

Title: Wednesday, March 26, 2003 Public Accounts Committee

Date: 03/03/26

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to please call this meeting to order. My name is Hugh MacDonald, and this morning we are pleased to have with us officials from the Ministry of Economic Development.

First, before we get started, could I have approval of the agenda, please.

Ms Blakeman: I'll move that.

The Chair: Okay. Thank you.

Now, it is traditional – and perhaps we will start with you, Ms Blakeman – to go around the table quickly and introduce ourselves.

[The following members introduced themselves: Ms Blakeman, Mr. Broda, Mr. Hutton, Mr. Marz, Mr. Masyk, Mr. Ouellette, and Dr. Taft]

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

[The following staff of the Auditor General's office introduced themselves: Mr. Dunn and Mr. Hoffman]

[The following departmental support staff introduced themselves: Mr. Lemphers and Mr. Mehr]

The Chair: Thank you. Now we'll hear a brief overview on the department from the Auditor General this morning from the 2001-2002 Auditor General's annual report.

Mr. Dunn: Thank you very much, Mr. Chairman. Indeed, my remarks today will be rather brief. As you realize, the content on Economic Development is contained on page 71 of our 2002 annual report. For those of you who could not find it, it's on page 71. We have not made any recommendations for this ministry in the last annual report. We last made recommendations for this ministry in the year ended March 31, 2000, and we made three recommendations at that time. Each of those three recommendations was satisfactorily implemented in the year 2001. Because of the successful implementation of our prior year's recommendations and the relative size of the ministry and that we had not identified a significant or unusual risk in this ministry, we did not schedule any systems audit work in the ministry last year. As you appreciate, we direct our systems audit effort to areas where we assess there is a higher risk and we can identify more important recommendations for the Legislative Assembly.

Those are my brief remarks, and I and Ken Hoffman will answer any questions that you direct to us.

The Chair: Thank you.

Yes, Ms Blakeman.

Ms Blakeman: Thank you very much, and welcome, everyone, including the fun seekers in the back here. Thank you for coming. I'm wondering. This department operates almost exclusively through relationships with delegated administrative organizations or with contracts with outside sources. Can you talk a bit about spots

to be vigilant about in that kind of relationship and for successful public accounting?

Mr. Dunn: I'll turn it over to Ken Hoffman, who's been involved in the ministry for a number of years.

Mr. Hoffman: Thank you. With respect to looking at organizations who deal through contracts, what we look at is a contract management system predominantly. Do they have a sound contract? Does it have appropriate clauses in it to protect the interests of the government? Do they understand whether or not they're achieving the result that the contract intended to achieve? This would be an idea of performance measurement. Do they monitor the contract? Are people complying with the clauses? Do they exercise the clauses in the contract? You often see contracts that require certain filings to occur, filings of financial statements or other kinds of information, so we check to see whether or not that's occurring.

As you may recall, when we were looking at Infrastructure, we had different comments around the idea of conflict of interest clauses and those kinds of things. Those are other elements that one might consider in a contracting process. We tend to look at these relations through that contracting screen, because fundamentally they all do find their way into some form of agreement where there's a mutual agreement between the department and the organization that they're trying to work with to accomplish their goals. That's, in general, what we'd look at with respect to that, and that's what one would consider should be in place.

Okay? I don't know if that answered your question.

Dr. Taft: That's a great answer. I was going to jump in there.

Ms Blakeman: Do you want to whisper your question while you wait for a supplementary?

Am I hearing, then, that the relationship is built almost exclusively on the contract, so that if it's not in the contract, it's not possible to do? I know that in some other instances – I'm thinking of the predecessor to Horse Racing Alberta, for example, under the Ministry of Gaming. There was difficulty with the minister's direction to the organization being followed through.

Mr. Hoffman: Right.

Ms Blakeman: They didn't follow through on what the direction was. So how is that established or run through, and is that a factor here, or is it a factor that you watch for in this department?

Mr. Hoffman: I'm going to actually ask if the deputy would help answer part of your question. On the idea of "Is the only thing what is in the contract?" I think the answer to that question would be no. I think there's an awful lot more to a relationship than what's in the contract, and that's one of the things you try to get a handle on, but fundamentally the legal structure is through the contract. The example used wasn't a contract-based model. The Alberta Racing Corporation had a separate legislation, and the powers were embedded in the legislation. I think it's fair to say that most of your relationships are through the contracting process, and your major initiatives, like in tourism and your partnerships and whatnot, are embedded through agreement. So you look at the basis for the structure. If the structure is a contracting structure, then that's what you look to. If it's functioning under a separate legislation, then you look at the powers embedded in the legislation or regulation.

So just maybe, Barry, if you could.

Mr. Mehr: The only specific legislation that relates to these

contracts is the Alberta Economic Development Authority's legislation. As an industry advisory group to government we service and administer to that body in legislation through specifically assigning staff to perform that function and use from an administrative standpoint the controls that are in the department overall to make sure that the minister's wishes are being directed. All our contracts that are outside of that are definitely directed at delivering our business plan, which is the minister's business plan. Of course, I'm going to have a big bias, but I think that we do a pretty effective job of delivering on the policy directives that have been given to us. But I'm the wrong one to ask.

8:40

The Chair: Thank you.

Certainly, departmental officials are welcome to provide answers, or we can certainly defer any questions until later, if you would like. Okay?

Mr. Hutton, followed by Dr. Taft.

Mr. Hutton: Thank you, Mr. Chairman. I didn't expect to be up this early on the list. I'm usually farther down. I was involved with this department or iterations of it for 15 years of my life, and I guess it speaks volumes that we only have one page in the Auditor General's report. I'm glad to see that the department has held together without me and is doing a fine job.

If you wouldn't mind turning to page 35 of the Economic Development annual report, something near and dear to me is tourism. The Strategic Tourism Marketing Council, an advisory body of tourism marketing professionals, provides directions in the areas of tourism research and tourism marketing. The council reviews research proposals prior to the fiscal year and prioritizes them based on the requirements of market and tourism. Who decides on the research projects that are undertaken?

Mr. Mehr: I'll ask Rick Sloan, the ADM, and Derek Coke-Kerr, the managing director of Travel Alberta, to fill in on that. The research projects are brought before us, before STMC. I say "us" because I happen to co-chair STMC. They're brought before us from various different sources but mainly from the industry and in the way of demand, and then our staff, who are focused on research relative to tourism, focus on that. I'd turn it over to Rick and Derek to give you the detail of how we go through that, but the STMC spends a considerable amount of time back and forth through a subcommittee with the staff to identify the projects, and then the projects get approved through a process that includes ministerial approval.

Mr. Coke-Kerr: Research plays a very important role in the marketing component of Travel Alberta for two particular reasons: number one, to ensure that the dollar is being spent effectively, directed into the right area; and number two, to mitigate against risk. We wouldn't want to be going into a market that turns around and tells us that they don't want to see us or they're not interested in what we do. So those are the two key components of research.

The Travel Alberta Secretariat and the marketing professionals there work very closely with STMC to bring forward a number of different research projects and with the research arm in Alberta Economic Development to suggest and recommend to STMC a number of research projects which are designed to meet those two specific criteria: to give us information and to mitigate risk. We also work very closely with the Canadian Tourism Commission, who has a significant research arm, and we partner with the Canadian Tourism Commission in some significant international research. We

then bring these to STMC, and STMC deliberates through a research committee on those particular projects and makes a determination as to the importance and prioritization of those projects and then instructs us to carry on with them or not to, either way.

Mr. Hutton: You mentioned the Canadian Tourism Commission. Does that body include the likes of Air Canada? Are there national tourism private partners involved in it?

Mr. Coke-Kerr: Yes. With the Canadian Tourism Commission most of its committees are headed up by industry people and contain industry people as well as members of our organization and other provincial destination marketing organizations. It is a federal body. Air Canada and other private industry has significant input into it.

The Chair: Thank you.

At this time I would like to welcome any remarks that the hon. minister, Mr. Norris, has to say in regard to his department, a brief overview, and I would like to emphasize for all committee members and gathered officials the importance of Economic Development, particularly with having sound infrastructure for major cities so that one can get around in rush hour in the morning and evening very well. If this would give us one time to recognize intense bottlenecks from the west end to the downtown in the morning traffic, this is it.

Mr. Norris, welcome to Public Accounts.

Mr. Norris: Well, thank you, Mr. Chairman, and I appreciate your understanding of the roadway system here in Edmonton, because it is indeed a challenge this morning.

I was going to maybe just give a brief overview about what Economic Development is doing as a department. I don't know where we're at in the proceedings – and again I apologize to everybody for being a bit late – but you probably have been introduced to Deputy Minister Barry Mehr and the folks from the department. Has that taken place already? No? Oh, okay. Well, at the far left is Rick Sloan. He's the assistant deputy minister. You've already heard from the highly eloquent Derek Coke-Kerr, our Travel Alberta manager. Next to him is Rory Campbell, assistant deputy minister, then Duane Pyear, who is involved with a lot of our strategic planning, and of course here is our financial guru, Anthony Lemphers, so clearly we're doomed.

The Chair: Mr. Norris, if any of your other officials would like to join you at the table, they're quite welcome to. We made the offer earlier, but they were quite shy, I'm afraid.

Mr. Norris: Or well behaved, you might say.

So what I thought I would do, Mr. Chairman and committee members, is give a brief overview of what we're trying to do as an Economic Development department and then, obviously, answer any questions. The overriding comment that I want to make with regard to Economic Development is that in this department we're looking at the continued diversification of our economy. We see that as our number one role, no ifs, ands, or buts about it. For obvious reasons our GDP has grown immeasurably over the last 10 years. That's caused a lot of good things to happen; it's caused some challenges. One of the challenges is that the industries that are not necessarily driving this particularly large growth are not getting as much attention as I'd like. We focus on the four or five big industries, that of course being agriculture, forestry, petrochemicals, environmental services, and tourism.

In order for us to diversify our economy or to continue doing that,

our programs are all based on looking at identifying opportunities for each and every industry and how to maximize them. That doesn't mean we have money to put into business. We will never do that. We're not in the business of being in business. What we like to think we provide is strategic information. We provide timely information, and we provide help to emerging businesses in every sector that is available to Alberta business and our department.

Probably a good example of that right now is Environmental Services. I'm not sure if people know or are aware, but Alberta is becoming a worldwide leader in environmental services. It's a business that employs about 800 companies and is doing about \$3 billion in trade. That's a remarkable story, and what our department tries to do, through the use of our international offices and our department people, is identify opportunities. Now, clearly, there are opportunities all around the world, but if a company is based in Airdrie, for the sake of example, they might not have access to that information. So our department looks at ways of getting that information on a timely basis and saying: if you're into this business or if you're interested in this opportunity, it may exist here, here, or here.

One of the ways we identify those opportunities is our AIMS document, our Alberta International Marketing Strategy. I'm very proud of that document because what it's done is focused the efforts of our department. We've said: with limited time and resources how can we best serve the businesses of Alberta? That's really our underlying goal; make no mistake about it. How can we serve the businesses of Alberta, who continue to create the jobs and the real wealth? So AIMS identified our obvious markets, the ones we deal with on a regular basis: certainly the United States, the United Kingdom, Germany, some of the traditional markets. It identified secondary markets where we might look if we had more time and energy, and it identified emerging markets. We hear continually from businesses in Alberta that there are a number of emerging markets. If we had more time and money, we would probably look at them, but we don't, so we have focused our energies on the ones we know we can do something in for sure, which is why you've seen offices open in Mexico, which is one of our biggest trading partners. The United Kingdom and Germany will be opening offices. These were offices that were identified by Alberta businesses as being required to continue growing the economy, so that's what we've done.

8:50

I have a copy of our AIMS document. If anybody's interested, I'm happy to pass it out. I think you'll find it a very, very good read. It also goes to some of the questions that the media and the opposition continue to ask and rightly so: why are we doing this? What's the purpose of this exercise? The purpose of it is to respond to the needs of Alberta business and to set up in a marketplace where they don't have the time or the energy to do so. It's a very simple process. If you want to bring it to a local level, if you're operating a business in Milk River, for the sake of example, you might not have enough time to get up to Edmonton to deal with government policy, so maybe you have an agent here. Well, I'd like you to think of it in those terms. We're the agent of business for the groups around the world for Alberta businesses.

Another one of our major thrusts – and I'm sure you saw a lot of it in this report – is tourism. I can't think of anything more important as an industry in Alberta than tourism, for a number of different reasons. Not only are we blessed with some of the most beautiful and spectacular scenery of any province in Canada, bar none, but we have some of the best operators; we have infrastructure that rivals most provinces. The comment was made to me: "The car

is ready. We have everything there. We just need the gas in the tank."

So our department is trying to identify how we promote Alberta on a competitive level with our biggest competitors, which are British Columbia and Ontario. Now, if we lived in a vacuum, I think we would do wonderfully well. We don't. The province to the west of us, British Columbia, and certainly the province of Ontario do a remarkable job marketing their provinces, and I say that with great respect for them. We're trying to get to that level. We're trying to get to that level because tourism is one of those renewable, clean industries that continues to bring jobs to all parts of Alberta. It's not Edmonton or Calgary, as some of the common wisdom goes, or Banff, but it's everywhere.

One of the things you see in the report, if you've read it, is that our department works on regional strategies and alliances. They tie in very nicely with the tourism file. Once we get people to Edmonton for West Edmonton Mall or to Calgary for the Stampede and other opportunities or to the mountains for the obvious opportunities, we want them to go east instead of going west, because evidence is that if they go west, they take their \$212 a night and they go into British Columbia, whether it's the Okanagan or Vancouver. If we can have some reason for them to go east, whether it's the Grande Alberta Trail or the Drumheller Badlands trail or any reason whatsoever, get them into Lakeland country or Fort McMurray, that money stays in Alberta, but it's new money. It's not Albertans spending Alberta money in Alberta; it's people from Germany, the United Kingdom, Japan, et cetera. So our department is working very hard on strategies, and I think the Travel Alberta group should be commended publicly for the efforts they've made to bring awareness to the markets we need to go to and what there is to be offered here.

I know Derek and his group work very closely with local chambers of commerce, local TDRs, local DMOs, destination marketing organizations, to say: we have an opportunity. For the sake of example, at Cold Lake we have one of the largest inland marinas in the world. How many people here knew that? Well, we haven't done a good enough job pounding the drum, and we're going to start doing a better job. So that ties in nicely to our strategy to continue diversifying the economy, because tourism is our fourth largest industry right now, and we'd like to make it our third.

With regard to some of the other strategic information you'll find in here, we do work very closely with the Energy department and the forestry department, Sustainable Resource Development, identifying opportunities for them. Their departments focus on the management and the cultivation of that resource. Our department focuses on the marketing of that resource. And we deal with many associations. The Forestry Association, obviously, and CAPP come to mind. We listen to what their concerns are, and it's our role to relay it back to the government. The other departments we have a great working relationship with at a deputy level and at a ministerial level, and our whole goal is to continue to grow the pie. As long as we grow the pie, we'll have more jobs, and really that's all we're trying to do.

The final comment I'd like to make is that we've spent an awful lot of time on a rural development strategy in conjunction with Shirley McClellan, our Minister of Agriculture, Food and Rural Development. The simple fact of the matter is that Edmonton and Calgary and indeed Alberta have swelled remarkably in the last 10 years. I'm sure you know the figures. We started at 2.6 million people. We're now at 3.1 million people. That's an influx of about the size of 10 small towns into the province of Alberta in the last seven years. That comes with challenges. Most of those people have chosen to go to the Edmonton/Calgary/Red Deer corridor. That's great for Edmonton, Calgary, and Red Deer and that corridor, but it leaves us with a problem in rural Alberta. If you think about

it, most if not all of our resources are extracted from rural Alberta. I'm talking about Whitecourt, Bonnyville, St. Paul, Lac la Biche. Certainly agriculture: all of it is rural. If we don't have healthy rural communities, we aren't going to be able to service those industries. So our department has worked extremely hard – and I'm very proud of Barry and Rick, particularly on this file – in coming up with innovative ways to say: what makes a healthy rural community? How do we develop them? What do we have to have in the way of infrastructure to keep people there? How do we motivate them to go? Some interesting things came out of it.

We have two communities in what I'd consider rural Alberta who have become the fastest growing communities because they went away from traditional marketing strategies and traditional industries, and they set themselves up as different industries. I'm referring to Camrose and Canmore. They set out on an economic strategy about 10 or 12 years ago to say: what do we have to offer that everybody else doesn't have? It turned out to be a retirement community. But retirement doesn't mean 65- and 70-year-old people anymore, as I'm sure we're all aware, and I suspect some of these guys know better than I would. What I'm referencing is the people who have planned their affairs well enough to be at retirement age at 50 and 55 and don't necessarily want to be in a big city. Camrose set about targeting them with a plan, and they have had the most remarkable growth in the 50 to 65 range of anywhere in Canada. I found that fascinating. So we're looking at ways to say that rural development isn't all about industry; it's being about innovative.

Of course, with Canmore we all know the story. Because of their obvious natural beauty they have become the fastest growing city in Canada. I don't know whether that's good or bad. I think it's great for Canmore if that's what they chose to do, but they are now a retirement community as opposed to a coal mining town. The coal mines shut down; they're now doing that. We're looking at similar things in Grande Cache, which used to be a coal mining town and is not so much anymore. Maybe it offers a retirement haven for people from Edmonton.

The bottom line is that you can't think in the way that you used to think. If a town used to do something and that particular industry isn't thriving anymore, let's look at what else they have to offer, because the infrastructure is all there, the services are all there, and it's just a matter of working with those particular towns to identify what they need. That all goes to diversifying the economy.

I'll wrap up by saying that I'm extremely proud of what we have done. Of course, we're looking at 2001's yearbook. What I would like to comment on is that when I came on this job and was honoured by Premier Klein to have the opportunity to work with Economic Development, I found most of their strategies to be right on. We didn't have a lot of tweaking to do. We did have some streamlining; there's no doubt about that. We had some redefining of what our overall vision was, and that's a natural fact. But most of the strategic programs that are in place, most of the office staff, most of Travel Alberta, the STMC, which I came in and interrupted a bit of a conversation on, are all sound business models. What we need to do is to focus it into what is the whole purpose of the department, and we've come to the conclusion that the purpose of this department is (a) to diversify the economy and (b) to assist businesses and industries in Alberta to accomplish that goal. If we have done any of that over the last year, I'd be very proud. I know we have, and I think we're going to get better at it as we go along.

So I'll close on that note and thank you very much for your time. I'd be happy to answer any questions you might have, and if I can't answer them, I'm sure these gentlemen here will be more than willing to do that. Thank you, Mr. Chairman.

The Chair: Thank you very much.

Dr. Taft, followed by Mr. Marz.

Dr. Taft: Great. Thank you. Very good comments from the minister. Thank you. The question is on a bit of detail here, page 68 of the annual report. It's line 1.0.4, communications. Communications clearly is a crucial part of this department's business. I notice an underexpenditure in communications, which is fine. I'm wondering if the minister and the people in his department can just tell us a bit about the communications activities, how many staff are covered in that particular line item, and, out of curiosity, why the underexpenditure.

Mr. Norris: Sure. You're referring to 1.0.4?

Dr. Taft: That's right.

Mr. Norris: Our communications department. What's the actual question? What they do?

Dr. Taft: Well, yeah, I'm wondering what they do, how many staff there are, and why the underexpenditure.

Mr. Norris: Oh, okay. Well, that's a very legitimate question, Kevin, obviously. The communications department works with me, primarily, in getting our message out. Whenever we have a situation where we're making some kind of announcement, whether it's a regional development initiative or a foreign initiative, they're tasked with programing that, making sure that program all comes together. They're also involved in the day-to-day operations of what our programs are, because we found that we do have a lot of good programs that nobody understands or knows about. When I had a small business, quite frankly most of my time was spent dealing with my suppliers, my customers, and my employees, and I didn't know what services were offered here. So we're trying to get that message out – I guess you'd call it an outreach program for want of a better term – to say: if you're looking to export to Mexico, here's how to do it; here are the channels.

9:00

We also are involved in the business link centre here in Edmonton. Our department sponsors that program to a certain degree with the western diversification office, so there's a lot of information that has to be put out there. We have a web site, some other things of that nature; they do that.

Our communications branch is also involved with Travel Alberta in a very heavy way. We have a stock of some 30,000 images on file that companies or organizations can access when they're using it to market their own particular company, whether it's overseas or to the United States. They're involved in that. If memory serves me correctly, there are eight department staff in that – I'll let Anthony maybe supplement it – and the basic premise of what they do is to communicate what we do to the business community.

Mr. Lemphers: Thank you. Actually, there are seven staff in our communications department.

Mr. Norris: Did we lose somebody?

Mr. Lemphers: Well, one of the staff members was transferred to our strategic planning group, and that's really the reason why there's a surplus there. It's really the salary for one staff person. So there are seven staff, three of which are paid through the Public Affairs

Bureau, three of which are part of our department's payroll, and one administrative support person.

Dr. Taft: Okay. So my supplemental, just on clarification. Of the seven, then, three are paid by the Public Affairs Bureau, so they wouldn't show up in that line. But their work is their work, and their work presumably is somewhat different than your own staff's.

Mr. Lemphers: I'm not sure, and I don't know whether . . . Barry should probably answer that question.

Mr. Mehr: They work as a team in doing the kinds of work that the minister indicated. They also get involved in – as an example, we had a *Financial Times* promotion, I think, in the year in question.

Mr. Sloan: That was *Financial Times* of London; wasn't it?

Mr. Mehr: Yes.

They get involved in making sure that the people who are managing it in our organization are aware of the communications industry and how to best get messages delivered and those kinds of things. When you're dealing in international markets, different cultures, they don't necessarily have all the background, but they understand the communications science, if you will, whereas the people we have in the marketplace understand the different cultures, so you've got to bring the two together. But they work together as a team, and whether it's the Public Affairs Bureau people or whether it's people that show up in this line, it's all one unit. They're not sort of in two pieces at all. They're under one director, and he sits on the executive team of the department.

Dr. Taft: Is he Public Affairs?

Mr. Mehr: Yes.

Dr. Taft: Okay. Thanks.

The Chair: Thank you.

Mr. Marz, followed by Ms Blakeman.

Mr. Marz: Thank you, Mr. Chair, and good morning, Mr. Minister. Thanks for that very thorough overview of your department. I'd also like to commend you for only occupying one page in the Auditor General's report. I understand that that's a good thing.

Mr. Norris: That's a very good thing.

Mr. Marz: On page 35 of your annual report, Mr. Minister, you mentioned the events of September 11 having changed the nature of the tourism business in this province. Could you tell us how seriously this has actually affected our tourism industry?

Mr. Norris: Well, I guess it's a very timely question given what's going on in the world right now and what's happening to the tourism industry. I always hate to equate economics with geopolitical struggles because I don't think any good can come of it, but the reality is that we dealt with a very significant change on September 11. As you probably know, Richard, Banff and Jasper represent some of the biggest conference centres in North America, for obvious reasons. Directly after September 11 the conference booking business dropped off so dramatically that the Banff Springs Hotel laid off in excess of 500 people. The Jasper Park Lodge laid off too, and it was like that. There were no ifs, ands, or buts because

the calls came in and said: cancel our program for November, October, et cetera. So we knew right then and there that the revenues that are generated through those conferences – and they are huge – were going to drop off dramatically.

So our department and Derek, I'm very proud to say, worked quite hard on this. They said: "What options are open to us through western diversification and the federal government? How do we attack this?" We thought: well, Albertans and certainly our travel visitors from the Pacific Northwest would probably feel safer not being in an airplane, a fairly safe assumption, I think. So we targeted the rubber tire traffic and made an in-Alberta campaign. We redirected some funds, we got some matching funds from the federal government, and we put together a campaign that totaled about a million dollars saying: "International travel right now is suspect, at best, for obvious reasons. Why not stay at home in Alberta and see what you've got here because it's the best in the world anyway?" The response we heard was not only extremely gratifying but economically sound. Jasper and Banff experienced sellouts in January and February of 2002 and one of the strongest Decembers in 2001 that they'd ever had. So we recognized that September 11 caused challenges. We reacted to it. I think by October 15 we had our program in place, and it did have a very, very positive spin-off.

I'll go on for a second more, Mr. Chairman. It also made us realize that we maybe have not done a good enough job within Alberta telling Albertans about what's available here. I'm not talking about West Edmonton Mall and the Calgary Stampede. I'm talking about everything. So if you're in High Level, why don't you go check out the Badlands? And if you're from Oyen, you might want to go see the Lakeland country. Get people traveling in and around Alberta, because that's a huge source. Albertans are blessed to have some of the highest disposable incomes in Canada, and we want to keep it here, so we've started to target more programs at it. So out of something bad I think something very good came.

Mr. Marz: Okay. You mentioned events of the last couple of weeks internationally too, and that's a key issue for our American tourists here. In light of Canada's reaction or lack of reaction to the coalition or the alliance, that may strain relationships as far as international tourism from the United States goes. What's your department doing to counter that and to assure our American neighbours that they are welcome and that Alberta is still open for business in the tourist industry?

Mr. Norris: Well, you know, Richard, that's an excellent question, and I can tell you not only anecdotally but factually that Alberta businesses are being hurt right now. Regardless of what you think of this action, right or wrong as to what the federal government did, the reality is that there is a strong movement right now to say: if we can get "made in America," we're going to, because we've been abandoned. Is it naive? Is it juvenile? I don't care, quite frankly. The bottom line is that I represent Alberta businesses, and I've got phone calls and letters and e-mail saying that this has happened, one as recently as yesterday from an oil field camp supplier, and their contract was canceled carte blanche; no ifs, ands, or buts. So this isn't stuff that's made up for headlines. This is reality, and if we're concerned about jobs and employment for Alberta, then we have to deal with it.

As regards tourism we have several campaigns that go throughout the course of the year. A lot of them have already started. A lot of them are going to be starting soon. I'm going to turn it over to Derek to talk about the strategy, but, yes, we have identified ways to do it. Clearly, our biggest tourism market, bar none, is from the

United States. Our message, I guess, to our foreign offices, which are also tourism-related offices, is to say, "We don't really care what the situation is; Alberta is a good place to come for any number of reasons," recognizing that it's a very difficult thing to position; right? I don't want war. I have two little kids. I deplore war, as does everyone here. But the reality is that this is going on right now, and we'll have to deal with the downfall or the outfall when it's done. I'd love to be able to live in a naive world and say that it will be over tomorrow; it never happened; let's just deal in that realm. We can't. That's just a fact of life.

So our goal right now is to minimize what comments have come from certain federal cabinet ministers, certain backbenchers I'd never even heard of until they got their 15 minutes of fame spouting off gibberish, and of course our Prime Minister. So we are tackling these things. Our international offices have been given the message to say: listen; regardless of what you hear coming out of Ottawa, it's a different story coming out of Alberta.

I'll ask Derek to supplement on the actual tangible plan.

9:10

Mr. Coke-Kerr: Thank you, Mr. Minister. We learned a great deal from September 11 from the point of view of how to deal with these kinds of emergencies, so we're effectively putting in some of the same strategies that we used at that time. I sit on a committee now with the CTC, which is essentially a war strategies committee, and it's been together now for a couple of months looking at the potential impacts of war in its various forms, whether it's contained or whether it's a longer event. Again, it's humbling to be speaking of something, with regard to business and income and tourism, linking with war, but it's a reality.

Anecdotally, at our call centre we are getting people canceling their trips to Alberta and letting us know that they're doing it because of what they perceive to be Canada's approach and response. We are going to be going in with the CTC and probably partnering with them in some research in the United States to determine, number one: what are the attitudes of Americans towards traveling to Canada and to Alberta? And number two: what are the right messages? This is a key element: what are the right messages to put into those markets? We determined last time that the safety-and-secure message wasn't the right one after 9-11. What was the right message at that time was the neighbourly message. That may not be the one that they accept this particular time. So we will be setting some dollars aside, we will be doing some research, and we'll be talking to our partners in the marketplace with regard to what they would like to see us do. We'll be making recommendations to the STMC and then moving from there.

Mr. Marz: Okay. Thank you.

Mr. Norris: I think the deputy wanted to supplement.

Mr. Mehr: Just one kind of summary comment relative to 9-11 and the impact. When you look at measures of what we did during that period and how we responded and how quickly we responded, the measure that hits home with me is that we maintained our tourist revenue from the previous year. So as hard as we were hit in the short term, as hard as other areas of the world in the tourism industry were hit during the whole fiscal year in question, our revenues in that industry stayed constant with where they were the year before, which I think was a major achievement given what was going on globally. So that experience will serve us well, we think, in the period that we're in right now.

The Chair: Thank you very much.

For the convenience of the members page 43 of the ministry's annual report reflects that Alberta is a globally competitive tourism destination. That was a significant achievement in light of world events.

Ms Blakeman, followed by Mr. Broda.

Ms Blakeman: Thanks, and welcome, Mr. Minister. I'm interested in what I've heard around tourism. As you know, my background is in the arts, and I'd like the minister to explore that a bit in the context of the year that we're examining. I'll give you a little story about this. When Economic Development Edmonton sponsored their cluster exercise, everyone admitted that culture was extremely important in drawing people to different centres: "Yeah, it has to be on the list; it has to stay up on the list." But in fact as the clusters progressed, culture fell off. It was really too bad. Everybody regretted it. "Yeah, it's so important," but it fell off, and we know that to create a job in the cultural sector is \$40,000 as compared to \$200,000 to create a position in the manufacturing sector.

So I'm wondering if the minister can discuss a bit if he has any direct plans or concepts around culture that he's looking to integrate through the tourism agencies that work with him. I'm interested when you talk about: okay; we need people to go east. Is anybody looking to capitalize on that? I mean, culture has extreme payback. It's not an economic driver in itself, but it creates an activity in a centre which draws businesses to that vitality who are then able to become an economic driver, if you're following me. You've heard me say how angry I get about the pictures of the Folk Festival in all of the tourism brochures, but the Folk Festival itself benefits very little from tourism. So if I could just get you to talk about that a bit in the context of this year.

[Mr. Marz in the chair]

Mr. Norris: Sure. I suppose I would preface it by saying – and this might surprise some of my colleagues – that I have a little background in the theatre myself.

Ms Blakeman: It doesn't surprise me at all.

Mr. Norris: I was actually Bud, the singing cowboy, in a play called *Guys and Dolls*, and I'd be happy to give you a little – but, no.

In actual fact, I have been raised in a very theatrical – that would be an understatement – family and understand the very nature of culture, and through my experience in the Grant MacEwan theatre program and then doing a play, the musical, I saw what it does economically. I agree, but it's not only economically. Really what we need to be able to offer to people is: why would you come to Alberta? When we promote Alberta as a place to set up a business, nine times out of 10 they're saying: "Great. You've got low taxes, lots of work for us. What else is there?" Well, we've got hockey, we've got football, and we have the world-class theatre in the Citadel, the Jack Singer, et cetera, et cetera. So I'm with you on this one, Laurie, and I'm not saying that facetiously. I understand exactly what culture and the arts bring to a community.

How we try and tie it in with Travel Alberta and our marketing I'll let Derek talk about a bit, but I want to talk about a couple of the things I've seen that are remarkable. The Fringe is a remarkable draw. It started with a bunch of guys who loved the arts and took over an old, dilapidated bus barn, and now it brings . . .

Ms Blakeman: I was there. I know.

Mr. Norris: I believe you were.

Now it brings 800,000 people, I believe, into Edmonton in the month of August. Remarkable. How can you not look at that as an economic driver? And things like the Passion Play in the Badlands, world-renowned. It takes place I believe just south of Oyen; isn't it? Drumheller? Rosebud. Remarkable things, and we don't promote them. You're absolutely correct.

Part of what we were doing as our overall strategy, which goes more into this year's budget, was to try to find money to do that. We have gone back and said that we don't believe we're doing a good enough job marketing all aspects of tourism, not just the icons of Banff and Lake Louise and those things but all these other things that go on throughout the province, Laurie, and they're remarkable.

What we're trying to do to get people east is that we've formed these trails. There's the Grande Alberta Trail. Help me out here, guys. If you start north, there's a trail, and it'll take you out of Edmonton. It will take you as far as Saskatchewan and back, and on that you'll see Mundare, Vegreville, the cities along those trails. The Ukrainian village is a big destination point. Lac La Biche Mission; we want to work with that group to do it. Remington carriage museum and things of that nature. They don't seem like much to Albertans because we have so many other options that are in our backyard. They're remarkable to other people. They're things that people find fascinating.

What we've done and what we continue to do more of is to say that if we have these opportunities, let's put together a package so that when you come to Edmonton and you've spent your three days at the mall or the Muttart or wherever – "Where am I going to go?" – don't head to the Okanagan; go east, and here's what you'll see. There's some pushback on that because they want their tourists to stay more in Edmonton. I mean, if they could stay five nights, that would make people the most happy. But we want to get them out. That's part of our plan.

With regard to how we tie it all in, if you have any other comments, Derek, I'd be happy to hear them.

Mr. Coke-Kerr: Thank you. The primary role of Travel Alberta is to essentially market Alberta as a whole as a destination, but a spectacular part of Alberta is that area of culture that does exist. So while we're not a granting organization – we don't grant funds – we are a partnering organization, and we're fully prepared and positioned to partner with all kinds of organizations, all kinds of operators. If they put together the kinds of consortium that meet our co-operative marketing programs, then we're fully there to partner with them.

The use of cultural icons, the use of photography in accommodation guides on our web site also go to market Alberta as a cultural destination. While it may not at this point in time specifically underline a given organization, it does show it. It's very important that we show our visitors from all around the world that we are more than hockey and mountains and moose and Mounties, so it's a critical area.

So we are prepared and we are in position and do partner with cultural organizations in a sense if they put together a partnership or a consortium of some kind that meets our guidelines. We're well positioned to do that.

9:20

Ms Blakeman: I guess I'm questioning whether the guidelines in themselves don't make it very difficult for cultural organizations to qualify. Again, I hear a lot of interest, a lot of support, but I look and I go: they're not getting in there; they're not qualifying. Perhaps

there are systemic barriers that you're not recognizing. I know this is not a question, and I'm sorry. I'll quit talking right away. But if I could urge you to go back and look at your guidelines, you may be systemically barring participation from cultural groups because they can't meet your criteria. Okay?

Mr. Coke-Kerr: Yeah.

Mr. Norris: Well, Laurie, you know, you make an excellent point. I don't disagree for a second. This, of course, is referring to 2001. The election was in March, I got appointed, and so we were, I guess, a third of the way into the year. But I think you're bang on, and I think we'd be well advised to take that into account. That's a huge opportunity.

Do you want to comment, Rick?

Mr. Sloan: I just would make the point that to some extent the linkage between culture and tourism is really something that's critical at the local level, and I'm not sure that provincial-level programming necessarily is the right answer. To the extent that part of the tourism program includes funding for tourism destination regions, which gives local areas a higher degree of flexibility in terms of where they put their funding, I think they are able to come a little closer to meeting the gap that you've identified. I don't disagree that the gap does exist, but I think that to some extent the solution may rest where the local tourism destination region decides where its best marketing efforts might be.

Mr. Norris: Just on a closing note, Mr. Chairman, the point is very well taken because, like a lot of things, what I'm most proud of is that we're looking way outside the box on how to grow the pie. In tourism there are a lot of unique opportunities, most notably agritourism. This is something we never even thought about five years ago. Well, now it's becoming one of our fastest growing opportunities. Culture is similar to a lot of things, Laurie, because we have the infrastructure. It's here already. We don't have to go out and create it. So I would like our department fellows to take note of that. That's a good suggestion.

The Acting Chair: Thank you, Mr. Minister, and thank you for that advertisement on your many other talents on the stage.

Mr. Norris: Well, I don't know if they're talents, Mr. Chairman.

The Acting Chair: I noticed my colleagues making notes and writing things down. I'm sure you're going to be invited to attend a lot more functions as guest speaker.

Mr. Broda is next.

Mr. Broda: Thank you, Mr. Chair. I'd like to commend you and your department and your staff for doing a good job. I'm going to focus a little bit differently. I think you've touched a lot on the tourism part and other areas in your department. I'm looking in the Auditor General's report where it says that "government departments should improve internal control systems." That's on page 21; that's a statement that's made in there. When I look at not even a full page in the Auditor's report on your department, my question is: what has been done to establish an internal audit in your department so that we have one page next year again?

Mr. Norris: Well, at the outset I can say that I'm very, very proud of that particular point, and I know that the department folks are, and

they should be commended, which is not to say that we aren't going to be vigilant about it. One of the problems that we run into in all departments is procurement cards and things of that nature. I'm going to ask Anthony, our chief financial officer, to talk about his program. But I would finish with the comment that we were very, very proud of that, and it is our goal to have that one page every year. If it means identifying problems that the Auditor didn't find, I've encouraged our department to do that as well.

Anthony.

Mr. Lemphers: Thank you very much, Mr. Minister. Our department doesn't have a formal internal audit program per se. The Alberta government is right now looking at developing its own internal audit function, and that's being done at the deputy minister level. Barry Mehr is sitting on that committee right now to develop that function. What I can say our department has done is that it has assisted at the senior financial officers level to develop the governmentwide procurement card policy, and we have actually implemented that. We've also developed our own compliance audit procedures internally to ensure that people are following proper procedures for procurement cards, grants, expense claims, contracting procedures, and we test and sample those and make sure that people are following things appropriately.

I would actually defer back to Barry on the whole governmentwide internal audit question.

Mr. Mehr: Well, you've covered that, Anthony. What I was going to cover is that we have very different businesses, whether it be Travel Alberta, whether it be the international offices, or whether it be the grant programs and other programs we administer here from our Calgary and Edmonton offices and our regional offices. So they require different kinds of audit functions, and even though they're not formally called internal audit functions, they are.

Rory, you may just want to talk about the international offices because they're completely different to manage from an administrative standpoint than anything else that government has. We have a system that we're very proud of that gives us a great deal of comfort that things are being managed according to plan and according to regulation.

Mr. Campbell: Thanks, Barry. Just in a general sense I guess the problems presented by the offices are basically due to geography and distance. We meet those by having a group within this division that acts as the administrative arm of the division and on a monthly basis goes in great detail through both their planned expenditures and their actual expenditures from the month before. In addition to that, we work closely with Anthony's group in our finance and admin group. In essence, internally, let alone the external audit function, there are two levels of scrutiny and control in addition to the basic management that both I as ADM and the managing director of each office exercise.

Mr. Broda: Thank you for that. I did have another question, but I think it's been addressed in comments from both Barry and yourself, Rory. That was on how you're addressing your audit risks, and I think that's been identified as to the process, so thanks very much.

The Acting Chair: Dr. Taft.

Dr. Taft: Thanks. In comments before the minister arrived, the Auditor General discussed a bit about the contract management system. This is building also a bit off the previous question, and you did mention – I think it was Ken who maybe mentioned – conflict of

interest clauses or something to that effect or provisions in the contract. So my question would be to both the minister and the Auditor General. This would be a department where I could easily imagine the issue of conflict of interest arising because individuals, say, on the public side will be privy to maybe valuable private information and potentially the other way around too, so I would want to be particularly careful on the conflict of interest provisions in working with my staff. I'm wondering if you could both comment on that.

Mr. Norris: Quite honestly, I can't, Kevin. That's never come up in my purview.

Barry, do you want to . . .

Mr. Mehr: I'll turn it over to the Auditor General but just make the comment that for those of us who have spent our career in this business – Mr. Hutton, you'll know this – part of the challenge of the profession of being a facilitator for the business community and within the business community is that you have to learn how to manage your own personal behaviour. Our systems are built to as much as possible encourage that, but we also are in the people management business, knowing that you've got people all over the world who are out there doing things on behalf of the industry, and it's identified as a high-risk area. Having said that, we're very, very proud of the fact that until today we have a long history in this bureaucracy of serving the public well without being accused – and it's not just this department – of behaving otherwise, because we do have access to information that's corporately sensitive. Over the years and as you just develop your staff, we train people how they can manage within that environment and be productive and fair.

9:30

Mr. Broda: Hear, hear.

Mr. Hoffman: Earlier I was talking about just the kind of matters one would look at when we do an audit of a contract management system. Specifically with respect to Economic Development, I don't have any specific information to share on that. Nothing comes to mind that would say that there's an issue one way or the other there.

Dr. Taft: That's good. That's a good sign. Okay.

So then just developing the topic a little bit, if for no other reason than to raise sensitivity to it, I know that in dealing with other cultures, say markedly different cultures internationally, there are expectations around benefits to people you're dealing with that wouldn't be suitable in our culture. How do you cope with that?

Mr. Norris: Well, the basic standard policy that we have as MLAs is the \$200 rule in the form of a gift. That translates on down the line. I've met with most of the foreign offices and have had talks with them. There is an underlining impression I got that these are people that are committed to trade and investment. We made it very clear that while some cultures do recognize gifting as a way to do it, we're not going to give anything more than a book on Alberta, which is our standard gift. We've taken them on the road, and they're \$19.95. You can buy them at a bookstore; it's very standard. We discourage to the nth degree that kind of activity on the reciprocal, because there are expectations, Kevin. You're right. What we have tried to do is that in cultures where that goes on – and it does; we don't live in a vacuum – there are agents that don't work for the Alberta government but that will deal with Alberta businesses. If you need to get an agent, you go get an agent to do your business,

because the Alberta government will not facilitate what you're talking about. Especially in Mexico, it's just a whole different world there, and that's the way it is. So there's a thriving Alberta agent sector, if you want; a very, very good business, quite frankly. I may consider it when this career runs its course. But we do not allow our staff to engage in that in any way, shape, or form.

Dr. Taft: Good.

The Acting Chair: Thank you.

Mr. Dunn.

Mr. Dunn: Thank you. What you're hearing here, Kevin, is the right tone, and when you start out and you look at conflict of interest, it starts with the tone at the top and the culture. What you're hearing through the minister, the deputy minister, and his group there with him is that it's the right attitude that they're bringing down. Although in procurement we'll look for conflict of interest clauses and this type of thing, the exercise around that really comes back from the culture and the tone at the top. I'm very pleased to hear from what has been said today that they have that attitude in their culture, that they will not bend to the pressures from other societies.

Dr. Taft: Great.

Mr. Norris: It's a very good question too, Kevin, just expounding on it a little bit, because what I found – and it's been a remarkable experience – is that it is totally different. Everything about it is different. It's not the way we do it in Alberta. I've been told by some other industries that Quebec is similar in that way. I'm not going to asperse Quebec, but there are traditions in other countries that are time honoured that just don't jibe with the way I was raised. But Alberta is not in a vacuum, so we're dealing with it in the best way we can, and we do declare everything we get.

The embassies are fairly good too. Most of our offices are collocated with the Canadian government, and that's been a good relationship. I have to give them credit. It does permeate through there. Clearly, you're going to find a bad apple in any barrel; that's life. But for the most part our job is very specific, and when people start to go down that road, we encourage them not to, which is why they come back twice a year. People have a question mark about that expense. I encourage it. I would say that it should be more, because when you're out there for four or five months at a time, stuff happens; right? So we do bring them back. The international office staff is going to be meeting in Mexico City on April 27, I believe, and then they come to Edmonton once a year for a meeting. I think that's crucial, because if you left them out for two years, you know . . .

Dr. Taft: Thank you.

Mr. Ouellette: Good morning, Mr. Minister. I'm happy to see that you made it here through all that traffic. I'd like to commend you on the great overview that you gave of your total department. I have to argue just a little bit on some of your stats that you came up with there. In some of the research that I've done when I've had to speak to different people in my constituency, for the last five years running I think on a per capita basis Sylvan Lake and Cochrane are the two that have been in the running for the fastest growing areas in Canada.

Mr. Norris: Yeah. You may be right. That's right.

Mr. Ouellette: But what a nice problem to have, to argue about who's getting the most development in their area. That's nothing to do with my question, and neither is this other comment. I just want to add to what you've been saying on our situation today and how much it could be hurting us. You know, if you caught some of the outtakes or the news releases from Ambassador Cellucci's speech last night to the Toronto businessmen's association, I think it was very, very clear there how much we could end up actually hurting over this. So, you know, I think you have to be aware of that and how we're going to handle that within Alberta in your department.

Page 68 of the annual report shows that the tourism marketing program was overspent by \$356,000. Can you tell me the reasons for this variance?

Mr. Norris: Let me just get to page 68 here.

Mr. Ouellette: It's 68, under tourism marketing.

Mr. Norris: Okay. Let me just grab it here. There were a couple of reasons for that, Luke. I'll try and touch on them, and then I'll ask, if it's not correct, for a supplement. There were three major reasons that caused that. In response to September 11 we took some additional money to put into that fund that I was talking about. We wanted to say: stay in Alberta. That was the campaign I referred to earlier. That cost about \$197,000 extra, but we do know from the experiences of the tourism operators that it did pay off. The United Kingdom international marketing program and Germany campaigns went ahead more quickly than we thought. We had budgeted for some of that to happen in 2002 and '03, and it all happened in 2001, so we were overspent by \$210,000 there. Those costs were partially offset by our Travel Alberta Secretariat, which underspent by \$51,000. So those are the main reasons why we're over by that amount of money.

Mr. Mehr: Just to add to that and the comment that Derek made earlier, that overexpenditure was leveraged with other sources of funding, and it was about \$1 million that ended up being in the pot, the leveraging being with federal sources, both from WD and the CTC. So for every dollar of overexpenditure we got two more dollars on top of that to move our programs forward.

Mr. Ouellette: So what was the total cost of post September 11 tourism marketing in the provincial and regional campaign, and how much funding did we collect from other partners?

Mr. Norris: Well, if memory serves me, we reallocated about \$200,000 – let's just say \$200,000 for simplicity's sake – and that was matched dollar for dollar by partners. I think we got another \$200,000, so the whole campaign was \$400,000, \$450,000.

9:40

Mr. Coke-Kerr: About \$480,000 was the actual cost.

Mr. Norris: Right.

I did want to make one comment though, Luke, on your opening comments, and I think this is very relative to you. There's a group out of Red Deer called Safety Boss, which I'm sure you know about. We've had some discussions with them, and regardless, again, of what your take is on the global problem, there is going to be a cleanup that's required. They're the best in the world at doing that, and they're not going to be allowed to bid on those contracts. That's the information we've had. Red Adair will get the bulk of that.

Again, weighing economics versus human life is impossible, so I don't even want to do that, but I do want to look at the opportunities for probably the biggest rebuild since the Marshall plan when this is over. It's very doubtful that we'll get any of it, and that's of huge concern.

Mr. Ouellette: To add to the Safety Boss thing, if you remember the Kuwaiti one, Safety Boss outdid these other companies. Some days down there they would outdo them 10 to 1 on the amount of wells they'd get put out. We don't know that there will be a lot of fires in this one, and I would think that the Americans would – Red Adair is always going to get his name out there and be hired. But I think that if there are big problems – also in last night's talk he did give Alberta a pretty good pat on the back and our Premier a good pat on the back for standing up and actually saying: we do support you as our friends and neighbours.

So we may have a chance to come back in on some of that. I mean, there's nobody as good in the world. I think you know that I sat as a supervisor on one of the biggest blowouts in Alberta, which was Enchant, and we had Safety Boss there and they were unbelievable.

The Acting Chair: I'd just like to remind the hon. member that the custom here is to have one question and one supplementary.

Mr. Norris: Yeah, but this is a different department, Mr. Chairman.

The Acting Chair: Not on my watch. The rules are the same.
Ms Blakeman.

Ms Blakeman: Thanks. I've just altered them based on what I've heard, but my next questions were around: how does the department determine what benefits accrue as a result of certain actions that it's taken? Maybe I'll reverse these now to pick up on the conversation we've just had. What percentage is the department expecting to lose? How much business do we have with the Americans in Alberta, and what percentage are we expecting to lose? I mean, Canada is 10 percent of the American market; Alberta is 10 percent of that. We're talking fractions at this point. It's starting, the way everybody is talking, great fear mongering, to my mind. So what are the numbers?

Mr. Norris: Well, at the very outset I think the best way to quantify your question, which is a good one, is that our total GDP is \$150 billion. Our exports account for, I think, \$60 billion of that. Is that correct?

[Mr. MacDonald in the chair]

Mr. Campbell: Right. Yes.

Mr. Norris: Okay. So \$60 billion of our \$150 billion GDP is exported. Of that \$60 billion, Laurie, 87 percent goes to the United States. So the global context is \$150 billion GDP; \$60 billion of it is exported. I don't do math quickly in my head, so that would be – what?

Mr. Mehr: Fifty-one billion dollars, a third of our GDP.

Mr. Norris: Fifty-one billion. Sure. A third of our GDP is reliant on our neighbours to the south, so 10 percent of that is obviously a very big number. We have no way of quantifying it right now; I

can't. I don't have factual contract losses, and I think it's probably too soon to ask for that. We have the anecdotal evidence that we've talked about. But I guess the outset of it is that as we've looked at our diversification program, we recognize that while we're trying to grow the markets of Mexico, Germany, and the U.K. by having those offices there, we would be naive not to think that most of our trade is still going to flow north and south. Why we're doing that in Mexico – and I should also comment that we have four offices in the Pacific Rim, one office in Portland, Oregon, et cetera. Those are all meant to get Alberta exporting to other parts of the world so that we aren't as reliant, but right now we are, and I don't think we can safely say that in the next 10 or 15 years we'll be off that reliance. So our big concern is that right now it's virtually two-way trade, and that's a frightening proposition.

I guess it would be similar to saying that if you had a busload of people from Regina coming to watch a Maclab play, that every Saturday they did that, and then the Regina theatre put on a better play and they stopped doing it, what impact would that have on the theatre company? Well, it's intangible and tangible. It would be huge. That's our concern.

Ms Blakeman: It depends on the length of the run, the size of the theatre, and how many people in the cast. But, yes, I get your point.

The second part of the same question under that heading of: how does the department determine benefits? The department used to put out little booklets around trade missions that the minister had been on; you know, people shaking hands and all that stuff. I don't find that information in this one. We used to be able to follow very clearly – now, whether the claims were, dare I say, fanciful or not, I don't know, but they were there, and they were distinctly hooked to the money that was spent sending the minister on these trade missions. I notice that we've got trade missions to New York and Asia, I think, in this fiscal year. So how does the department determine the benefits or advancements that accrue as a result of that in financial figures? Like, how do you justify those trips to the public?

Mr. Norris: A very good question. We have a number of stated goals and a number of unstated goals. One of my unstated goals was – when I was growing up in Edmonton and in my private-sector stuff, one of the things that frosted my butt about politicians was the photo ops, going over somewhere and getting a ribbon cut and that kind of stuff to justify that you were there. So I said: I don't want to do that. I want to justify it with tangibles. I want to sign contracts. I want to make sure that Alberta businesses are represented. So our AIMS document focuses on that, and what we do is an exit strategy. We talk to people who have used the international offices, and we have a number of questions, but the basic question is: did we provide you with what you wanted? That's a simple business model, the same thing I did when I had my advertising company. We have an 87 percent success rate with the groups that we're servicing, so to me that's far more important than having a picture at the Great Wall of China or those things that you're referring to, and we're going to continue doing that.

With regard to the hard evidence a lot of times companies won't allow it. But I know that in Whitecourt we signed a contract with a company that was worth \$23 million. There was a company from Airdrie that came with us to Mexico City. There are evidentiary things that I can supply you without supplying the company names, because they don't want that information out there. But that's where we are really more focused. As a matter of fact, when Barry and I review the missions – I'll ask him to speak about it, and Rory is involved in that – we don't do them unless there's some outcome.

We had one that I canceled. Part of the problem, Laurie, is that in those cultures they won't do business unless there's a provincial or a government presence, and I didn't realize that. I realize it now. So sometimes you go expecting nothing other than to open doors for Alberta companies, and sometimes you go with hard-and-fast contracts to be signed.

It's a good point, though. I don't know how we would work it into our . . .

Ms Blakeman: Why isn't that in this?

Mr. Mehr: Well, I'll get back to that.

This activity of market development from a government standpoint is not a sales activity. The sales activity is the responsibility of the companies that undertake and partner with us as far as being on missions, using our offices. Market development is not unlike research. Research has a three- to seven- to 10-year time lag before you see real results. My view from the industry I come out of, which was the food industry, is that the first sale is always easy to get. You can get the first splash, but if you're getting that same sale 52 weeks of the year, four years out, then you've really done something to change the economy. So measuring is extremely important, but somehow you have to accommodate that time lag.

Having said that, all our mission reports have built into them a measurement component. Either Anthony or Rory, do you want to speak to that?

9:50

Mr. Campbell: Sure. It's a little difficult, as you can imagine, in the sort of time frames that Barry is talking about to allocate specific dollar amounts. But I'd note that each of our missions, either with the minister or with the Premier, which we often are fully involved with also, includes a budget that is released for the mission prior to along with a full itinerary of the mission that describes who we'll be meeting and in essence, then, why, and after the fact a full reporting on what has been achieved by the mission.

Again, as Barry mentioned, we don't get into specific contracts. That isn't our role. It's also, just to duck back to another discussion a little bit earlier, one of the reasons that we can maintain a clean situation with the auditors, because our people in the foreign offices and the people on the missions don't become involved in specific contracts. So the kickback thing, you know, just isn't there. We provide information to companies and we provide information to other government agencies and to the academic and other sectors, but we don't put ourselves in a position – it isn't part of our business to become involved in specific contracts, so the opportunity for graft is just simply much, much lessened too.

Anyway, as I mentioned, we have a full reporting and planning cycle that is involved with all these missions. We don't take them on in the first instance unless we think that it's good use of the minister's time to have him out of the office for five, six, eight, 10 days somewhere. So we have to have a tightly reasoned rationale to take him out of the office for that amount of time, and that has to be achieved as the first level of hurdle to get over.

Mr. Norris: I guess, just in conclusion, Laurie – and you make a very valid point – where we do measure it tangibly is industry by industry and year by year versus the GDP of the previous year. We know that we're on the right track if our trade from Mexico, say, in the year 2000 was \$800 million and it's \$1 billion this year. We have targets that we're trying to hit, and those are the tangibles. We have set out not only sectoral targets but also country targets to say: what's our trade with Germany right now? If we're going to try and

build it, what should it be? I'm very proud to say that year after year it is increasing, so I think we're doing some things right, but we do have to look at tightening up the measurements.

Ms Blakeman: Direct to your trips.

Mr. Norris: Direct to our trips, yes. Okay.

The Chair: In the time remaining, Mr. Masyk, please.

Mr. Masyk: Thanks, Mr. Chairman. Some of my questions have been covered in your introduction, Mr. Minister. On page 27 of the annual report the international offices are described. What are the primary services of these offices? What I wanted to add was on the sentiment from these offices. Have you ever noticed – and this is a personal question that I've always wanted to ask you in the previous two years but never had the chance – with Alberta's Fiscal Responsibility Act, is that a confidence builder abroad?

Mr. Norris: The first question, the primary services of the offices, I think we've touched on. Gary, what I would say – and I know you have a business background – is that what they're there for is to facilitate growth of Alberta industry and business in any way, shape or form. For the sake of example, if you said, "I'm really interested in Mexico; what are the opportunities and what can I get from your office?" they'll facilitate meetings, they'll get you in contact with the right government officials in whatever your industry may be. They'll set up meetings, hopefully try and provide access to translators, if that's required, help with all those things that are impediments to Albertans doing business abroad. But I think more important is that they offer a presence for Alberta companies and for the Alberta government to be there.

It's very interesting to me because in my business it was all localized. Derek and I used to be in a similar business, and I think he understands what I'm talking about. You'd go on a sales call. You'd meet a guy. You'd talk about what your services are, and hopefully you'd walk out with a contract or something similar. Well, when you go to China, for the sake of example, this is a country that's 4,000 or 5,000 years old. They're not going to meet Gary Masyk and say: "Great. We're doing business." They're going to say: "Okay, Gary. Nice to meet you. Now, let's see you four or five times, and then maybe we'll consider letting you have a look at our contracts." This is something that was a real shock to me. It was quite an eye-opener. We don't do business that way here; most other cultures do.

So the offices provide stability, and they've been there in some cases as long as 20 years. They really do allow Alberta to have a huge advantage. The only other province as good as us, if not better, is Quebec. They're in every marketplace that we want to go, and that's a frustration; no doubt about it. However, we're going to get there. When you look at those offices in the context of giving introductions and giving a marketplace presence, that's really what they're trying to do.

On the second comment you made, this has been one of the best things as a salesman that I've had, bar none. We even had a meeting structured in Hong Kong specifically: "How did the Alberta government do it? How did you lower your revenue stream, get rid of regulations, and grow your economy? Because we can't figure it out." So we gave a presentation to – I don't know – eight or 10 guys, all taking notes the whole time and saying: that's remarkable; that's a remarkable story. So, yes, it helps more than you would know.

The Chair: Mr. Masyk.

Mr. Masyk: Yes. I just actually want to give Derek a compliment regarding Travel Alberta. I've visited Head-Smashed-In, Drumheller, the Reynolds museum, and I'll tell you: it really, honestly makes you feel proud to be an Albertan, especially after being elected as part of an Assembly of a government, to have such world-class facilities like that. It just amazes me, and I just want to thank you and your department for having such beautiful facilities like you've got.

Mr. Coke-Kerr: Well, thank the people of Alberta really. They're the ones who put it there. But I'll pass that on. Thanks.

The Chair: Okay. Thank you.

Mr. Norris: Can I just add one comment to that, Mr. Chairman?

The Chair: Yes.

Mr. Norris: I think, Gary, what you just hit on tied into what I think Laurie was asking earlier, and we have to do a better job of it. I've got to admit that we went to the Okanagan for our summer vacations. I'm sure people went elsewhere, Windermere and . . .

Mr. Hutton: Say it isn't so.

Mr. Norris: Well, we were not right-minded thinkers back then, but since I've had the honour of being the tourism minister, I've made it a point to go and see every one of these things throughout the province. They're unbelievable. That's when Derek and I and certainly Rick, who is the ADM in charge of tourism, got together and said: enough of the grandiose stuff. It's there. People know it. We have to maintain that. Let's start talking about all the other stuff. You know, go out to that Lac La Biche Mission and see what's going on there and envision what that guy, Father – I don't know what his name was – came across when he came from Winnipeg, came west and set this up. It's remarkable. It's a piece of history that you can't find anywhere else in, I would say, North America. You know, how many Albertans really know about it?

Mr. Masyk: Even Fort Edmonton Park on the river here is amazing.

Mr. Norris: Yes, Fort Edmonton.

The Chair: Thank you, Mr. Norris. On behalf of the Public

Accounts Committee I would like to express our gratitude for your diligence in answering questions this morning and also the professional staff that you have brought along. We wish you and your department the very best.

Mr. Norris: Thank you.

The Chair: I would also at this time like to express our gratitude to the Auditor General and his staff for their time and their patience with us this morning.

That concludes the part of the meeting in regard to the Minister of Economic Development, but at this time we have item 4 on the agenda, which is the delegate selection for the Canadian Council of Public Accounts Committees conference in Winnipeg. I would like to have Mr. Richard Marz read this motion into the record.

Mr. Marz: I move that

Shiraz Shariff be approved to attend the Canadian Council of Public Accounts Committees conference in Winnipeg from September 14 to 16 and, further, that Harvey Cenaiko be the alternate if either Mr. Shariff or Mr. Broda are unable to attend.

The Chair: Thank you very much.

Also, for the benefit of the members, one of the committee members, Mr. Mason, two weeks ago had some concerns with regard to Bill 2, the Financial Statutes Amendment Act, 2003. Senior Parliamentary Counsel Mr. Rob Reynolds has provided information regarding this issue. Perhaps we will circulate it among the members, and if there are any questions, after the break there is to be an information session. We are setting aside one half hour of our committee meeting, and if anyone has any questions or concerns, that might be the time to bring them up. Is that fair enough? Okay. Thank you.

10:00

Are there any other items for the agenda? Any other business to be attended to today?

The date of the next meeting, of course, is Wednesday, April 9, and we're going to have the pleasure of the company of Mr. Ed Stelmach, the Minister of Transportation.

Mr. Marz: I move adjournment.

The Chair: Thank you very much for your time this morning, everyone.

[The meeting adjourned at 10:01 a.m.]