged ratio. If you look at the capital investment tax credit, 20 to 1 is the leverage that we're getting off our dollars. I think that's quite successful.

Mr. Gotfried: Minister, I think those are program measures, and we respect and congratulate you on the success of those. However, on your own website is a really great pie chart, and it'd be really nice if we could get one of those annually posted to your website.

Mr. Bilous: Well, again, in the document that we both read, it is updated annually. What's on there right now is the 2017 version, so we do post that.

Mr. Gotfried: Maybe we can break it down by annual result so that we can actually see what – obviously, we see the differences here, but we want to see that going on. That is actually an extension of a document that's been updated for a few years, but I have not seen that reported to us on a regular basis, and you didn't commit to providing us with that. What I'm hearing is that you are now committing to that.

Mr. Bilous: Well, Member, what I've been saying is that you're welcome to – I mean, through both estimates and through . . .

Mr. Gotfried: Public Accounts?

Mr. Bilous: Thank you. It's been a little while since I've been on Public Accounts. Forgive me.

. . . Public Accounts we do report as well. We do update this on the website. Again, this is something that the department has done. I mean, EDT is newer, since 2015, but we have done that, and that department will continue to do it.

Mr. Gotfried: Okay. That actually is the best answer on that particular issue, and I thank you for that.

Back to the issue of measuring vulnerability, I think that that's a key word in there because that is a concern, I think, for all Albertans, the vulnerability of our economy. How are you defining and measuring that with respect to key strategy 1.1?

Mr. Bilous: Right. Again, we have our performance measure that's down there. You know, under the sector strategies – we'll start with the first part of your question and the first part of the key strategies. There are nine sector strategies that are currently being developed within the departments. Do you want me to list them?

Mr. Gotfried: No.

Mr. Bilous: Oh. Well, they're quite fascinating. They're under development right now and under way. We will be coming forward with them in the coming months. I do think, Member, it's important . . .

Mr. Gotfried: Okay. I'll watch for those with bated breath.

Mr. Bilous: You know what? It's important, first of all, that the government of Alberta communicates not only to Albertans but also to international investors and companies what our strengths are, what our priorities are. I mean, this is part of the reason why through our department of science and innovation in collaboration with Alberta Innovates, Laura and her team, the private sector, our postsecondaries – when we talk about innovation, there are so many different players. But it's critical that they're all at the table, and they have been helping us develop the ARIF. Now, I don't know if you're familiar with that document, Member. It's the Alberta research and innovation framework. It is a public document. I'm very proud that it has targets on it specifically. Again, I'd be more than happy to read this whole document.

4:30

Mr. Gotfried: No. That's great. Those are the kinds of metrics that I think are very helpful.

Mr. Bilous: And it does a breakdown by sector as well – you know, the sector, the innovation target, the focus area – with numbers so that we can measure our successes. We do believe that we need to have those measurements in order to track success and to make improvements to our programs. We have tweaked some of our programs along the way. Again, I want to thank and commend many of our stakeholders who have provided feedback and input into how to improve programs that we've rolled out. We're showing that we're trying to be responsive to those that are the experts, which are the private sector. They know best.

Mr. Gotfried: Minister, thank you. Again I'd like to reiterate that I know that you've got some very strong and dedicated people working on these programs, but I was trying to drill down to how you're going to measure yourself and your performance in terms of your goals. You've made some progress in taking me there, so that's good.

Back to the vulnerability, defining and measuring this vulnerability, which is, again, a real big concern for all of us.

Mr. Bilous: Yeah. Absolutely.

Mr. Gotfried: I mean, the boom and bust and roller coasters: we've had all of those running around. But I'm very interested in how you're defining and measuring them. Then maybe a second part of that is: what statistical improvement can you demonstrate as having been achieved over the last three years in reducing that vulnerability to the boom and bust and diversifying the economy to ensure that

vulnerability is, again, reduced and some real measurables on that or where you could direct me to find those?

Mr. Bilous: Right. Part of the reason that – the whole strategy is to “provide leadership on the development of sector strategies for sector development as Alberta works towards reducing vulnerability to boom-and-bust cycles and diversifying its economic base.” So, you know, that is the point of the sector strategies, to outline and define risks, vulnerabilities, and also opportunities and ways that we can mitigate. Within those sector strategies we are covering tourism, culture, energy, digital media, agriculture, industrial manufacturing, clean tech, and health. It's within those sector strategies that we're also identifying risks, defining our vulnerabilities, and then ways to mitigate.

Mr. Gotfried: Okay. That sounds good.

Now, just talking a little bit more about vulnerabilities and how that affects us in terms of boom-and-bust cycles and other things, do you see the mounting debt and debt-servicing costs as a significant vulnerability to what you're trying to achieve? I guess that maybe even in a typical economic model but specifically, obviously, in the economic development model which is Alberta we see the mounting debt and debt-servicing costs. We're hearing from businesses that that's a big concern for them in the long term. I would probably characterize that as a vulnerability. How do you address that, how do you characterize that with respect to the businesses that I'm sure you're talking to day in and day out and maybe hearing some of the same things that I am?

Mr. Bilous: Absolutely. I think, first of all, it's not new for governments to have some debts, again, when it means that they're making strategic investments and strategic decisions. I can tell you that it's economists who have said to us, not government economists but third-party economists, that because of our government's choice to invest over the past couple of years, it has helped with the economic recovery. Had we chosen to make significant cuts to the budget, that would have resulted in the layoff of front-line staff and actually would have delayed the economic recovery and would have dragged it out a lot worse.

Our government made a choice to invest not only in protecting public services, which is also the theme of Budget 2018, building the recovery for the future and a recovery built to last, but we have made strategic investment decisions that have helped pull the economy out of the recession so that, you know, we have a clear path to balance. By 2023 we will be going back into surplus budgets, that will then start to bring down the debt.

But, you know, I can tell you that businesses – as I tour the province, just this week I was in Grande Prairie but also in Spruce Grove, talking to the chambers of commerce, where they recognized that in order to do business, businesses need good trade corridors. They need roads. They need bridges. They need to get their products to market. Also, if we want to encourage investment and Albertans to be in our province, people want and businesses want good schools. They want a good education for their kids. They want to ensure that there is quality health care when they need it. You know, the budget is tied to all of these things. It's not just the economy in isolation; it's looking at what we've chosen to invest in in order to provide the supports that businesses rely on.

I can tell you, Member, that when I was down in Silicon Valley – and I'll be going back again at the beginning of May – one of the number one things that blue-chip companies, the big ones, have talked about when they're looking at where to invest next is that quality of life is high up on their list. Quality of life relates directly to good-quality health care. By the way, we're very quick to point

out, as it is an important stat, how much these companies spend on health care for their employees here in Alberta and in Canada. I mean, obviously, there's a cost to health care, but there's a real benefit to companies being here. That's education, that's health care, that's quality roads, and that's investing in infrastructure. All of that comes with a cost, but we believe that it's an investment in the people in this province.

You know what? Frankly, we're seeing that our choices to invest have helped improve the economy, which is why in this budget we're also taking our foot off the gas when it comes to infrastructure investments. We're bringing the level of investment back down to normal levels. This was also based on the recommendation from former Bank of Canada governor David Dodge. You know, I think this budget really does ensure that we're continuing to support our front line. We're supporting our businesses, as we see through some of the incentives in my department, but we've also carved out a path to balance because we recognize that a government cannot continue to incur massive deficits, nor should we as the economy improves.

Mr. Gotfried: Thank you, Minister. Yes. And we'd better get that pipeline.

Mr. Bilous: Oh, we will.

Mr. Gotfried: A lot of what you're talking about is operational debt. I'm concerned about that. I mean, what you talked to me about was a lot of infrastructure and some of the quality-of-life issues as well, but operational debt – I think Trevor Tombe said something about the budget, about it being a bust. I heard a lot from you about wants, and, you know, I think it's no different in a household. There are a lot of wants that we all have, and then there's what we can afford and what we need. I would suggest that our vulnerability is increased by not always looking at what we need and what we can afford versus what we want.

I'll move on to page 44, the fifth paragraph, of the business plan.

Mr. Bilous: Okay. Thank you for citing that.

Mr. Gotfried: Minister, on page 44 of your business plan you mention that the AITC and CITC programs were "stimulating investment in non-traditional sectors." What criteria were used to evaluate the sectors you have directed these tax credits towards?

Mr. Bilous: First of all, the tax credits are sector-wide for the investor tax credit. The capital investment tax credit – I'm trying to think – is for investing in either a new facility, in expanding an existing facility, or in technology and equipment. There are criteria posted on the website to ensure that we're getting the best bang for our buck, looking at the local impact, the economic impact, the regional impact, promoting and supporting underrepresented groups and workers.

Mr. Gotfried: Okay. The question was about what criteria were used to evaluate, though, if you're going on to that.

Mr. Bilous: Right. I think my officials are just looking for the actual list of criteria. I'm looking at Toby Schneider. Do you want to talk a little bit about the criteria of the tax credits?

Mr. Gotfried: Or it could be shared. You know, that's fine.

Mr. Bilous: We brought Toby all the way down here, so we should . . .

Mr. Gotfried: And Toby is a smart man, so we'll let him have his brief response. Thank you.

Mr. T. Schneider: Thank you for the question. I'll talk first about the AITC. The type of investment that AITC encourages is direct investment by investors that are either corporate citizens or actual citizens of Alberta into small businesses. There is a small-business cap on that. Because it is the type of investment that is direct, it's generally companies that are looking for risk capital. These are companies that generally would have trouble securitizing a loan because their knowledge base is really their capital base, and unfortunately banks don't yet know how to secure against that. Because of that, it ends up being a lot of new types of products, and they can be in all sorts of sectors.

4:40

The sector that is excluded for AITC is mining, oil, and gas. The reason and criteria for doing that are nothing against that sector but the fact that it's a sector that already enjoys a royalty system that has a calibration method of its own.

CITC, obviously, is a different type of investment. It's around capital. It's around hard goods. The way that that criteria was – it's around manufacturing and processing and tourism infrastructure, to encourage those things to happen.

Mr. Gotfried: Thank you, Minister. It's always good to have the experts at your elbow.

Mr. Bilous: Absolutely.

Mr. Gotfried: I managed to speak with Toby on economic development, and he's got some great insights.

Minister, I'll move on to the strategic plan, page 7, strategic priority 1, diversifying the economy. On page 7 of the strategic plan the third paragraph reads:

Since 2015, our government has implemented a range of policies and programs to attract business, improve access to capital, create jobs, enhance education and training and promote economic diversification. Taken together, these initiatives have helped create a broad-based economic recovery.

Minister, I'm going to refer to a paragraph from Dr. Mintz and Dr. MacKinnon's paper published in October 2017 through the policy school at the University of Calgary. They're comparing your government's actions to that of the Romanow government in Saskatchewan of the past.

In contrast, the Alberta NDP has raised taxes for larger businesses and high-income earners, increased environmental and other regulations, imposed a carbon tax, significantly increased the minimum wage and has run large deficits, raising the prospect of future tax increases to balance the budget. Taken as a package, the message to potential investors is that doing business in Alberta is becoming more difficult and more expensive.

Minister, do you have some specific strategies to address these concerns highlighted by Drs. Mintz and MacKinnon, who are respected experts, including, obviously, a former NDP cabinet minister from Saskatchewan? We're hearing time and time again from business organizations that we're layering too many costs on them, which maybe is making us having to come forth with tax credits and other things like that. So I'd like you to balance the comments of those experts in the fundamentals of the economy and how that can drive away investment with us now offering incentives to try and attract that investment back.

Mr. Bilous: First of all, I disagree that we're driving away investment. What we are seeing is significant interest in investing

in Alberta. You don't have to take my word for it. You can look to examples like Cavendish, Amazon, Google, DeepMind, and RocketSpace. There are a number of examples of companies that are investing in Alberta.

You know, I want to be clear, so to your comments: Alberta continues to remain the lowest taxed jurisdiction in Canada. Even with our carbon levy Albertans pay less in taxes than they do in Saskatchewan, who is the next lowest taxed jurisdiction, that doesn't have a carbon tax. Part of it is because we have no PST. We have no health care premiums. I won't go back to the fact that others during the 2015 election were proposing the implementation of health care premiums or a payroll tax.

What we did do is introduce our climate leadership plan. One of the direct results of that climate leadership plan was the federal government approving the Trans Mountain pipeline. The Prime Minister said on a number of occasions that that is part of the reason why the federal government has decided to approve the Trans Mountain pipeline. You know, we have taken action on that.

We've also then taken what we collect from the output-based allocations and also from the carbon levy and reinvested it back into the economy. One of the areas is a \$1.4 billion fund that we've created to go toward innovation. Within that fund there are buckets to help support our traditional oil sands companies as well as other companies, including manufacturing and in other sectors outside of energy, including agriculture and forestry.

So, you know, under our government there are a number of things that we've done. We've increased access to capital, both through ATB as well as through AIMCo, that has been investing in Alberta companies. We've recapitalized or over the past couple of years given the Alberta Enterprise Corporation an additional \$75 million. Now, again, keep in mind that this entity was created back in 2006. I applaud the government of the time for creating it and giving them an initial \$100 million. Since 2006 they hadn't received a dime from previous governments until we were elected, and we've given them \$50 million one year and another \$25 million the next year. They're a great example of taking the dollars and leveraging them with the private sector.

The Chair: I hesitate to interrupt.

For the next 20 minutes we will go to the third party and Alberta Party caucus. Member McPherson, would you like to share your time with the minister?

Ms McPherson: Yes, I would . . .

The Chair: Okay. Please proceed.

Ms McPherson: . . . if you're amenable to that.

Mr. Bilous: Absolutely.

Ms McPherson: Great. Thank you very much. Thank you to you and your ministry staff for being here today. I really appreciate the opportunity to ask you some questions.

I'm just going to jump right into it. In the business plan on page 43:

The Ministry of Economic Development and Trade leads the government's economic development efforts by supporting Alberta small and medium . . . businesses, helping Alberta businesses reach new markets, attracting new investment from around the globe, and leveraging science . . .

Yay, science.

. . . and enhancing innovation to their full economic potential.

What kinds of small and medium businesses have been helped, and where are they located? Do we have a sense of that? How does the plan improve or change for this year?

Mr. Bilous: Sure. Okay. Great questions. Again, thanks for acknowledging the great work that the department does. There are a number of small-business supports that we have rolled out. Again, you know, we support them through a variety of programs, whether it's Business Link, Futurpreneur, our small-business steward pilot program.

In a moment I will call up Laura Kilcrease because Alberta Innovates does a significant amount of work with small businesses. She can talk to it, you know, in much more detail than I can. I can tell you that Alberta Innovates has done a number of things since we consolidated and stood up the one entity. Laura has spearheaded the ongoing evaluation of the programs and program dollars as far as where they're going, to which companies, and how we are supporting them in order to track our successes.

If you don't mind, Laura. We might as well bring . . .

Ms McPherson: Thank you. I appreciate that.

Ms Kilcrease: Good afternoon. We have several different areas that we support small businesses in. First of all, we fund a network of experts called the RIN networks, the regional innovation networks. Within the regional innovation networks we also have a group of people that fall into two categories. One is called technology development advisers, and they actually work one on one, mentoring, taking the emerging businesses and moving them further regardless of what their needs are, whether it's access to market and companies, perhaps access or introduction to capital, working with them to find key talent.

We also bring in on a part-time basis entrepreneurs in residence, as I call them, or we often call them EDAs here. Entrepreneurs in residence are, in fact, very successful cashed-out entrepreneurs who work together with these particular companies to help them to go further. In fact, only yesterday – sometimes I get the information in a different way – I actually read on Twitter that one of those EDAs has actually just helped one of those small companies in the province, called Veerum, close \$3.9 million in capital from three Silicon Valley investors that have never invested in the province before. That kind of information is not in my report, but those are some of the mechanisms.

The fourth type of mechanism that we have is the incubators, which is another form of helping the companies. We do in these particular areas keep track of what we do, and we do give a scorecard annually. Specifically in the SMEs, in the last recorded scorecard, which was last year, we created 890 new jobs from the SMEs, 85 per cent of which were full-time. In terms of exports, those same SMEs went from 11.8 per cent of the Canadian SME export category – we increased the exports of these particular SMEs. I hate that word; forgive me.

Ms McPherson: We can call them SMEs.

4:50

Ms Kilcrease: I can? Well, actually, I like to think of them as emerging businesses. To call them small or medium, I think, underrates their capability in the province. I really believe that there are emerging businesses that we need to help emerge in a large sense. They've actually increased their exports by 46.4 per cent. In terms of diversification of their revenue, 67 per cent of those new jobs are in areas where revenue or the type of revenue hadn't come to those businesses in this province. In terms of growth, as we plotted them, of those companies that traditionally went from self-

funding, not all of them but some of them, like the example I have given you, 11 per cent of them have raised additional capital.

What does that really mean for us? For every dollar we have been investing in terms of revenue for those companies, they've actually achieved \$5.2 in revenue, a 1 to 5 ratio. But, more importantly from my perspective, for a long-term indicator, for every dollar that we have invested, they've actually achieved \$28.22 in other investments coming to those companies in the province. I think, as my past life was as a venture capitalist, having a 28 times return in such a short period is really pretty amazing. I think I should have been here sooner. As a consequence, I think these are the kinds of companies also that are key to the growth of our economy. They may be small today, but as they scale, they're going to have a phenomenal impact in the future.

I hope that is helpful in that response.

Ms McPherson: I think it's really interesting, but what I was actually after is what kinds, like, what sectors exactly we're seeing development of small and medium businesses in through your initiatives as well as through the ministry as a whole. And what part of the province does that cover? Do we have a geospatial relationship with where these businesses are being developed?

Ms Kilcrease: There is a listing of that. I don't have exactly all that information here today.

Ms McPherson: Okay.

Ms Kilcrease: I do have a list of 263 companies across the province that we've touched in the last 12 months. Unfortunately, I have to be honest and tell you that I've only been in the province 12 months, and I haven't been to all those places myself yet. So I can't actually tell you where. In terms of economically and in terms of where they are by sector, they're strictly across all the sectors we have traditionally measured.

Ms McPherson: Right.

Ms Kilcrease: And I think, more importantly, they're in sectors that we are looking for to be new in the province, that we may not always directly think about as a sector.

Ms McPherson: Emerging. Great.

Mr. Bilous: If I can just jump in on that as well, Member, Alberta Innovates has staff, as does Economic Development and Trade, throughout the province. Laura talked about the technical advisers, but there are also a number of entities, including a facility in Vegreville. I mean, we have facilities throughout the province that really do lend support throughout the province. So it is not – and, believe me, this is something that we are focused on. We need to support businesses everywhere in the province, not just in our two largest cities. Alberta Innovates works diligently on that, as do a lot of our supports.

I haven't talked much about, although I'm sure I will, the CARES program. We have folks throughout the province that provide support to the communities and the entities that have applied for those funds but also promote them to ensure that people are aware.

Ms McPherson: Okay. Thank you. I'm just really conscious that I don't have a lot of time, and I am looking for specific information. If it's not available right now, I'm happy to have a follow-up afterwards so that we can find out where that information is. I'm pleased to do that.

Mr. Bilous: Sure. I mean, on what Laura was referencing, I believe Alberta Innovates does post . . .

Ms McPherson: I'm just going to move on if that's okay.

Mr. Bilous: Sure.

Ms McPherson: I want to refer to page 44. I'm really happy to hear about the focus and to have an ADM focus specifically on science and technology, I believe. I'm wondering about your initiatives and the focus of those initiatives in a few different areas. On page 44, the third paragraph from the bottom, we've got that advancing gender equality is a priority for the government. It mentions gender-based analysis plus, GBA plus, the establishment of a centre of responsibility to assess the gender and diversity implications of engagement processes, policies, programs, and initiatives. Is the centre of responsibility something that exists within the Economic Development and Trade ministry, or is that across all of the ministries? And how do you account for or measure your outcomes against GBA plus as well as UNDRIP?

Mr. Bilous: Yeah. Great questions. It is government of Alberta wide. This is a lens that we place on all of our programs as they're being designed. I mean, your question I'll pass to John in a moment. What I'm really proud of are the digital media tax credit and the new recapitalization of the investor tax credit, that now both have a diversity top-up, again, the first time in the country and something that I'm very, very proud of. We want to encourage, obviously, and reward companies that are looking to support people who are either traditionally underrepresented in that sector or from the different communities.

So the GBA plus is an initiative that has been led by Status of Women, but I can tell you that it is GOA-wide. It's not housed just in one.

Ms McPherson: Something I've asked of a few different ministries is: how are we measuring the success of this initiative? How do we see, either in the budget or in other reporting that you're getting from your ministry and other ministries – and I know you can only speak to your own right now – that the efforts are having a positive effect, that they're having the effect that you've defined as what you want the outcomes to be, and that you're meeting those measurements?

Mr. Bilous: Right. Great question. What I can tell you is that because the AITC and the digital media are just being introduced now, again, we will have some numbers for you next year because we are tracking the number of companies that we're supporting, how many are accessing. And not just the number of companies, right? Like, on the digital media tax credit that diversity top-up is per employee, or per worker, so we will have a number on how many people from underrepresented groups are accessing that.

I can get it if you want. I know, Member McPherson, your time is short. I mean, Toby can talk about the program specifically if you want to hear about it. Through our ministry – and I can't comment on my colleagues' ministries – these two initiatives are now being debated in the House, but should they pass, we will be tracking them moving forward. Like I said, in a year from now we should have some numbers for you as far as how many are accessing that extra 5 per cent diversity top-up.

Ms McPherson: You've referred to Bill 2, which is in the House right now. How is Bill 2 reflected in your funding request in this

budget? Is there a line item or a group of items where we would see Bill 2 reflected?

Mr. Bilous: Yeah. That's a really good question, for which I'm going to call on my department officials momentarily as far as where that would be.

Do you want to speak to it, Sonya?

Mrs. Johnston: Sure.

Mr. Bilous: Should I just turn the microphone? She doesn't really have one.

Ms McPherson: I'm not far away. I'll hear you.

Mrs. Johnston: Thank you. It was related to Bill 2, so primarily for EDT it's the digital tax credit program, and you would see that under the statutory vote on the nonvoted statutory page. It's about \$28 million, and there's a part of it, \$12.5 million, that is related to the digital tax credit program for next year. There's a component of AITC. AITC is split from an accounting treatment point of view. Part of it is an expense in EDT, part of that statutory vote line as well. Part of it is a revenue reduction. Those that apply to the corporations are a revenue reduction. CITC is a revenue reduction as well, so that will be reflected in Treasury Board and Finance corporate income tax.

Ms McPherson: Okay. Thank you. I appreciate that.

Well, since we're talking about AITC, I know that in talking with the tech sector in Calgary, at the beginning of the AITC there was a really slow start, and there were some concerns in the community about funding and deals. Like, actually, they had a lot of deals in the hopper already, and they were quite concerned that some stuff might kind of fall off because it took so long. Have you been able to address those concerns? Is the processing time increased, and do you expect to see a full dispensation of the amount allocated in this year's requests?

Mr. Bilous: Great questions. We worked very closely – and, in fact, this is where I do want to give credit as well to Kristina Williams because she works a lot with these companies, the tech sector, that are looking to scale and wanted access to it. We worked closely with many folks like the Rainforest group in Calgary and others.

Two things. One, when we first rolled out the tax credits, there was a little bit of a wrinkle which wouldn't allow for companies or individuals who had received funding through the Alberta Enterprise Corporation to be eligible for the investor tax credit. Initially where our logic was as government was that we didn't want a company to be able to get funding from two different sides. We wanted to avoid . . .

5:00

Ms McPherson: To double-dip.

Mr. Bilous: . . . the double-dipping effect. But what we learned from the community directly – and again this is a hats off to the business community, that gave us feedback that said: it's not double-dipping; what it's doing is that it's a program that is allowing them to be able to scale up even faster because now they have access to capital from two different places, that will allow them to grow and hire more people. So we moved quite quickly. Again, you know, a shout-out to the department and others who helped work on this. We addressed the issue and resolved it.

As far as getting the money out the door, we did hear the same thing. The reason why there's a bit of a backlog: the way that I explain it is that if you think about, you know, a lineup of people

outside of a movie theatre waiting for the doors to open – people were jumping in line, and the line grew to a certain length – when we finally opened the doors, it took a little time, a little extra time to process those that were already in line. What I can tell you is that we have decreased the time, so we've been able to get funds out the door much quicker than what we have before. I think it's around 30 days.* I'm looking to Toby because, of course, he's, like, the expert on everything. I believe the processing time is about 30 days for it to go out the door, or is it . . .

Ms McPherson: If you don't mind, I'll just move on to my next question.

Mr. Bilous: Sure.

Ms McPherson: I'm happy to hear that. I think that's really important. I think you probably share my opinion of the tech sector in Calgary specifically. The Rainforest: of course, I was lucky enough to participate in their summit, and they have a very positive attitude toward problem solving, which I think we could adopt government-wide. It would be great.

I'm wondering if you're working with organizations like Chic Geek in Calgary – I think it ticks a lot of your boxes – where it's a group that is out to train women how to be coders. It addresses some of the concerns that you've raised in Bill 2. It addresses your GBA plus perspective. I would really encourage, you know, connection with that particular group. But I know there are a number of really strong women in STEM organizations in the province. To see that reflected in your activities, I think, would be really positive because while – I know this was alluded to earlier – diversification of the economy is important, I think we've already got a fairly well-diversified economy.

What we don't have is diversity in the revenue for the government, and that is part of my questions to you as well. On page 46 you have a performance measure of the AITC where you've got your leveraged ratio. Now, that has to do with debt incurred by the government for that particular tax credit if I'm understanding correctly?

Mr. Bilous: This is the leverage from what we issue for tax credits with the dollars that are being raised. For \$30 million of tax credits approved by the government, it leverages or results in \$100 million worth of investments. What we're doing is that we're basically encouraging, incentivizing Albertans to spend their money investing in their own companies.

Ms McPherson: I get it. What I would like to understand – I know the program has been in operation in B.C. for a long time, and tax dollarwise they're getting \$1.80 on every dollar that they invest. I'm wondering if you've been able to quantify, in terms of revenue for the government, what you are getting back from this and what you project to be able to get back from it because I imagine in the first couple of years you're going to have a lot of program start-up costs that will affect your return. I wonder if you have a goal in mind and also if you've considered increasing the percentage of the tax credit to be more competitive than our neighbours to the west, who have better weather than us.

Mr. Bilous: I mean, what we did in this second iteration of the tax credit – sorry. To back up, those numbers as far as: how much does it leverage? We are tracking that. Because the tax credit is newer, I mean, just this year CRA was issuing credits for the first time. We will have those numbers as far as – like you said, in B.C. a dollar leverages at \$1.80.

Ms McPherson: Do you have a goal?

*See page EF-1097, left column, paragraph 11

Mr. Bilous: Well, for us, it's obviously trying to maximize how much we can leverage. But the percentage amount: we did a cross-jurisdictional scan on what other provinces do, and that's how we landed on the 30 per cent, looking at what the right number is to de-risk an investment. But at the same time we don't want the government incurring all of that risk.

Ms McPherson: To be that exposed.

Mr. Bilous: Exactly. But what we have done – and what I'm excited to see are the numbers next year, especially with that diversity top-up. There is that extra 5 per cent for companies. You know, the long and the short is that we're obviously tracking the numbers. The program still is relatively new, but I'm excited for, again, the success that we've seen in other jurisdictions, and I anticipate the same.

Ms McPherson: Yeah. I think it's . . .

The Chair: I hesitate to interrupt, but the allotted time for the third party has now concluded.

We will take a five-minute break and return at 5:12 for the independent members.

[The committee adjourned from 5:06 p.m. to 5:11 p.m.]

The Chair: I'll call the meeting back to order.

We will now proceed to the allotted time for independent members. Dr. Starke of the PC caucus, would you like to share your time with the minister?

Dr. Starke: Yes, please.

The Chair: Excellent. Please proceed.

Dr. Starke: Well, thank you, Chair, and thank you to the minister and to departmental staff that have joined him here today. I appreciate the opportunity to engage in this conversation with regard to Economic Development and Trade issues. I think this is my first opportunity to do this, Minister, with you, so I appreciate it.

I should say at the outset, Minister, that I appreciate your personal enthusiasm for this role. I will give you some feedback from some who have attended some of the trade missions you mentioned earlier and some of the other things, and that is that they have told me that you are a very good spokesman for the province when you travel abroad and you're the person at the podium. I appreciate that because, having been in that role myself previously, I know that that's important. I think it's vitally important that we as a province show what I would call an open and welcoming demeanour to the business investment community, so I think that's great. I appreciate and thank you for that.

I want to focus a little bit on the other side of your portfolio, Minister. We have talked a lot about economic development. We haven't talked a whole lot about trade. I know that trade is an area that is obviously incredibly important to us as a province. We produce much more than we can consume. On the other hand, we're dependent on bringing in products that we need to keep our economy going. Specifically, the area that I want to delve into with you a little bit, Minister, is interprovincial trade. You know, obviously, you can appreciate that, living in Lloydminster, that's something that's pretty close to my backyard. But there's more to it than that.

I want, first of all, you to sort of just comment on something. Whether it's inadvertent, accidental, specifically done on purpose, or purposeful, when I look at last year's business plan – and I

appreciate that you probably don't have it with you. When I look at last year's business plan, specifically on page 43, key strategy 2.2 states – I'll just paraphrase or edit it down – "Foster strategic relationships within Canada and internationally to advance the province's interests on critical policy issues." When I look at this year's business plan, most of that language has disappeared. I want to hope that that's inadvertent or accidental or just a matter of editing or you not wanting to have the same thing year after year after year in the business plan.

But I will note that on three or four occasions in this year's business plan – for example, key strategy 1.6: "Provide leadership for Alberta's approach to international engagement"; 2.4: "Facilitate connections for Alberta business in international markets by leveraging our international offices and relationships"; and it goes on – there seems to be a tremendous emphasis on our international relationships, which I'm not trying to diminish the importance of whatsoever.

I personally, though, am concerned about what I view to be a deterioration in our interprovincial relationships. We had – you know, call it whatever you want – the brouhaha over licence plates with Saskatchewan, which affected my community significantly. I don't believe that as of yet there's been the meeting that was talked about at the time that that was in the papers between the two ministers. There was some discussion as to the location where you should get together.

Of course, then there's the well-publicized disagreement that we're having right now with the province of British Columbia. Notwithstanding your commentary on your colleagues next door, which, to a certain extent, some Albertans actually told me they agreed with – but I know you apologized for it, and then probably the less said the better. I'm curious to know what is being done specifically, because it's not in the business plan, to foster advancement of interprovincial trade and the lowering of interprovincial trade barriers.

Mr. Bilous: Excellent. Thank you, Member. I'll just clarify quickly. I'd heard back from Minister Harrison, my counterpart in Saskatchewan. What I will say is that we worked very closely together on the renewed agreement on internal trade, which is now called the Canadian free trade agreement. It was Minister Harrison who called off the meeting. Again, once the licence plate issue was resolved – and, you know, we had communicated at that point that it didn't need to be Lloydminster. The reason why we wanted Lloydminster and why we were adamant on it was because your community, that town, was the most impacted by the licence plate issue. The heavy construction industry offered to host us, and we had said yes. It was nothing against the city of Medicine Hat. It's that it was already agreed upon.

We were waiting for that. I know the government of Saskatchewan said shortly after Premier Moe was sworn in: you know, let us deal with our ministers. I appreciate the fact that he moved a few around. Minister Harrison came back in, which is great. I'm very excited to work with him again. We found out a couple of weeks ago that they said: no, we don't need to meet because the licence plate issue has been resolved.

Now, what I can assure you is that I'm very interested to have ongoing conversations with Saskatchewan because I think we need to do everything we can to reduce trade barriers. We absolutely need to get our products to market, and we have a history of an incredible relationship with Saskatchewan. I mean, again, a member of the New West Partnership: that is the most robust trade agreement in Canada if not North America. Interprovincial trade is critically important.

I can tell you that before the government of British Columbia came out with their position on Trans Mountain, I had a conversation with two B.C. cabinet counterparts of mine. Actually, it was during what the media has dubbed Plategate. You know, I indicated to them Alberta's position on it and what we were prepared to do to defend Alberta workers and Alberta companies, and I indicated to them: you know, once we move past this, what I would like to see is the three provinces get together to look at how we can enhance trade and not just between Alberta and Saskatchewan, recognizing what we need and the importance of British Columbia because it's tidewater, the coast.

What can we do to enhance trade? I've had conversations with port metro Vancouver. They actually had a board meeting – for the first time ever it was out of B.C. – in Edmonton. My timing is a little fuzzy, but it was somewhere between six to eight months ago. It was great. Minister Mason, myself, and a handful of ministers sat down with them. Again, for Alberta and Saskatchewan, the majority of our product goes by rail to Vancouver and then to the international markets.

To get to your comment, what I will say is to go to page 45, key strategy 1.2: “prioritize and coordinate Government of Alberta trade, investment and advocacy actions in priority markets.” Now, I appreciate, to go back to your question, the lack of specificity. This includes the Canadian markets, so Saskatchewan, B.C. They are still a top priority for us.

The only other thing I'll add, Member, is that from the Canadian free trade agreement there are now tables that Matt Machielse, my ADM on trade and investment, participates in on our behalf, looking at things like regulation, harmonization, et cetera.

Dr. Starke: The next thing that I actually wanted to talk about was regulation and harmonization. Thanks, Minister. I really appreciate it, and I wanted to make sure that you had the opportunity to state on the record that it is still a priority. I suspected it still was.

You know, obviously, what we're going through right now with British Columbia is a setback to the relationship between provinces. What we went through with Saskatchewan, which I think is mostly smoothed over – and certainly we appreciate Premier Moe's full-throated support of our position on the Trans Mountain expansion. Then there are other things that harm the relationship. The recent decision with regard to the funding for the Western College of Veterinary Medicine in Saskatoon harms the interprovincial relationship, the relationship we have with our western neighbours. There's no question about that. I think that it's important, going forward, and I think I hear you saying that you continue to have mechanisms in place and a strategy for rebuilding a relationship when it becomes damaged but also for enhancing a relationship.

5:20

Let's talk for a moment about regulatory harmonization. You know, I hear about this daily back home. We have trucking companies, we have various energy firms that have operations on both sides of the border, and they complain to me about how they literally try their very best to comply from both sides. It adds costs to their situation. In some cases, literally, when they move a truck from one side of the border to the other, they have to change something on the truck. Clearly, it's an inconvenience and a cost. You mentioned there are these working-table groups that are working on this. I'm curious to know: what sort of progress is being made? Are there specific targets as far as the harmonization of regulations in a wide variety of economic pursuits?

Mr. Bilous: Great. Thank you. Absolutely, it's important, and in a moment I'm going to get Matt Machielse to come up as he sits on this.

I agree with you that some of the differences in regulations between provinces are absolutely ridiculous. You know, there's one where, because of different regulations, the size of a dairy creamer, the container, changes from province to province, which is absolutely absurd, quite frankly. We are looking at how we can address this. We understand that these are barriers to trade and add significant costs. They're also a deterrent for companies to get into a specific business because, again, the costs are significant.

I'll call on Matt Machielse. He's my ADM for trade and investment and has participated. Matt, maybe if you could just highlight some of the topics, some of the ways that we're looking at reducing trade barriers.

Mr. Machielse: Thank you, Minister. This working group that was set up under the CFTA, that was mentioned earlier, has been meeting via telephone almost every week for probably the last two months. There was a face-to-face meeting about a month ago in Montreal, where we really started hammering out what that work plan could look like. Some of the elements – this is a draft – are occupational health and safety; transportation standards and codes; agriculture and food, things like meat inspection, produce inspection; even drug scheduling; labour mobility. Those are all being talked about right now. Like I say, these are in consideration. It'll come back to the respective governments for finalization and then movement out on this. So there's a very active table now at the FPT level starting to look at these regulatory issues.

Dr. Starke: Thank you very much.

Minister, I really appreciate that. You know, I think I'm going to have a lot of people back home whom I can tell there's a very capable person within the department that is basically meeting on a weekly basis with counterparts. I think that's a really good level of engagement, and I appreciate that.

I want to jump over to another area a little bit. Minister, you've talked a little bit about the digital media tax credit program, and I heard some members of our digital media community speaking in an interview on the radio here a little while ago. You know, I would agree with your comment that you have to be in the game, right? I mean, this is a classic case where, to borrow a veterinary metaphor, you can either sit on the porch and bark with the dogs, or you can get out there and howl with the wolves. I'm glad to hear that we're howling with the wolves.

I guess the question is: how many wolves do we have in Alberta that are doing this, and how many people are involved? Is what we're doing here essentially just to get ourselves on a similar level to the provinces we're actually trying to catch up to? I sense that we're kind of late to the table. I'm glad we're getting there, but I think that we're sort of catching up. Or are there elements within this tax credit program that are actually going to put us at an advantage to players that have been there longer so that we can expect some relocation of some of those? I mean, it's great to retain the people we have, however many there are, but I think we're just getting to that level where we're just level with them. I wonder if there's something we could do to actually attract new people to come into our province.

Mr. Bilous: Okay. Thank you. I appreciate the question. In the 1990s there were a handful of studios. Today there are 55 province-wide, and we want to see this trend continue to grow. Again, the growth in other provinces has been much faster than in ours. There are approximately 540 full-time workers. Their average salary is

over \$71,000. The industry contributes between \$50 million and \$80 million to our GDP annually, and we want to see that grow.

I mean, in a moment I'm going to get Toby up here because, again, he was one of our chief architects when we started with a jurisdictional comparison as far as what's offered in Ontario, Quebec, and B.C. Our hope, frankly, is not just to catch the other provinces. It's less about catching other provinces. The amount of talent that we have in Alberta, whether its grads or tech town, is significant, but part of the problem is that they're getting lured out of Alberta to these other provinces.

Dr. Starke: Oh, sure. Absolutely.

Mr. Bilous: I also look at the amount – and this is where Kristina would be the best person to speak on this – of interest of tech companies in setting up subsidiaries or moving to Canada because of some of the policies that the U.S. is bringing in. Again, these companies look for the best talent. They don't care about the colour of skin or where someone originates from. When you have policies that are putting restrictions on where companies can get this talent from, they want to go to welcoming and open countries, and Canada is one of them, obviously.

So there is significant potential. Honestly, with this digital media tax credit in addition to the 3,000 spaces that we're looking forward to creating in that space combined with the direct flight from San Francisco: those three, believe me, will have the attention of many companies down in Silicon Valley. The 80 people participating on the trade mission: there are those from the digital media space, companies like BioWare, that are participating on this trade mission as well as some of our postsecondaries. What's fascinating is that I was up in Grande Prairie two days ago, and companies like BioWare, but BioWare especially, snap up most GP grads. They come out of GPRC and go right to work for BioWare.

Dr. Starke: It's remarkable. Minister, I appreciate it, and I also appreciate the linkage and the 3,000 additional trade-related spaces that you talked about or referenced earlier. I think that you also referenced earlier, from one of your trips to Silicon Valley, the importance of quality-of-life issues, you know, quality health care, quality education, and that sort of thing. And I agree. I spent some time in Silicon Valley myself about nine years ago, actually, at Stanford Medical Center. I can tell you that that is one of our competitive advantages, and if we can bring ourselves up to a level on some of these other areas where we're being beaten, we'll beat them in terms of quality of life. As long as we don't show them any pictures of the weather outside today, we're all good to go.

Mr. Bilous: And the date.

Dr. Starke: And the date. And, for sure, not together.

I had another question, and it had to do with some of the reporting. Now, Minister, I think that earlier you referenced that the total value of our exported products for 2017 was over a hundred billion dollars. I think that's on page 48, performance indicator 3(a). It's right in the middle of the page there. I mean, there's no question that that's a big, encouraging sign. I know that certainly your colleagues the Minister of Finance and the Minister of Health regularly remind us that things are looking up in Alberta. I personally appreciate that you're tempering those comments a little bit more. As you travel around, you know, I think you are recognizing that the recovery hasn't reached everybody yet.

I would also point out that I think what you're seeing a little bit here is the dead-cat effect. I'm not sure if you're familiar with that term. It's an economic term – it's not a veterinary term – and it means that a dead cat dropped from a sufficient height will bounce.

It's actually not true. But economists say that if an economy drops fast enough and far enough, it will eventually just rebound on its own without any sort of intervention. Okay. That's what the dead-cat bounce is. I'm not going to say that what we're seeing here is a dead-cat bounce because I do think that some of the interventions that have been put in have assisted with the recovery.

But I do want to just make a comment that the 26.5 per cent increase, while encouraging, just gets us back to 2013 levels, and that's a part of the narrative that I never hear. You know, I'm glad to see that things are up, but we're just barely getting back to where we were before. And that's good. Don't get me wrong.

5:30

I also note in item 3(c) that nonresidential investment per capita from 2014 to 2016, you know, dropped 37 per cent. That's one of those parameters that's not talked about.

In the very short period of time that I have left, Minister, I do want to just ask about one final thing, and that has to do with the strategic relationships between the provinces, once again. Obviously, I'm very concerned with what goes on in terms of relationships, specifically between Alberta and Saskatchewan. You know, living in Lloydminster, we are impacted very specifically any time there's anything where the provinces aren't getting along, and just by way of putting it on the public record, I would encourage you to continue fostering those relationships with your counterparts in the province. They're good people. I mean, unfortunately, sometimes it takes a tragedy like what happened last week to remind us how alike we really are and how much in common we really have. The folks next door are our brothers and sisters, and we need to work with them.

Thank you, Minister.

The Chair: We will now go over to the government caucus. Would you like to share your time with the minister?

Mr. Piquette: Yes, I would.

The Chair: Please proceed, Mr. Piquette.

Mr. Piquette: All right. Well, I appreciate the opportunity to discuss Budget 2018 with you, Minister. You know, you talked a little bit earlier about how you were hoping that the topic of CARES would come up. That's actually the focus of my first set of questions.

Mr. Bilous: Okay.

Mr. Piquette: I have to say that this is a program that has proven very popular in rural Alberta in particular, at least from the feedback that I've been getting. Now, you briefly alluded to the purpose of the program in your opening comments, but I'm just wondering if maybe you could expand on that a little bit.

Mr. Bilous: Yes. You absolutely can. Sorry. I'm just jumping around.

Mr. Piquette: Okay. I'll give you a moment.

Mr. Bilous: Again, just to recap, we have \$16 million earmarked for the 2017-18 budget and then another \$8 million for '18-19. Now, as you mentioned, I mean, the CARES program has been very, very successful and very successful in rural Alberta. I was actually going to mention to MLA Starke that the town of Vermilion received a CARES grant for \$25,000.

Dr. Starke: Lloydminster got one, too.

Mr. Bilous: Yeah. Lloydminster also got one.

In fact, there are a number of communities, especially in rural Alberta, where we see this money, I think, leveraged the most. What I love about the program and the reason that we've reprofiled money for this program is because of its success, and really the success of the program is founded on the fact that it's local leaders – community leaders, municipal leaders – who identify their potential projects or ideas on how to diversify their economy and grow their economy. It really is local leadership that then comes to government and says: we need a partner. And, you know, we've been able to do that.

Now, I have a few different examples of some of the CARES stories. One of them, you know, is Big Lakes county proceeding with phase 2 of their diversification initiative. They received a significant amount of money. There are a number of indigenous communities that have received significant CARES dollars and, again, the Chinese Benevolent Association for marketing and development. The town of Cochrane created a Cochrane dollar to help promote shop local, buy local. There are a number of other initiatives which I could go into detail on. I'm not sure how much detail you're looking for.

Mr. Piquette: All right. Thanks.

Now, I know that the projects that I'm most aware of within my own riding have definitely had an impact, just so you know some of these success stories so that you're motivated to make sure that we keep going with this. Of course, the Industrial Heartland with their investment attraction initiative I think has been very successful. They're headquartered in Fort Saskatchewan, but a big part of the area, as you know, is within my riding.

The county of Smoky Lake has been very good at getting grants. They've got the tourism and operator capacity program, that I had an opportunity to get an update on with the joint municipalities recently. The town of Smoky Lake has put their funding into a two-year business mentorship and coaching project, which is quite excellent.

Let's see. Other examples. I mean, there's just a lot of variety. Sturgeon county I know is doing a broadband analysis courtesy of the grant. That seems to be going well. One of my particular favorites is the Bon Accord dark-sky community designation. I was able to attend for the dark sky, and it's amazing the number of people it's attracted. It's been a real boost to the local economy.

Now, I know you mentioned a couple of those. I guess I'm being pretty parochial in some of the examples that I'm, you know, pointing to, but are there any other sort of outstanding examples of projects that you'd like to share with us this afternoon?

Mr. Bilous: Sure. I think I had mentioned at the beginning that I think there are over 170 successful CARES applications. I'm looking around; I'm getting nods. Excellent. Over 170. Again, you know what? The program has been wildly successful. It's been very impressive, the diversity of the types of projects. They range significantly, and it really reflects the diversity of our province and our regions. I do want to mention that this is a program that I know you've advocated for and that other MLAs have advocated for, including a lot of community leaders saying: if there's one ask in Budget 2018, it's to please extend the CARES program.

I'm very proud of the work that our department did, recognizing that this is a priority for Albertans and for communities, to help them. I mean, this is really planting the seed or taking the first step in a journey to diversify their own economy. Now, recognizing, as I say that, that for some communities this is more like step 3 or 4 in their journey to diversify, it's played a critical role.

What I can tell you is that, you know, we have a breakdown by project type. For the 173 projects, we've funded \$13 million so far on three different intakes. Economic planning: 34 per cent of the applicants have applied under that umbrella. There's 26 per cent under business community development and enhancement, 7 per cent under marketing, and 21 per cent under small- and medium-capacity building, with a 12 per cent "other" category, then, because it really does range significantly. What's interesting is also the breakdown of the applicants. So 48 per cent are not-for-profits, 45 per cent are municipalities, and 7 per cent are from First Nations.

We will continue, through the 87 MLAs in the Legislature, should the budget pass. You know, I'd ask you to continue to promote this program as a tool and a way to help support local and regional economic diversification initiatives.

Mr. Piquette: Okay. Well, thank you very much, Minister.

Actually, that was one of the questions I was going to ask, how the applicants break down, this breakdown between nonprofits. What percentage was municipalities?

Mr. Bilous: I think 45 is the percentage of municipalities. Even within that, you know, as I travel the province and talk to folks, I encourage municipalities to come together. We have 342 municipalities in the province of Alberta. I'm a big fan – and municipal leaders know this – of regional collaboration and co-operation. I think that if we are competing on the world stage, we need to work together and operate as regions as opposed to individual municipalities. There are a number of applications – I don't have the breakdown in front of me – by multiple municipalities or multiple partners coming together. They know that those are my preferred project proposals. We've seen some success. There have been a number of REDAs, regional economic development alliances, that have applied for CARES that have been very successful.

It's been, you know, a highly subscribed program. I'm thrilled that we were able to extend it by another two years.

5:40

Mr. Piquette: Well, you know, so am I. Yeah.

I'm glad you picked up on the collaborative aspect. That's something that's really impressed me. It kind of jibes well with, I think, our overall approach, especially with the ICFs that we're asking municipalities to go through. I'm seeing dividends from that collaborative approach and from rural Alberta. I mean, we have to work together. We already have issues of scale, issues of access. The last thing we need to be doing is competing against each other, you know, which happens too often. I have to say that so far, like I said, the feedback that I've been getting has been pretty positive on these. I've seen some successes. So it's just important to put that on the record.

Now I'm just turning to another issue – and this might impact some of my colleagues a bit more than my riding; I'm thinking of members like MLA Babcock or MLA Rosendahl – and that's around the whole coal community transition funding. I guess my first question is a pretty straightforward one. I mean, where in Budget 2018 is the line for coal transition support?

Mr. Bilous: My officials are going to look for the specific line. But what I can tell you is that the fund was dollars that we allocated. It was nearly \$5 million for 12 projects supporting 17 different communities. You know, part of why we identified this pot of money is because our government made a commitment to supporting the workers and communities affected by the phase-out of coal and the coal transition.

You know, I think it's important to clarify that 12 of the 18 coal-fired power plants were phased out or to be phased out by the federal government, and actually it goes back to when Stephen Harper was the Prime Minister of Canada and they brought in regs that would see 12 of the 18 facilities phased out. Our regulations and the current federal government, Justin Trudeau's government, saw the phase-out of six by 2030. So we've acted on providing supports to those communities.

I can tell you that under the previous federal government there was no plan to support the communities. The facilities actually had regulations where even if they wanted to convert to natural gas, they couldn't. It was actually Minister Phillips who led the conversation and negotiations with the federal government to say: no; we need to change the regulations so that we're not going to have stranded assets throughout the province of Alberta and, frankly, across the country. So we were successful in getting the federal government to change their regulations. I believe that they were gazetted within the last three months, which is important.

Again, our government, although we are responsible for only six of the 18 coal-fired plants, opened up the support. There's \$40 million through the Ministry of Labour that's going toward helping workers, whether through retraining, bridging to retirement, bridging to new employment, a number of services that we've supported. It's been for workers, whether they are in the mines, whether they're in the plants, whether they're union or non-union. Any coal worker in the province has access to supports.

We said the same for the communities, you know, that the communities need to be supported. I can tell you that if you want to look at one of the really exciting projects, go no further than Hanna. That community has come together, exploring a number of different initiatives to help diversify their own economy. They've been a great community to work with. So happy that we've done our part.

What I can tell you is that ongoing work has been to get dollars out of the federal government to support the coal communities and coal workers. I've been very, very clear, in speaking with a number of federal cabinet ministers, that the federal government has a responsibility. Again, had we not introduced our phase-out of coal through the climate leadership plan, all of the coal-fired plants would be phased out by 2030 because of the current Trudeau government's regulations. So they have a responsibility to help support the coal workers and coal communities. Those conversations have been ongoing. I know that the federal government has brought together some tables looking at how they can support coal communities, but I can tell you that I'm very much looking forward to hearing from the federal government on how they're going to join our government's programs and initiatives to support our coal-affected communities and the workers and families.

Mr. Piquette: Okay. It's good to hear that parts of it are coming together. When would these impacted communities see their grant funding through the transition fund?

Mr. Bilous: That is a great question. The funds have been available already for the workers. I know that we've announced 12 projects that support 17 communities. We did that on March 15. Again, there's a total envelope of about \$5 million in total funding. Letters have been sent to the communities already, and the funding agreements are already under way.

We recognize that, you know, despite the fact that the companies have until 2030 to either convert to natural gas or to eventually close, there is an interest that the companies have shown in doing earlier conversions. We've been having ongoing conversations with the companies, with the communities, with the workers. I mean,

I've toured the province talking with workers, families, and the companies, and we recognize that we wanted to get those supports out the door right away, that there were workers impacted as of January 1. The number was lower than what we originally anticipated and, frankly, what the companies had shared with us as far as their anticipation. But, you know, again, we made a commitment to have the backs of Alberta workers and families, and we will continue to do that moving forward.

Mr. Piquette: Thank you for that answer. I'm sure that's news that's going to be well received.

We still have a limited amount of time, but I know that my colleague here is raring to go with a couple of questions for you. If it's okay with the chair, Mr. Carson can take the last few minutes.

Mr. Carson: I'm raring to go. Thank you very much, Chair, and as well to the minister and your department for joining us here today. I have a few questions around the interactive digital media tax credit, something that I'm very interested in seeing moving forward. These are in regard to the fiscal plan on pages 123 and 124. Just, you know, kicking it off, obviously the tax credit will provide a 25 per cent tax credit for labour costs to eligible digital media companies. Of course, there's the extra 5 per cent for the diversity and inclusion in the tech sector piece as well. First of all, I'm just wondering why you chose to focus on the digital media sector.

Mr. Bilous: Okay. Well, that is a great question. You know, there are a couple of reasons. First of all, we have a number of companies here in the province that are significant players. I mean, the first one that jumps to mind is BioWare, a company that was started in Edmonton, that continues to remain in Edmonton. What's important to note is that over the years BioWare has moved a number of positions to the province of Quebec, so they've shrunk their footprint in Alberta. When we talked with them, they said that, quite simply, their biggest cost is their staffing costs because programmers and program designers are paid well, and other provinces were offering significant tax credits for that, so we were at a disadvantage.

One of the reasons that we decided to move forward with this is that, number one, this is an area that Alberta has some strengths in already, and it was a number of different companies and stakeholders that came to us to say: you know, we want to enhance, especially, our tech sector, but we want to retain the talent that we are graduating. We want to encourage companies to stay in Alberta, not to open up in other provinces. Really, this is about levelling the playing field.

Now, having said that, you know, I'm very excited about the fact that we're the first government in Canada to have a 5 per cent diversity top-up, which doesn't exist anywhere else in the country, recognizing that there are underrepresented groups in this sector, and one of them is women. The majority of program designers and developers are men. We want to encourage companies that are looking to hire women. The fascinating thing is really looking at: well, where are those women going? We know that they're interested in STEM. They're graduating from our postsecondaries and then not being hired or not in this space, not nearly as much as men.

5:50

You know, this is something that we're very, very proud of, and this is something that folks have been calling for for some time, that there needs to be, again, a levelling of the playing field and that there is a significant demand. These are good-paying, permanent jobs. They aren't project-to-project jobs. This will help retain the

talent that we have here in the province and also attract companies to Alberta.

Mr. Carson: Thank you.

Chair, how much time do I have left?

The Chair: Ten seconds.

Mr. Carson: Ten seconds. Wonderful. Thank you. I'll have more questions on this, but I will just add that I'm very well aware of BioWare, a wonderful company here with games like Mass Effect, Dragon Age, Star Wars. A good company.

The Chair: We'll now revert to the UCP caucus. Would you like to share your 10 minutes with the minister?

Mr. Gotfried: Yes, please.

The Chair: Please proceed.

Mr. Gotfried: Thank you again to the minister and your staff for being here today. Minister, I don't have any veterinary references in my remarks here today. However, maybe to set the tone, I'll remind us all that in a cultural context it is the Year of the Dog, so that might relate to some of the questions as we go forward here.

Minister, you mentioned earlier about the new air service to San Francisco and how that relates to your goals to enhance market access in your business plan. Last year when I asked about the chilled beef issue, chilled beef exports, you said, "We also have a direct Air China Cargo flight out of Edmonton, which will help us get our product to China." You then went on to say that before the Air China link we lacked the direct routes necessary to get some of our high-value products to China.

Minister, it's come to my attention recently, you may be aware, that the Cathay Pacific Cargo flight from Calgary to Hong Kong is now terminated and that the Air China Cargo flight, from the information I've received, has been indefinitely suspended for various reasons. Probably at best it may be on some form of life support if we're able to try and attract it back. I hate to say it, but reliable sources have told me that Cathay Pacific had not had any contact with anybody from the Alberta government during the past three years. From your information is that accurate?

Mr. Bilous: To my knowledge, no. There has been a conversation between the government of Alberta and Cathay, but I will get clarification for you. What I can say on this topic – and I appreciate that you asked about it in the House – is that there are a couple of different issues going on right now. There's a global shortage of trained pilots that is affecting service. Now, Cathay Pacific's decision, to my knowledge, was a business decision as far as no longer running their service. But what I can tell you, Member, is that what's important is that we still are supporting our sectors to be able to get their products to market.

Now, I can tell you that companies like Super T Aviation have participated in a trade mission, and they have offered two pilot training contracts right away. There are stopgap measures, so airlines like AI, Nippon Cargo, and Lufthansa are running chartered flights to get Alberta products to market. I'll leave it at that for the moment, but we recognize that it is critical. Obviously, it was disappointing to learn that Cathay cancelled their scheduled flight service, but there still is a service for, especially, our agriculture producers to get their products to international markets.

Mr. Gotfried: Minister, as you probably know, I have a bit of an emotional attachment, having spent 17 years in the airline business and particularly with Cathay Pacific, so the departure of their tail

from Calgary was concerning for me. But I did confirm directly with some individuals there that the Alberta representatives for Cathay really had had no contact in the past few years. That concerns me. I just pass it on as a comment because I know that this is a shared responsibility between yourself and Alberta Transportation.

In Public Accounts Committee last year I know that when we talked to Alberta Transportation, there was very little recognition of the air services sector as being something that was under their purview. That concerns me, going forward, for various reasons, not the least of which is that in 2014, when Cathay Pacific launched their service, their regional vice-president at the time mused about the possibility that the Airbus A350, which is considered a long-haul, smaller capacity aircraft, would be perfect for the Calgary marketplace. I've had many people from the Chinese community, not just in Calgary but across Alberta, say how wonderful it would be to have those direct air links, which we know is a fact and not something that is easy to get. I caution you as well that when you're dealing with airlines, getting a service is hard; trying to get a service back, whether that's cargo or passenger, after having lost it with that airline is even more difficult.

Again, I pass that on. I'm disappointed that we didn't have an opportunity to reach out. I'm disappointed in myself for not knowing it was coming, but I'm not in the situation. I would ask that you put that as maybe something that you pay a bit more attention to. Through the organizations that you work with, the airports and whatnot, we trust . . .

Mr. Bilous: If I can just clarify – and I appreciate your words, Member – EDT works very closely with our airports, especially EIA and YYC. We have an incredible relationship with them. They participated on a number of trade missions with us. I mean, anytime we hear about a loss of service, obviously that's disappointing. You know, I appreciate you bringing that to our attention, and I'll confirm within my own department and Transportation. I can tell you that it is a shared responsibility. We have been working at increasing not just passenger air access, which, obviously, falls under federal jurisdiction, but I can tell you that I've had conversations with the federal Minister of Transport on this but as well on cargo. Again, our airports have been working diligently to ensure that there is a service. We support our two international airports significantly.

Again, it's disappointing with Cathay, but it was a business decision. You know, at what point do you come in with a number of different incentives or subsidies to continue a service if the numbers just don't make sense? But I appreciate your comment as far as that it's hard to get them back. We want to retain them. I mean, that is a priority of ours.

There are a number of passenger flights that have been added recently by a number of airlines, which is very, very encouraging, again including Air Canada direct to San Francisco.

Mr. Gotfried: Thank you.

Minister, just a couple of other questions and comments around that. Number one, the loss of this is huge. I mean, it's 260,000 kilos of outbound cargo per week on Cathay and over 300,000 kilos of outbound cargo potential. Now, that's a lot of chilled beef, oil field equipment, processed goods, or other high-value exports. Again, I think we share the importance of that.

You know, you've spent enough time in China, Minister, to know that government involvement in these is very key. Even though we often hear "business decisions," I think the opportunity for your ministry or the Ministry of Transportation to be more involved with these to protect the best interests of Albertans is probably an

essential component of the continuation, retention, or attraction of these services. I would ask you to keep that in mind as well.

Mr. Bilous: Absolutely. You know, we encourage as well companies to reach out to us. This is part of the reason, again, that the Premier created the Ministry of Economic Development and Trade. I say this to businesses when I meet with them all the time, "You need to let us know what's going on and if there are other issues or problems" so that we can look at: are there ways for the government to support a company or a service? Yeah. I'll leave it at that, Member, because I know you're looking for more questions.

Mr. Gotfried: Well, in terms of some specifics maybe let's move on to the potential and the opportunities. With these ones that are gone, I mean, I think that it's a lesson learned, perhaps. What are you doing in terms of working provincially with your Transportation counterparts, particularly with the two larger airports, and with the federal government to attract new passenger flights or cargo flights? Maybe you could provide us with an update on your work as a ministry in doing so specifically. I mean, if you're pushing that out to the airport authorities, that's fine, but I think we need to know what that looks like from your perspective.

6:00

Mr. Bilous: You know, I can tell you that, again, we have the airports participating in trade missions. EIA has come on most of our trade missions. Just to clarify, YYC, in the first year and a half that Economic Development and Trade was created, had a different CEO at the time who we invited and extended an invitation to each trade mission. YYC respectfully declined. The markets that I was going to weren't their focus.

Mr. Gotfried: They were going through a transition, an executive transition, at the time as well.

Mr. Bilous: They were. I can tell you that they are interested in participating, which is great. They've since gone through – they now have a new CEO.

We work closely with the airports to support them because, again, they're more than just transportation hubs, right? And we know that. I've participated in a number of meetings with airlines, both cargo and passenger, in a number of countries to promote Alberta, to promote flights. I can tell you that, you know, we know that flights are under the federal jurisdiction of Transport Canada, but I have had a number of conversations with Minister Champagne. I've had a conversation with Minister Garneau, our Transport minister, in order to look at . . .

The Chair: I hesitate to interrupt.

Mr. Gotfried: Thank you, Minister.

Mr. Bilous: I'd like to come back to it because it's a fascinating topic.

Mr. Gotfried: We'll do that. Yes.

The Chair: We'll now move to the third-party caucus. Would you like to share your 10 minutes with the minister?

Ms McPherson: Yes, please.

The Chair: Please proceed.

Ms McPherson: To further ask questions about YYC, the Calgary Airport Authority is actually representative of, I believe, 7 per cent of the GDP of Calgary. It is very important to the economy of

Calgary. Recently the Aeromexico flight between Calgary and Mexico City I believe has been cancelled. This flight was just announced last year, and I believe there was some investment on the part of the government to attract that particular flight to Calgary. I'm wondering if we have any numbers as to how much was invested and what's happened to the flight if it's gone. I think there might be a coshare with WestJet now, but would it not have been a little bit less expensive to just deal directly with WestJet to begin with?

Mr. Bilous: This is news to me if there was a direct economic investment from the government of Alberta into this flight. I know that through our office, our international offices, and the work that EDT does, we're constantly trying to promote flights.

I'll call on Matt if he has more information. I believe that flight actually is still in service.

Mr. Machielse: No. I think they did cancel the service.

Ms McPherson: The last plane was this week. I belong to the YYC plane spotters group, which is kind of nerdy, but I get a lot of good information. One of them was the last picture of the Aeromexico flight leaving YYC this week.

Mr. Machielse: Okay. We've got an international office in Mexico City, and both our locally engaged staff and our managing director were very supportive in working with Mexico on trying to promote that back to Alberta, but for sure there was nothing that I'm aware of, any financial incentives that were provided.

Ms McPherson: Okay. Thank you. Thanks for that.

I want to move on to your digital media tax credit. Honestly, it seems like there's only one company that's going to benefit from it. I'm sure there are others, but if you could provide that information. I wonder if there was any consideration of expanding it. Digital media certainly has a lot overlap with diagnostic imaging, with medical imaging, GIS, geotechnical imaging, and engineering visualizations. Was there any thought put into expanding that particular tax credit into those areas? It seems like a lot of eggs are in one basket there with that particular tax credit.

Mr. Bilous: The interactive digital media tax credit is not just applicable to the gaming industry; it's also for interactive educational design of software. So there are more applications than just interactive games. What I can tell you is that there are a number of companies in Alberta, including Beamdog and others, that were at the announcement, who have been asking for this.

You know, I want to be clear on the record. This is not a tax credit that was created for BioWare. Actually, what excites BioWare are the companies that will now be popping up in the province as well as the companies that are going to be attracted to us. Beamdog is one. Serious Labs is another. CodeHatch is another. There are a number of companies that are very, very excited about the interactive digital media tax credit.

Ms McPherson: I'm just going to move on to my next question.

Mr. Bilous: Sure. Yeah.

Ms McPherson: It's regarding the same tax credit. There is possibly some sort of conflict with NAFTA so that the tax credit could be considered a subsidy, and that would render the tax credit moot. It would render it null and void. There has been some news about this. It was last summer, frankly, but there are concerns from the U.S. that that represents an unfair trade advantage for Canada. I

wonder if that was taken into consideration or if the department understands what the risks might be.

Mr. Bilous: Sure. I mean, obviously, whenever we're looking at programs, especially in EDT, because trade is in this department – you know, the program that designed the digital media tax credit is a different division than our trade and investment, but, believe me, they're down the hall from each other. So there are conversations that take place.

You know, as far as a number of our programs we do look at and try to roll out programs that are trade compliant. This program is based on programs that exist in other jurisdictions of Canada, so British Columbia, Quebec. What I can say is that we look to ensure that we are trade compliant because it is important, but at the same time we're also looking at programs that will support Alberta companies.

Ms McPherson: With NAFTA being under negotiation right now, I think it'd probably be worth the time to take a look and just see if that is something that is on the negotiating table right now. It would be unfortunate to put that much work in and then have it nullified by NAFTA.

Mr. Bilous: I was just informed, Member, that it's not being discussed at NAFTA at all.

Ms McPherson: It's not?

Mr. Bilous: No.

Ms McPherson: Okay. Thank you.

Mr. Bilous: I'm sorry, Member McPherson. I just want to clarify. The earlier information that I gave is actually inaccurate.

Ms McPherson: Okay.

Mr. Bilous: On the investor tax credit time frame I had said 30 days.* There are a number of steps that have to take place when a company applies for the investor tax credit. One, approving the registration application, is down to 30 days, but the whole process now, the total for the investor tax credit, is roughly seven months from the time they apply. Now, having said that, I just want to clarify that part of it depends on the company and how quickly they move as they move through the process of applying for it.

There was, again, as you mentioned earlier and as I stated, a bit of a backlog in the beginning for sure. We're constantly looking at ways to reduce that so that companies can get the approval and then go out and raise equity.

Ms McPherson: Okay. Thanks for that. I appreciate it.

Again back to the digital media tax credit – and this is similar to the question I was asking about the Alberta investor tax credit – do you have a sense of what your projected revenue to the government will be based on a fully subscribed tax credit?

Mr. Bilous: I'm going to get Toby to talk about it because he has those numbers.

But what I can tell you – so my officials just confirmed that the digital media tax credit is trade compliant. There is not an issue whatsoever, and no one from the U.S. or the NAFTA tables has raised it as a concern.

Ms McPherson: Okay. Thanks. I appreciate that.

Mr. Bilous: Toby, can you come up and talk a little bit about this?

Mr. T. Schneider: Just briefly – it's a great question – when we look at a tax credit like that, there are the primary effects and then we have the secondary effects. I'll focus first on the primary effects. With primary effects we would have the activity that happens, and then we'd have a tax base that's built both through the personal income tax system and the corporate income tax system.

6:10

On the personal side, as the minister mentioned, we have more graduates in the system than we have people. We know we have people leaving the province at the current time, so I think it is fair to say that we do see some incrementality in the income tax system on the personal side because we're not just displacing people from other jobs. In that case, we see that roughly around 40 to 45 per cent of the tax credit cost would come back through the income tax system because these are good-paying jobs. And there would be variability around that, but that's our estimate.

On the corporate income tax side, of course, it's more difficult because it all depends on profitability. Looking at the kind of average profitability, it could range – well, obviously, if there are really no good games that come out of Alberta, there's not going to be a lot of profit. But when we look overall at the sector, we actually see that there is a pretty good profitability and we see a very high reinvestment rate. So that tells us that there's good profitability. There's 13 per cent estimated global growth in the sector year over year expected this year. You can see that there's a lot of opportunity and a lot of money being reinvested.

It's always very difficult and, actually, quite a bit of folly to try to forecast corporate income tax specifically around companies, but we see that a good portion of the remainder of that would likely come back in corporate income tax based over a long period of time. It takes quite awhile to build up a corporate income tax base.

The last thing I'll say is that when we go beyond the sector and the direct effect, we also know that there is a lot of incenting out there because these are very high-knowledge workers. That actually tends to grow the technology sectors beyond, then, what's not possible today, and we haven't accounted for those.

The Chair: I apologize to interrupt.

Ms McPherson: Thank you.

The Chair: We'll now go back to the government caucus. Would you like to share your time with the minister?

Mr. Carson: Yes, I would like to share my time. I just want to finish up where we were there, talking about some of the wonderful games that BioWare offers. Of course, I forgot to mention Baldur's Gate and Neverwinter Nights, which Beamdog actually took over from BioWare, Beamdog being Trent Oster, formerly of BioWare, cofounder of it. It was just rereleased in the enhanced edition. That would be Neverwinter Nights, so just a plug for them.

Mr. Bilous: Trent actually was wearing the T-shirt Neverwinter Nights. I actually played that game myself many years ago.

Mr. Carson: Yes, many years ago. It's been a few years since it was released, but they rereleased it. It's a wonderful Dungeons and Dragons game that I'm sure some of us still play to this day.

Anyway, I just want to go back to a comment that Trent made during the announcement of Bill 2, I believe it was. He said: I'm happy to be an Albertan; I'm happy that we'll be able to be staying here on a level playing field; we're the best in the world at interactive content, high-speed simulation, user interface, and the next 20 years are going to be built on these technologies. Then he

*See page EF-1089, right column, paragraph 1

goes on to say: augmented reality, virtual reality are all based on high-performance simulation; the games industry is going to feed that, and it will continue to grow huge.

I think that something that we don't think about is the future of virtual reality and augmented reality – I personally have Oculus Rift, which is a VR machine – and just the opportunities that we'll see in the future, even with physicians practising techniques in the medical industry or within, you know, the health care system, for people with Alzheimer's, and how it will be able to enhance the quality of life for people in that industry. So I'm very excited to see that moving forward.

I was going to ask how we'll see the tax credit affect industries other than the gaming industry, but I think that was asked while I stepped out for a moment.

I guess one of my other questions will just be: why did you decide on a tax credit as opposed to something else?

Mr. Bilous: Yeah. Well, thank you for that comment. You know what? I'm really glad that you brought up the fact that virtual reality, augmented reality. The applications are expand sectors. We see and have seen how they're used within the health space. I think that is going to increase and grow. You're absolutely right. What we're doing by supporting, at the moment through IDM, you know, the focus on these companies – it's these companies and developers that are also creating the augmented and virtual that is being applied in the health care space. So we are going to see spinoff effects and benefits from the credit, absolutely.

I've completely forgotten your question.

Mr. Carson: The actual question – I know I went on for a while – why did you decide on a tax credit?

Mr. Bilous: You know, one of the things that I'm quite proud of that my department has done and that we've tried to do as a government is really to go out and engage with industry and hear feedback from them. In a number of programs that we've designed in Economic Development and Trade, including the two different tax credits and now this interactive digital media tax credit, they were done in consultation with a number of different industry stakeholders. Not only industry, but also we've engaged with our postsecondaries and our educational institutions. They said loud and clear that they want a tax credit, not a grant.

Now, what I can tell you is that – not just because they asked for it, although that is part of it because we wanted to be responsive, we wanted to introduce a tool that will be used and will help us get the outcomes that we desire, which are continuing to diversify the economy and to grow this sector.

The other thing is that when we looked at a crossjurisdictional scan across the country, I believe that all other jurisdictions in Canada use a tax credit, not a grant.

The other thing is that the tax credit comes on the tail end, right? It's once the company files their taxes whereas grants are used up front. So I believe, you know, that the logic is that the tax credit ensures that companies are – well, it's a better tool for what we are trying to do. So, really, those are the three main reasons that we decided to go with a tax credit versus a grant or some other tool.

Mr. Carson: Thank you. I'll get to another point here, but actually I've been having the conversation with some people in my community and following the conversation around this tax credit. Something that I saw online, that I found very interesting, was just the fact that obviously this a growing industry and will continue to grow with this tax credit, but the fact that, you know, with fewer companies at this point compared to somewhere like Quebec, people aren't as likely to come and choose Edmonton or Alberta as

a spot because there are only a couple of opportunities for them, and if they were to lose their job at one of these places, there are not as many options to find somewhere else. I think it's very exciting to see this, and it will not only help on the front end but, you know, help sustain the industry into the future, whether this continues or not.

On that point, is the industry strong enough to sustain itself down the road without government supports? Is there a timeline for this program that you see?

Mr. Bilous: That's a great question. What we've done is that we've built in a review of this program in five years. You know, I'll first say that our programs and the department do a review ongoing, so whether it's our tax credits – I mean, with any of our programs we are constantly gathering feedback on their effectiveness, their subscription. Are they delivering, you know, the results that we hope for and that we strive for? Within this sector, again, we know that there is long-term growth forecast. I don't have the number off the top, but I think that world-wide the IDM sector is worth billions of dollars, so there is significant potential to grow.

As you've mentioned, Member Carson and a previous questioner, the amount of talent that Alberta produces – I mean, that sounds harsh. The number of grads that we have who are experts in this field is significant, but many of them are leaving the province or aren't staying here. Again, we've got incredible talent graduating. We want to see that talent turn into entrepreneurs and business owners or work for Alberta companies so that we can continue to be world leaders, as you quoted Trent saying at the announcement. This program not only levels the playing field, but it'll ensure that this is an area that we can really grow, and it's one of the strengths that Alberta already has that we're building on.

Mr. Carson: Thank you.

Chair, how much longer do I have?

The Chair: Two minutes.

Mr. Carson: Perfect. Thank you.

Thinking about it, I believe it was just yesterday that there was an article released – hopefully, I'm correct here – and I believe it said that the U of A is, like, the second-highest quality institution for artificial intelligence in North America. I think that's what I read. I think that this program in conjunction with some of the work that's happening at the U of A and with DeepMind, which you've talked about quite often and I've spoken about as well – I think it's very interesting to see what the future holds for this industry in conjunction with artificial intelligence.

I guess I will just end off here. Just wondering who you consulted with specifically to come up with the interactive digital media tax credit.

6:20

Mr. Bilous: Oh, yeah. Right. We consulted with a number of different stakeholders, including companies, industry, networking groups, postsecondary institutions. There were in-person consultations in Edmonton and Calgary, as that's where most of the IDM companies are located, although there were those outside of the two centres that were invited. We talked about eligibility, program design, and general questions.

To your comment on artificial intelligence you're right. I believe that the U of A is in the top three, and that's through AMII, which our government has continued funding for. In fact, over 15 years there has been \$30 million to \$40 million that we've invested in that facility, which has also recently secured federal dollars and has the attention of the international community. If we had more time, I

would love to get both Laura Kilcrease and Kristina Williams to come and talk about where artificial intelligence is, where the province is, and where we're going. Kristina sees it through a lot of the different companies and venture firms that she deals with and, of course, Laura through work that we do with AMII but also in looking at how we can do more to commercialize some of the great research that's going on.

Mr. Carson: Perfect. Thank you.

I think that's probably most of my time, so I'll just cede the rest. Thank you.

The Chair: The final eight minutes will be for the UCP caucus. Continue sharing?

Mr. Gotfried: If the minister is fine with that. Thank you, Mr. Chair.

Minister, we'll just double back quickly on the air services issue because, again, I think it's a very important issue for all Albertans. Last year you said that your department needed to work to retain passenger and cargo flights to key markets. We now know that we lost a key cargo flight; another one is at risk. We found out from the Member for Calgary-Mackay-Nose Hill that she can no longer watch the Aeromexico flight come and go at Calgary International. Is there any concern for you that we could lose more key passenger and cargo flights due to the economic downturn? I think that that's really the issue here.

Business traveller traffic is down, and outbound traffic due to lower disposable incomes is a concern. I'd like to know what specifically you and your department will do about maybe trying to get back those that we've lost, obviously, although I think that's a tough one, with the uncertain status of Air China and with the loss of Aeromexico, which are not only strategic links to Mexico but to all of Latin America.

I'm also curious about what your knowledge is on the status of Hainan Airlines. The Beijing service is very important to us.

Finally, of course, we know that WestJet is going to be getting delivery of 787s in the future. How are we going to support that if we're losing other airlines already in this market in this province with very, very important strategic links, both passenger and cargo?

Mr. Bilous: Well, first of all, I think that there are a number of new flights that are being added and that the industry has even more potential for growth. I can tell you that, again, it was disappointing that Cathay Pacific cancelled their service, but it can't be stated enough that that was a business decision, to which, if they aren't getting the numbers, we can look at what supports we can provide.

Mr. Gotfried: But we let them go before we offered those, Minister.

Mr. Bilous: But short of, you know, giving them operating dollars . . .

Mr. Gotfried: They're not the kind of airline that looks for that.

Mr. Bilous: Again, it's a business decision. Unfortunate? Absolutely. But I can tell you that our government has been working aggressively with our airports. In fact, you know, I would encourage you to talk to the airports because feedback that we've heard is that they recognize the unprecedented level of support from the government of Alberta. You know, that was something that Tom Ruth, who is the CEO of Edmonton International Airport, has said. We are working with airlines as well, looking at encouraging new flights.

Mr. Gotfried: But, Minister, Cathay Pacific said that they didn't hear from anybody at the Alberta government for three years.

Mr. Bilous: Again, Member, I had said that I will confirm that for tomorrow if I can get an answer between tonight and tomorrow. My deputy is nodding. Again, tomorrow I can also talk a little bit more about how our government is supporting the strategies that the airports have working with the airlines to continue to grow service.

The other thing, that my ADM just passed to me, is that the other way that we work crossgovernment is with Travel Alberta as far as the marketing arm for tourism. I can tell you that our international offices are also vehicles for encouraging tourism, promoting the province as a destination. We'll continue to work with them. In fact, Travel Alberta will be coming with me on my mission to San Francisco and then on to Asia next month.

The other thing about the Air China cargo flight that you had mentioned is that we'd also been working with the Canadian ambassador, Ambassador McGowan in China, working with the federal government, again, getting them up to speed on what was going on with Air China cargo. Again, there is a world-wide shortage of pilots, that is contributing to this challenge.

Mr. Gotfried: I will confirm that through my contacts as well.

Mr. Bilous: Yes. I encourage you to.

But at the same time that we've worked with and talked with the airports on an ongoing basis and there is service, there are charters that are being used to ensure that our producers are getting their products to market.

Mr. Gotfried: Minister, are you familiar with the current performance of the Hainan Airlines flight? It would be a real shame to lose that three-times-weekly service to Beijing from Calgary.

Mr. Bilous: I'm looking around at my officials. What I can do is have an update for you tomorrow if that works, as far as the status of the Hainan flight. We will reach out.

Mr. Gotfried: Yeah. I think that that's maybe the key here, that when they announce they're leaving, it's too late. The Aeromexico flight – I was just looking – launched on June 1, 2017, and we've lost it already. I can tell you that trying to attract airlines back when you lose them is way harder than getting them in the first place. This is really important strategically. The cargo lift, the passenger lift, the people being able to get back and forth directly affect investment and so many other things. The multiplier effect of air services is perhaps – and I may overstate it because I've been in that industry – key in terms of the potential and the perspective of investors and businesses being able to hop on a plane and get directly to your market.

Mr. Bilous: Yeah. I appreciate, you know, your enthusiasm and passion for this. We do recognize the importance of this – right? – although, at the same time, Member, what I'm hearing is that you're asking what kind of financial supports we would give to a specific company or an airline.

Mr. Gotfried: No. Not at all. I think that's a bad approach, actually.

Mr. Bilous: Okay. Well, I was just about to challenge you on that request and say that you're interested in supporting companies.

Mr. Gotfried: No, no. Don't go there. That's the tap that can never be turned off. But, again, last year you said that your department needed to work to retain that, so, Minister, that's what I'm asking for your commitment on.

Mr. Bilous: Oh, absolutely. That commitment exists. I can tell you, Member, that our department, my ministry, and through Invest Alberta we are constantly working with companies to attract and retain companies and investment into the province. That is a commitment, believe me, that started the day Economic Development and Trade was created.

Mr. Gotfried: Minister, we've only got another minute here. I'm going to move on to the Alberta export expansion package, which relates to much of what we've been talking about, trade-related issues. We'll probably have to continue this tomorrow as I get down to my last minute. Again, it notes that the full fiscal year was not captured in the statistics provided in performance measure 2(c). Did you hit your target of 1,500 business and trade or export-focused associations receiving funding and supports through AEEP?

Mr. Bilous: I would imagine that we're going to have to come back to this answer tomorrow. But, as you know, this is a program that we created in order to – it's three different buckets of money – support Alberta businesses. Frankly, too many of them were

overreliant on and only did business within the province of Alberta. You know, we noticed and had seen especially the effects of the majority of businesses only doing business within the province and what that means when there is a downturn and less money coming into the province. There's less money being circulated throughout the province, businesses spending in other businesses. So we created this program, and the export support fund has provided \$1.1 million in approved funds . . .

The Chair: I apologize for the interruption, but I must advise the committee that the time allotted for the items of business has concluded.

Please tune in tomorrow, April 12, from 9 a.m. to 12 p.m. for part 2 of the consideration of estimates for the Ministry of Economic Development and Trade, live from the Rocky Mountain Room. Until then, thank you, everyone. The meeting now stands adjourned.

[The committee adjourned at 6:30 p.m.]

