

Legislative Assembly of Alberta

Title: **Monday, May 4, 1992**

8:00 p.m.

Date: 92/05/04

head: **Committee of Supply**

[Mr. Schumacher in the Chair]

MR. CHAIRMAN: Order please. I notice the clock says 8 p.m. and therefore time to get to work.

head: **Main Estimates 1992-93**

Economic Development and Trade

MR. CHAIRMAN: The Chair welcomes the Minister of Economic Development and Trade to introduce his estimates.

MR. ELZINGA: Thank you very much, Mr. Chairman. I have a few introductory remarks I'd like to share with the committee as we go through my budgetary estimates, and I'll go through them fairly quickly because I know that there are a number of individuals that would like to participate both in expressions and in questions.

When we view the number of years that we have gone through as a province, they have been very challenging and economically difficult years, recognizing that there is a North American and worldwide recession. We are fortunate in that this government had the vision to prepare for that downturn in the economy on a worldwide basis in that we were very active in further diversifying this province. If one examines the record, we will find that both energy and agriculture were flat on their backs as it related to economic well-being, and because of our involvements we have diversified into industries including forestry, processed foods, petrochemicals, plastics, electronics, advanced technologies, tourism, and business services. Because of our proactive stance in making sure that there was proper diversification within this province, the Alberta economy has continued to expand and create new jobs in spite of this worldwide recession.

Mr. Chairman, if one reviews the record for 1991, despite the recession that was taking place around us, we still created approximately 15,000 jobs. We've experienced a net migration of approximately 22,000 people in 1991, and that is because people do have confidence in the economy in Alberta, and they do have confidence in what is taking place within this great province of ours. Notwithstanding our relative performance it is clear that Alberta's economic prospects are influenced by external economic conditions and trends. For Alberta in 1992 the consensus of private-sector forecasters is that we will have one of the highest growth rates among the provinces. This range of forecasts varies from real output between 2 and 3.4 percent in 1992 and between 2.3 to 4.3 percent in 1993.

Mr. Chairman, let me reinforce the number one priority that we highlighted in our Speech from the Throne, that being stimulation of the economy. Our budget was very proactive in economic stimulus, and a number of those items are included within our budget.

I'd also like to highlight, Mr. Chairman, the Toward 2000 Together process. In the past year we have had extensive consultation with all Albertans, and we have given Albertans the opportunity to express their viewpoints to us as to the economic direction they would like to see our province go in. Just to update members, I can share with them that we have distributed in excess of 20,000 copies of our discussion paper. We have received in return in excess of 3,000 questionnaires. Over 300 written

submissions and briefs have been received, and in the six regional forums we had over 120 presentations. As we are all aware, too, the Premier will chair the major conference on the economy in Calgary which is to take place later this month. That discussion and the input that we have received to date will provide the basis for an economic strategy to carry us forward into the 21st century. I encourage all members to participate in that process, and I thank those members who have to date. A number of members have been very proactive in offering us their advice and encouraging their constituents to involve themselves in this very important process.

As important as the Toward 2000 Together process is, we recognize that we as a government could not stand still in making sure that we did continue to create jobs within this province, and that is why we have a number of elements within our budget that are going to see the further strengthening of our economy. I point directly to the western economic partnership agreements. There are some seven within our budget, even though there is a total of eight components within this agreement. Agriculture is under the heritage trust fund, so that is not highlighted within our vote 5. I should indicate to hon. members that those ministries that are participating will dwell in more detail as it relates to the specifics that deal directly with their various departments.

We look forward, Mr. Chairman, to further developing, as we have done in the past, a greater strength within rural Alberta. There are a number of economic initiatives within our budget that will provide funding under two broad categories: the community-based initiatives and the competitive initiatives. In the event that there are questions on those initiatives, we look forward to dealing with them with hon. members. I should indicate that we are working directly with the federal government to put the final touches to the program so that we can have a further announcement and a further signing of the agreement with our federal counterparts.

Also included within our budget is the Pratt & Whitney funding. If hon. members examine the budget, they will see that, as I have indicated in previous years, we pulled back dramatically in our support for the business community. In previous years there were a number of listings under this vote whereby we were involved directly with a number of companies in offering them support. This year we find only one, and that announcement was made some months ago whereby we have indicated we will offer an interest free loan to Pratt & Whitney because we recognize the important role that it will play in furthering the development of the aerospace industry within our province and specifically in the city of Lethbridge.

This facility will cost approximately \$145 million at completion, and it will assemble and test a new family of turboshaft aircraft engines and manufacture components for all of its products. The federal and Alberta governments each agreed to provide funding to this very important project, and there were also municipal commitments in addition to our federal and provincial commitments. As I indicated, our contribution to it is by way of a \$50 million loan. Under vote 3 of my department's estimates we have budgeted \$25 million, which represents the advances on this loan to the company for phase 1 of the project. Mr. Chairman, it's important to note the economic returns of this decision. By the company locating here, we will have some 500 direct jobs and 400 indirect jobs, tax revenue will be generated, and the firm and its employees will generate increased retail sales in southern Alberta.

Let me deal for a moment, too, with small business in industry. Usually it's the big projects that receive the public attention, but it's important to note that our department spends the majority of our time with the small business sector because it is the backbone

of our economy within the province of Alberta and the biggest supplier of jobs. We have a counseling service, and we are very accessible to those individuals who do wish to involve themselves within the small business community.

We're also very involved with our smaller communities throughout the province. Some years ago we initiated the business initiatives for Alberta communities, and the funding level of some \$850,000 will be maintained throughout this year, recognizing again the importance that we place on the self-development of local communities to come forward with their own initiatives. We provide some seed funding so that they can do a thorough analysis of developing what they believe is best for their own individual community.

One will notice, too, under vote 4, as it relates to the small business interest shielding assistance program, that there is no funding budgeted this year, and the reason for that is because the deadline for the receipt of applications under this program was February of 1991. For the information of the committee let me note that under this program the Alberta government paid out over 62,000 rebates worth some \$14 million to our small business community.

Last year in conjunction with the Minister of the Environment our government announced its Action on Waste program, a joint venture between our two departments to examine new opportunities in this field, recognizing again that the Alberta population wished to place a greater emphasis on waste management. We've received a number of proposals and inquiries for this exciting project, and we have worked with many Albertans in doing our level best to make sure that waste minimization is an economically feasible involvement.

8:10

Just dealing briefly with our trade and investment sector, I'm happy to report, as all members are aware, that we have developed a very dynamic export sector. The importance of trade to our economy cannot be overestimated in that international trade accounts for about 23 percent of Alberta's gross domestic product and an estimated 250,000 jobs in some way depend on exports outside the province of Alberta. In 1990, the latest year for which data is available, exports total some \$17.2 billion, and this is a \$2.6 billion increase over our performance in 1989.

Mr. Chairman, in reviewing, too, our budgetary estimates, I wish to share with you a couple of thoughts as they relate to the Alberta Opportunity Company, recognizing the important role that they have played in the further diversification of our province and recognizing also that this year marks the 20th anniversary of the creation of the Alberta Opportunity Company by the government of Alberta. At that time, as we do now, the government felt that the diversification of our economy was very important. The Alberta Opportunity Company has played a very instrumental role in the further diversification of the province of Alberta.

In the past 20 years the Alberta Opportunity Company has approved in excess of 6,000 loans to and investments in the small business sector in this province involving the injection of some \$650 million into the economy. The total amount of loans and investments currently outstanding in the Alberta Opportunity Company portfolio is some \$144 million. This is made up of 1,465 loans and guarantees with \$127 million in direct loans and \$1 million in bank loan guarantees, while there are also 53 seed and venture funding investments outstanding with \$3 million in seed funding equity investments and \$13 million in venture funding equity investments. Over the years this company has been very successful in recovering the money it has loaned out, having a record of approximately 88 percent of the total funds loaned or invested.

In addition to its lending and investing activities, the Alberta Opportunity Company operates a small management consulting division organized along functional lines, which provides management assistance and guidance to its clientele on a no-cost basis. In the past three years direct counselling and consulting assignments have been completed for some 856 clients.

Mr. Chairman, I believe the long-term success of the Alberta Opportunity Company is due to two main factors: the operating policies of the company, which have been modified over the years, but also the key policies on which it was founded have remained intact. They are that the Alberta Opportunity Company will not knowingly create excessive or unfair competition in any market to the detriment of existing operators and also that the Alberta Opportunity Company has indicated that they will only invest in the event that there is a reasonable probability of succeeding and of being able to repay the funding provided.

Mr. Chairman, in 1992 the Alberta Opportunity Company made net loan authorizations numbering some 322 for some \$27,300,000. Seed funding approvals numbered eight for \$1,045,000, and the venture funding approvals numbered four for some \$1,329,000. Comparable figures for 1991 were 389 for \$28,800,000, 10 for \$1,562,000, and 13 for \$3,973,000.

Also noteworthy, Mr. Chairman, is the Alberta Opportunity Company's conference division. It has become recognized as a leader in the field of business education not only in Alberta but in all of Canada.

Mr. Chairman, just as it relates to our budget and our activity within the province, the Provincial Treasurer highlighted our budgetary thrusts of being fiscally and financially responsible but also recognizing that we had an obligation to inject ourselves to offering support for meaningful job creation within our province. We believe that we have met those goals, and our department has worked very closely with all departments in making sure that we do achieve them.

Some quick economic diversification facts are very noteworthy. Since 1985 Alberta has created in excess of 120,000 jobs within this province. Despite a North America-wide recession, as I indicated earlier, Alberta in 1991 created close to some 15,000 jobs, and compare that to the loss of 160,000 jobs in Ontario and some 232,000 jobs on a nationwide basis. Book publishing in Alberta has risen some 300 percent since 1986. Value-added production of agricultural goods has doubled since the '70s to over \$4.5 billion, just slightly exceeding our primary production. Manufacturing and petrochemical plants across the province exceed \$3 billion today, which is a far cry from the \$500 million produced largely by one plant 21 years ago. Manufacturing investment has tripled from 1985 to 1991. Fifty thousand people are working and producing some 3,200 products in the advanced technology sector. Alberta's plastics industry does over \$300 million per year in output. Between 1978 and 1989 Alberta's chemical industry grew by some \$500 million to over a \$3 billion output. Between 1981 and 1991 Alberta's electronics industry grew sixfold from \$117 million to over \$670 million.

Tourism revenues, which play such an important component of our economic well-being, are now over \$2.6 billion a year. I take my hon. colleague at his word whereby he hopes to make it a \$10 billion industry over the next number of years, and we salute him for his active involvement in that area. Exports again, as I indicated earlier in dealing specifically with our budgetary estimates, are responsible for some 250,000 jobs in Alberta. In just over 20 years our exports have tripled from \$5.2 billion in 1971 to \$17 billion-plus in 1991. We've got nearly 2,000 companies exporting to in excess of 150 countries around the globe. Our export loan guarantee program has assisted some 322

companies in nearly eight years resulting in \$1 billion in exports and has supported some 16,000 jobs. Mr. Chairman, we can go through a long list of activities in which we have been very supportive of our economy, recognizing the importance that it does play, especially in meaningful job creation for young people within our province.

Mr. Chairman, I'm going to share with hon. members, too, an overview of our budget and our involvement as compared to what has taken place in the province of British Columbia, and I refer specifically to an editorial in the *Vancouver Sun* that was published on Thursday, April 16, 1992. It highlights the differences in their approach as compared to the province of Alberta's approach. It congratulates the government on the stand that it has taken in making sure that we do have meaningful job creation within our province whereby we have seen a personal tax and a corporate tax reduction in this province so that we can leave the hands in the individual taxpayer's pocket and they can make those decisions that are rightfully theirs. It also compares our budgetary expenses, which have increased year over year, to their own budgetary expenditures. They congratulate us on the good record that we have exercised in making sure that we do not continue to spend excessively.

Rather than going into a number of highlights as it relates to the specifics of the budget, I'm sure there will be many questions from all hon. members. We look forward to that, and we look forward to their participation and their suggestions as to how we can improve upon what we are doing. We recognize that all of us do have our warts and blemishes, and we look forward to the thoughts and the constructive criticism or the constructive suggestions that members might have as to how we can be even more proactive in creating a solid economic climate for all Albertans.

Just prior to sitting down, let me also take this opportunity to close by indicating a special thanks to our departmental personnel, who go beyond the call of duty on a regular basis in offering support to the further diversification of our province. I take this opportunity during our budgetary estimates to salute their commitment to our province and to our economic well-being. On a personal note I thank them for their dedication to our department.

So with those remarks, Mr. Chairman, I'll sit down.

8:20

MR. CHAIRMAN: The hon. Member for Edmonton-Kingsway.

MR. McEACHERN: Thank you, Mr. Chairman. I want to take the minister up on a few of his comments and thank him for the opening remarks. They covered quite a wide variety of things and gave us some good information, most of which we did know, however.

The minister started out by saying that these have been challenging times and that there's this worldwide recession. I would just like to remind him that the worst part of this recession actually started a couple of years ago mainly because his colleagues in Ottawa ran such high interest rate policies that they killed any positive effects we might have got out of the free trade deal. So Canada was in this worldwide recession a year earlier than anybody else, and it looks like we're going to be slower and later coming out than anybody else because of their tight monetary policies and the high dollar that hurts our exports.

He also went on to say, of course, that Alberta has such a great and rosy future in terms of the growth in gross domestic product, and he cited some numbers from some forecasts. He didn't specify which one. I might point out to him that the other day the Economic Council of Canada suggested that Alberta's growth would be very, very low, in fact the third lowest province in the

country in the next year and the same for the next two years when averaged together. I think they had it at something like 1.2 percent for this year, and I forget the figure for the next year.

The minister of course mentioned *Toward 2000 Together*, and rightly he should. It was a major initiative of the government, but I would just like to remind him that besides myself having some criticisms of that process, some other people have also had some criticisms. I want to quote him a couple from the Western Centre for Economic Research, certainly not a left-wing think tank. For example, and I'm quoting directly here:

The major findings of the panel include:

- the 'Toward 2000' document offers no feel for where Alberta stands relative to other provinces, similar to U.S. states, and other industrialized economies, nor does it offer projections for the year 2000.

In other words, they're saying that there are no facts given by the documentation put out by the government for that initiative, which meant, then, that a lot of the debate that has taken place in discussion has been in something of a vacuum because the government hasn't been as forthcoming with facts as they probably should have been.

They do go on and take a kick:

- The current deficit reduction program of the Alberta Government represents a need to correct for past excesses or unrealized expectations.

Skipping around a little bit here:

- . . . effectively undermines the credibility of the government . . .
- 'Toward 2000' offers diversification as the solution to Alberta's problems of instability but even in the best of circumstances regional economy structures change only very slowly.

So they're kind of cautioning that it's really hard to change the direction of an economy. That doesn't say that you shouldn't try, of course, and I support the government in trying. There are a number of other criticisms there, but I won't take time to read them all. So not everybody is enamoured of the process.

My own criticism, as the minister might remember, was that a lot of the questions they asked were pretty mushy and could have been much more specific. What about the Alberta stock savings plan? What about the export loan guarantee program? What about the Alberta Opportunity Company? You did give us some pretty good facts tonight – and I've been a supporter of that program – but you didn't, for instance, ask Alberta businesspeople the question: are Alberta Opportunity Company and Vencap together meeting the capital needs of this province given that in the last 10 years the banks have withdrawn something like \$9 billion of the \$16 billion that they had invested in this province back in 1981? So I don't think that *Toward 2000 Together* has been near enough hard hitting and near enough specific on certain issues.

The minister indicates that in fact the government has pulled back seriously from the economy, as they promised during the last election. Well, that may be true in terms of the budgetary figures, but you might remember that last year I almost refused to debate the \$70 million in the Economic Development and Trade estimates because that's not where the action is. The real action is in the loans, loan guarantees, investments, and indemnities that this government has put out over the last number of years, some \$3.2 billion, by their own admission, for the last two years. That's where the real action is. So what little changes are made in a \$70 million budget or a \$90 million budget are really rather small potatoes compared to that. I might point out that that \$3.2 billion is up from something like \$1.9 billion only three years ago.

The minister emphasizes the export sector in Alberta, and certainly it is important to Alberta. I would just point out a couple of things. If we export 23 percent of our gross national product,

that means that we consume – I supposed export meant out of the country, so the 77 percent may have some exports into other provinces as opposed to keeping it in Alberta. Nonetheless, it would say to me that maybe we should spend a little more time being concerned about what we're doing within our country – in other words, what are we producing and who are we selling it to among ourselves? – and take a really good look at that and see if we can increase the amount we're selling to ourselves and hence cut down imports. That whole area needs to be looked at. I keep hearing the minister concentrating on exports, and if you are going to export to other countries, they're going to want to export to you, and you may hurt your own local production, particularly when we tend to export raw materials and import finished products.

I might say that's why Ontario has had such a difficult time the last year or two. Because of the free trade deal, because of the high interest rate and the high dollar policy of the federal government they have been the hardest hit by the downturn in the economy, and we've lost the manufacturing jobs because of the free trade deal and the planned North American free trade deal.

Those are some of the comments that I wanted to make in reply to the minister, and now I would like to get on with some of the things I had planned to say earlier. The budget this year does have a number of things in it that I want to refer to because there are some changes of directions that are more important than was the case last year. We have a budget this year of some 94 and a half million dollars. I would just again say to the minister that he has not reduced the government involvement in the economy; in fact, even on his budget side it's gone up from \$70 million last year to \$94 million this year. I support most of the programs that he's intending to spend that money on but not all.

I do have a couple of motions that I will put forward right at the end of my time, but I want to get on to a few other things. First, I would say that the government has been somewhat lucky the last two or three weeks in that the media has been preoccupied with other issues and has not really taken a hard look at the three \$13 billion budgets that we have before us. I'm referring, of course, to the public accounts for '90-91. Those have not had a thorough analysis. They were of course released on a Friday, and then on Monday the government brought in its new budget, which gave us an update on last year's figures and of course the new figures for this year, nor has that budget had a thorough discussion. In fact, I'm very disappointed that the government chose to only give us two days to debate the budget in general, and in fact one of those normal two or two and a half hour sessions was cut to one hour. So we've really had very little time to do a general debate on the budget. So here we are already well into the department-by-department budgets, 25 days for 25 departments, which again is totally inadequate.

The government, then, has been able to avoid a really thorough discussion in the province so far about how their so-called balanced budget of last year suddenly turned into a \$1.6 billion deficit, and then of course they had to switch, because they couldn't balance the budget, to stimulating the economy being the excuse for the big deficit. Of course, they're also claiming that they're stimulating the economy this year when in reality, if last year's deficit is as big as this year's planned deficit and if that holds, and it probably will, this year's budget is not stimulative compared to last year's. It just means that we've confirmed for the fifth year in a row that we've got a \$2 billion per year problem in this province and have really done nothing to cope with it, neither from the point of view of tightening the expenditures, which this government says they have done, nor from the point of view of stimulating the economy to get it out of the recession so that will do something about it.

In fact, I want to just go back to that point about the expenditures that the Treasurer and minister mentioned tonight, how prudent this government has been on its expenditures over the last few years. As a matter of fact, I have the Auditor General's statement right in front of me, and if you'd like to turn to page 114, you will find that the expenditures for 1988-89 were \$13.2 billion. Now, that was on a consolidated basis, not the Treasurer's partial budget that he brings in. In 1989-90 it was \$14.2 billion, and in 1990-91 it was \$15.2 billion. Now, those are hard figures from the Auditor General and in fact illustrate that the government has increased the expenditures of the province by some 15 percent in the two years preceding March 31 of 1991, which are the latest figures for which we have hard numbers.

8:30

The other document that I want to get into – and I will shortly, after looking at some of the budget figures – is a very excellent piece of research done by one of our staff, John Kolkman, who's laid out the figures very, very accurately for the minister so that he doesn't mix up program funding with ad hoc funding figures that we have been putting forward in the last couple of years. I will come to that later.

One of the items that I'm not particularly pleased about in the budget is the \$25 million for Pratt & Whitney. It seems to me that by putting the money into this particular project, the government is buying into the theory that you can compete with other provinces and other states and attract businesses here on whatever terms are most favourable to the business, they having played off one state or one province against another until they get the best possible deal of low taxes and no regulation and that sort of thing. It's certainly a recipe in the long term for disaster if we keep trying to develop our economy in that way. I'm much more interested of course in the western economic partnership program, which by the way only puts in the same amount of money, and I wanted to go through that one in some detail in a minute.

The minister has mentioned the tight expenditures, which I've just shown isn't really the case, but he also talks about being concerned for jobs and small business. So I would like to ask him why he cut vote 2.6.3, on page 34 of the element details, the small business incubator program. It does seem to me that it's one of the better programs, yet the minister's allocation has gone down from \$215,000 last year to \$15,000 this year, some 93 percent cut. Surely, if you're interested in helping small businesses, that's one area where we could maintain some support for small businesses. I would like his comments on that particular vote.

I am glad to see the end to the small business interest shielding program. Some \$17 million has been pretty well wasted. It was an election promise that tried to buy the Premier a few votes in the last election and probably did. However, I would suggest that probably the banks were the main beneficiaries, not the small businesses that used it. Anything over 14 percent is usury, anyhow, at best or scalping at worst, and to suggest that the taxpayer should be paying it is only just a boon to bankers, who can then charge 17 percent, and some poor small businessman will take it because he only has to pay 14 percent anyway, which is not really very fair.

The most important changes in the estimates this year were of course the western economic partnership agreements between the federal government and the Alberta government, and I'm generally supportive of most of the initiatives there. There are a few specific points that I want to raise with the minister, however. Of course I looked for the \$4 million for agriculture and food processing and found the footnote that said it wasn't there. It said that it was going to be done through AADC, the Alberta Agricul-

tural Development Corporation, and I couldn't help be a bit perplexed by the choice of that particular agency. I thought they were a lending agency for farmers and didn't know that they were going to get into this kind of business. Normally it would be done, I would have thought, through the capital projects division of the heritage trust fund, but the estimates are not there.

So I guess the money for this will come from those debentures which we pass each year for those three Crown corporations in the heritage trust fund that keep losing money: the AOC, the AADC, and the Alberta Mortgage and Housing Corporation. The Agricultural Development Corporation is going to be handling this rather than I suppose the Alberta Agricultural Research Institute, which would come under the capital projects division of the heritage trust fund. Or perhaps they're still involved, and AADC is just going to handle the financing. Perhaps the minister would explain about that.

The Business and Community Development initiative I rather like, although there's a bit of an anomaly there. This is vote 5.1, on page 37 of the element details. I notice that Community-Based Initiatives is going to get \$1.9 million, and Competitive Initiatives is going to get \$2.4 million. Now, if you think about it this way round, the fact is – and the minister just said it a few minutes ago – that we only export 23 percent of our production. So why doesn't Community-Based Initiatives get more emphasis than the companies that are in the export business? It's part of what I said. I think the government concentrates too much on the exports into that international, global marketplace that they keep saying we have to become competitive to compete in, when in fact we sell to ourselves some 70 or 80 percent of our production, and it seems to me that that should get much more emphasis.

Also I wonder why in the Communications Technology section, vote 5.2, there's only \$75,000 allocated. It does seem to me that the gathering and evaluating and disbursement of information is probably one of the functions that a government can really get involved in that will help businesses the most. The Canadian Manufacturers' Association, for example, has been trying, they say, to get the government involved in helping them set up a computer list of all the manufacturers in Alberta so that everybody knows what's being produced by whom and where and when and at what prices and that kind of thing. It would seem to me that of course a comparable list should be made – and I'm assuming they were thinking this way as well – of who is buying those manufactured goods in Alberta.

It's along the line of a suggestion that the New Democrats made when we put out our job initiative press release just before the session started, where we suggested a data base on all industries in Alberta and all buyers and sellers in the province. Economists at universities tend to analyze how the market system works by talking a lot about how buyers and sellers are making assumptions, that buyers and sellers have more or less perfect knowledge of what's happening in the economy. Of course, in the past that was never true, but we now have a situation where we could almost make that true. You could certainly know your local buyers and sellers and have ready access to that through a computer data base. It would be an excellent idea.

The Mineral Development section. The upgrading before sale is something that I think should be emphasized, and I didn't see any reference to that at all. Of course, you see, this government's a free trading government and likes the American free trade deal and the planned North American free trade deal. The rules they're setting up are going to make it very, very difficult for us to insist on upgrading our resources before we sell them, and that of course is a mistake.

The reforestation point. The main emphasis seems to be on ensuring sustainable timber resources, and I can't help thinking

that the industry really doesn't know how to do that. If you start checking into what's happened in Norway and Sweden, where they've had sort of forest farming, I suppose you might call it, for several generations, you'll find that they're now on their third crop of forests, and they're finding that they're not regenerating very well or very fast. I think that we know little about just what happens when you start to mow down your forests like they were wheat fields and then try to replant them. You certainly don't replace all of the species of plants and animals, and you certainly have to be careful about air and water pollution, soil degradation, and there are no guarantees those second and third crops are really going to be very good.

8:40

Still, I'm basically supportive of the western economic partnership agreements program, but I would like to point out that the \$25 million that's going to Pratt & Whitney is as much as the government is planning to spend in the first year of this four-year program, which is \$60 million from the Alberta government and \$60 million from Ottawa. So I can't help wondering why all of the small businesses in Alberta in eight different areas should only get \$25 million, and one company, a big American corporation, a subsidiary of a huge armaments firm in the United States, should get \$25 million just like that this year and another \$25 million next year, yet the small businesses have to share \$25 million of the Treasurer's budget. It doesn't seem to me a very strong commitment on the part of the minister to local economic development.

Now, I want to take a minute and look at some of the points raised by this article that our researcher John Kolkman put together. "Ad Hoc Losses Persist As Major Problem" is the heading. There are two aspects to it, the first part comparing programs to ad hoc funding, but I want to skip over for a minute to a background document paper that he put out a few days earlier than that one and quote some of the information from that. "Six Failed Companies for Every Success under Ad Hoc Handout Scheme" is the headline, and it says:

A comprehensive review of 1990-91 and prior year public accounts shows that for every company that successfully paid back or discharged their obligations to taxpayers, six others failed to do so.

Of 74 companies receiving taxpayer investments, loans, guarantees or indemnities since April 1, 1986, 35 companies have failed leaving taxpayers on the hook for their losses . . . 6 companies repaid their taxpayer funded obligations in full . . . and 33 companies still have debts outstanding as of March 31, 1991. Finally 5 new companies have received ad hoc financial assistance since March 31, 1991.

All of these companies received assistance on an ad hoc basis directly from the provincial cabinet rather [than] through an existing government program with clear guidelines and application procedures.

I would go into more detail, but time is running down on me. I will just quote the Auditor General as recommending to the minister on page 47 of his annual statement, recommendation II:

It is recommended that the Department of Economic Development and Trade establish specific measurable objectives for its financial assistance programs, and assess actual results in relation to these objectives.

And that's talking about the program funding, not even the ad hoc ones, which, as I've just shown, have been much worse.

Now, I had intended to get into talking about the minister's document that I released the other day called Going Global, but perhaps I could hope to get back in on that later.

What I do want to do in my remaining few minutes is move the amendments that I've prepared on the budget, and perhaps I could pass copies to the pages to take to the Chair to see if they are in order. Perhaps I could read them into the record, Mr. Chairman, and then you can inform me if they are in order.

Trade Development

Moved by Mr. McEachern:

Be it resolved that the appropriation for votes 2.2.2. and 2.2.3 be reduced by 50 percent to \$608,500 and \$1,047,500 respectively.

MR. McEACHERN: That's to do with funding of consuls and trade centres abroad.

Commissioner General for Trade and Tourism

Moved by Mr. McEachern:

Be it resolved that the appropriations for vote 2.5.1 be reduced to nil.

MR. McEACHERN: That is the consul general's position, currently held by a former minister of the Alberta government: Horst Schmid. We think that position should be abolished.

So if those are in order, Mr. Chairman, and copies have been passed to members, I will comment briefly on them.

MR. CHAIRMAN: The Chair finds them to be in order except that the hon. member didn't sign them. Nevertheless, the hon. member will, I hope, undertake to sign them before he leaves. He can go ahead.

MR. McEACHERN: Thank you, Mr. Chairman. Just a couple of quick comments. We have never felt that the consul general post was a worthwhile one. We felt that it was just a patronage appointment and quite unnecessary and almost totally impossible to measure its usefulness.

Putting trade personnel into the various FIGA offices around the world is not easy to evaluate, but we think that you could probably get more bang for the buck if some of those offices were shut down and some trade personnel were put in the Canadian offices, for one thing, as long as we had one office in America, probably the New York office; one for Europe, perhaps the London one, or we might even consider moving that one to Germany; and one in the Far East. Now, the Far East is the rapidly growing area, so it might be that we'd need to take a very close look at which one to shut down. One might consider, I think, keeping the Hong Kong office open and maybe just having an office within the Canadian offices in Seoul and Tokyo. It might be a way to approach that.

Certainly in this day and age we need to really make very sure that the trade missions we send and the work we do abroad are really paying off. As the Minister of FIGA said the other day, it's really very hard to measure. So I think that you have to take account of what the Auditor General said and try to find some kind of objective measurements, if at all possible, and then measure these offices against those performance criteria and see if we can't work out a way to make them pay off.

Mr. Chairman, those are my comments on the motions, and I would then leave them to the debate of the Assembly.

Point of Order Procedure

MR. BRUSEKER: Mr. Chairman, just on a point of order. I'm puzzled. Which motion are we debating? I understand that we can't debate two at once.

MR. CHAIRMAN: Take your pick, hon. member, but do one at a time.

Debate Continued

MR. BRUSEKER: Okay. Well, then taking my pick, the answer is no.

AN HON. MEMBER: Did you run that by your caucus over there?

MR. BRUSEKER: I had no disagreement amongst my caucus colleagues here this evening.

The problem I have with the motions before us from the Member for Edmonton-Kingsway is similar to the problem I have with the documents before us in the first place. Votes 2.2.2 and 2.2.3: we really don't have any rationale for why the figures are before us as they are in the budget documents or why the hon. member decided to cut them in half. So I find it difficult to support that motion.

With respect to Promotion of Trade and Tourism, Commissioner General for Trade and Tourism, Mr. Chairman, this caucus believes that in fact this particular office is probably a better office than the offices we have through Federal and Intergovernmental Affairs.

So speaking to the motions as presented by the hon. Member for Edmonton-Kingsway, I cannot support those motions, Mr. Chairman.

MR. CHAIRMAN: The hon. Member for Calgary-Mountain View.

8:50

MR. HAWKESWORTH: Well, thank you, Mr. Chairman. I thought the Liberals were concerned about patronage and wanting to reform the Senate. These motions by the hon. Member for Edmonton-Kingsway really attack the Alberta version of the Senate. When people retire from public life, how do you thank them? You give them jobs in foreign offices. Whether it be staff in the Premier's office, whether it be friends of the Minister of Energy, or whether it be former cabinet ministers, the foreign offices are waiting. A career in the foreign life beckons, thanks to the provincial taxpayer. It's an expensive retirement into that other realm.

Now, I'm sure all these individuals are sincere and good and true. Nevertheless, if I felt that the best persons had been subject to advertising for the job, if it was open to any Albertan, if they could apply, be interviewed and the best person chosen and out of that process these individuals happened to be the best that Alberta had to offer and off they went, there'd be a lot less concern about it, Mr. Chairman. But these people seem to go right out of the Premier's office, they're onto an airplane, and off they go. Members of the Assembly know what I'm referring to.

So when it comes to looking at the expenditures, one has to ask: what it is going to take to bring the patronage gravy train to a halt? The hon. member's doing the responsible thing. He's suggesting that there are some cost savings that could be achieved here, and I'm amazed that the Liberals are not willing, you know, to pull down the lever to help pull the gravy train to a stop. Anyway, I'll let them explain their point of view.

The hon. Member for Edmonton-Kingsway has suggested in his first motion reducing by 50 percent the appropriation of expenditures that go from this department to support individuals in our foreign trade offices. Well, he makes a good point. Why is it that Alberta has to have a separate office with all that goes with that? Why can't we put trade representatives in conjunction with the Canadian embassy in these various countries? What's the point of incurring all these expenditures?

On top of that, Mr. Chairman, since the last time we reviewed this minister's estimates, we realize that some of the individuals, some of the former incumbents, one in particular who occupied an Alberta foreign office ended up doing all kinds of deals on the

side. I presume he consummated those deals after he left the public employ. I don't think this minister could buy enough good publicity to compensate for the damage that's been done by that individual taking people's money from overseas and investing it in a gold mine when it was clearly indicated to the people investing under that foreign investors program that that's not how that money was to be taken. It has Alberta written all over it, Mr. Chairman. The individual occupied a job on behalf of the people of Alberta in a government of Alberta office overseas, made the contacts, and at some subsequent time made the deals with those foreign investors. So it's Alberta all over the place. A friend of the Minister of Energy, that's how he got his appointment in the first place.

Now that it's been revealed that the money was taken from investors and put into a gold mine when it wasn't intended to be put into that kind of investment, people feel betrayed, people feel that they've been had, people feel that this is not the way investment business should be done, and people who feel that way are right. That's not how the process should work, that's not how investment money should be raised, and that's not the kind of reputation that I want for my province overseas. So this kind of patronage gravy train has got to come to a stop, and that's what the hon. member is proposing to do.

Now, on the other appointment, that of the commissioner for trade and tourism, I don't know what evidence the Member for Calgary-North West has seen to convince him that this is a wonderful position. I haven't seen anything in all the six years I've been here to convince me that there's a lot of good work coming out of these expenditures for this office. I am aware that the individual introduced the minister of tourism to some people involved with the World Blitz chess tournament a couple of years ago in the city of Calgary, which ended up costing the Alberta taxpayer a small fortune. Beyond that, I'm not aware of what kinds of business deals get done behind closed doors at the initiation or response of this individual person, the incumbent.

I've seen no objectives for this trade commissioner, no criteria to evaluate his performance. It's been called for now in this Assembly for a couple of years. I've not seen anything, but I do open up the Auditor General's report for the year 1990-91, which is the most recent year available to us, and I read that the Auditor has this to say about the department generally:

The incorporation of specific measurable benefits into program objectives would help management operate its programs more effectively,

particularly when it comes to exporting. It talks about the market development assistance program, granted not necessarily for this particular line in the budget, but presumably this individual has something to do with market development assistance. It's

to provide assistance to Alberta businesses by sharing the financial risks of entering new geographic markets for exporting their goods and services on a basis where the costs are commensurate with the benefits to Alberta. Objectives stated in this manner are vague and difficult to measure.

Well, I could presume that that overall comment could be applied in other areas as well. The Auditor General goes on to give some specific examples, but he doesn't want those specifics to cloud the general point that he's trying to make.

I have a great deal of concern that we're spending lots of money in this department based on giving a job to a former minister of the Crown with no questions asked, no evaluation expected. Now, if that evaluation has been done by a credible, objective body that's not expecting it to turn into some future funding for an ongoing evaluation project of some sort, if there were some basis to expect that an independent evaluator had had a look at that department and had been able to document a great number of

successful conclusions and successful initiatives, I'd feel more confident. However, I just see all of these expenditures identified by the hon. Member for Edmonton-Kingsway as simply being part of the old boys' network that's set up in fancy, expensive offices, and off they go. Isn't this a nice way to finish off your years of public service to the taxpayers of Alberta? In fact, we should be far more disciplined, far more focused, far more efficient, far more economical in the way that we're spending and finding ways to deliver at least the same level of service, if not a better level of service, using our Canadian embassies overseas or other infrastructure available to us.

Mr. Chairman, I strongly support the initiative undertaken by the hon. member this evening. I know that all government members are going to vote it down, but I would just ask them to pause and consider the reasons behind most of these motions on the floor. If not able to support them in this Assembly on this floor during this debate tonight, there's plenty of opportunity for them to call this government to account, if they so wish, in another place and at another time. So while I don't expect the motions to be adopted this evening, Mr. Chairman, I look forward to the day when we will finally be spending money on overseas promotion intelligently, effectively, efficiently, economically, and in a way that really promotes the best interests of the province, not in a way that sacrifices the interests of the province in order to promote some sort of patronage system that's at work in the minister's department.

9:00

MR. CHAIRMAN: Any further comments on the motion relating to votes 2.2.2 and 2.2.3 proposed by the hon. Member for Edmonton-Kingsway?

[Motion lost]

MR. CHAIRMAN: With regard to the amendment proposed by the hon. Member for Edmonton-Kingsway as to vote 2.5.1.

[Motion lost]

Economic Development and Trade (*continued*)

MR. CHAIRMAN: The hon. Member for Calgary-North West.

MR. BRUSEKER: Thank you, Mr. Chairman. It's a pleasure to be here again this evening with the hon. minister to talk about the department estimates on Economic Development and Trade. I have a number of questions for the minister, and I hope he'll be able to answer them sometime this evening before we have to quit for the evening.

Mr. Chairman, I'm going to start right in with vote 1, Minister's Office. We see a small decline here in terms of the costs, which I think is a step in the right direction. I applaud the minister for making a small albeit appropriate direction move in terms of reducing this cost.

The department, as I reviewed back in previous years, has really gone up and down quite a bit in terms of budget expenditures. It's seen an increase, it's seen a decrease, and now we're back up again. To the minister's credit, however, the number of employees again has shown a decrease, and for making the department more effective, I'd like to offer congratulations to the minister. I wanted to begin with a couple of positive notes before I came in with a couple of other perhaps not so positive comments.

Reflecting upon that change, I wonder if the minister could make any comments. Were there really efficiencies? Could the

minister perhaps talk about efficiencies that maybe have been realized that allowed the size of the department to be decreased? While the expenditure has changed, I can't say it's been reduced. It's gone up, it's gone down, as I've mentioned before.

Mr. Chairman, when I look at the total budgetary appropriation, the figure is higher. Of course, we have to take into account \$31 million – \$25 million going to Pratt & Whitney, \$6 million to AOC – but it seems that overall the department is actually getting larger in terms of expenditures, even allowing for those. I wonder if the minister could talk about why the department is getting larger. I know that part of it certainly is going to be due to vote 5, Western Economic Partnership Agreements, but the department does seem to be getting larger despite that. I wonder if the minister could make some comment about that because I'm not really quite sure why that is the case.

In vote 1 a large cut in the area of purchase of capital assets, a drop of \$200,000: again that's a step in the right direction and I think again is certainly something to be commended.

In previous years I've made a recommendation to the minister, not in the form of a formal motion but in terms of recommending to him and to other departments that we perhaps consider amalgamating departments. As the minister is aware, the Department of Technology, Research and Telecommunications developed out of this department in the recent past, I believe 1986. Has the department or the government considered those kinds of amalgamations? We've talked about it before; we've had motions. I'm not going to bother with a motion tonight, Mr. Chairman, but I do put that question to the minister because I think when we look at the overall departmental budgets of \$15 million, it seems we could realize some savings by amalgamating departments.

I want to move on to vote 2 because vote 2 is really the heart of the program that is carried on by the department. Again some reorganization has occurred. For example, just jumping down to the bottom, International Assistance used to be a separate vote on its own. I wonder if the minister could comment why this is now a part of this vote 2. The second question I have is that we're seeing a reduction here from \$2 million down to \$1.5 million. Now, this assistance to developing agencies – we in the Liberal caucus have been advocating strongly for budget cuts and balancing budgets. This is one I have some difficulty with, in all honesty. I think this is something where we're really trying to help people to become more self-sufficient, and it's not a large amount of money. I'm wondering if the minister could explain why it's been cut. It's been half a million dollars. I think the intent of this particular vote 2.7 is very, very, positive, and I'm concerned in seeing this particular one going down. I think there are other areas where we can make some savings, but this is one that I am concerned about decreasing.

Going back to vote 2.1, Small Business and Industry, up at the top, we see for the first time that 2.1.5, Alberta Motion Picture Development Corporation, \$421,000, is now being included in this particular vote. I'm wondering why this is in here for the first time this year. This is the first time I've seen the AMPDC in this vote, and I'm wondering how come it's now incorporated in this vote. Before it wasn't a separate line item. I'm not opposed to it being here; I'm just wondering why it is here this year.

The rest of the cuts of vote 2.1, Mr. Chairman, are quite reasonable, but the Motion Picture Development Corporation – we do have a Bill before the House. I'm a little concerned about this particular corporation because in past years its losses have been fairly steady, not large amounts of dollars but quite consistent, and it seems that the taxpayers' money is not being wisely invested in this in terms of getting a return on our dollars. I'm wondering if the minister can make some comment. I didn't hear

him make any comments in his opening statement about this corporation, and I'm wondering if perhaps he could do so tonight, or perhaps later, I suppose, in Bill 14 discussion.

The Member for Edmonton-Kingsway introduced a motion which we have defeated. Mr. Chairman, the reason I voted against it and the reason why I'm going to vote against these figures before us is simply this: when I look at the figures before us and I look at the annual report of this department, there's a lot of information saying they've been in this trade show and that trade show and been here and there and suggested that a lot of things are happening. We're looking, in this total vote, at almost \$25 million. Does the department do any value-for-money audits? In other words, the department is involved in trade shows, and they promote certain sales, but how do they know that the government involvement is really being paid for? In other words, are we really getting the sales back to justify the expenditures that are being undertaken on behalf of different subdepartments within this particular ministry? As I said, Mr. Chairman, the annual report tells us about trade shows and trips here and trips there and small business term assistance and talks about a variety of things and says certain dollar figures are promoted, but I'm not sure how the minister can justify the figures that are before us.

So my question to the minister on really the entire vote 2 is: could he really talk a little bit about how these figures are arrived at? How does the department decide in vote 2.2, for example, that they need \$5.7 million to promote trade? How do we know that that's an appropriate figure? The Member for Edmonton-Kingsway says we should cut it in half. Perhaps the hon. minister will say we should double it. I don't know who's right because we don't have any rationales. I'm wondering what the rationale is for those things.

I'm going to leave vote 2 because it's really a boondoggle. The figures themselves show some going up, some going down.

9:10

I want to move along to vote 3, economic development projects. The minister in his opening comments said yes, we've cut back in terms of number of exposures, I guess is the best way to describe it. But we've not cut back in numbers of dollars. We've got a huge figure here of \$25 million, which is a fair sized chunk of money. For the purposes of calculation it's a 914 percent increase from last year – I worked it out just because I was interested – from \$2.4 million to \$25 million.

Mr. Chairman, the Toward 2000 initiative that the government has undertaken had a number of presentations – I believe well over 200 presentations – made to it, and a number of presentations have talked about the line that business do not need nor do they want special grants or incentives or loan guarantees. The Calgary Chamber of Commerce made a presentation along that line. Ernst & Young has talked about the fact that government's direction in picking winners has been substantially poor given the records of some of the failures we've all heard about. The Western Centre for Economic Research makes similar types of comments. The minister and I have had some correspondence, and he's told me about the program. It's \$25 million interest free for 14 years. The letters to me from the minister have referred to certain requirements – performance and employment criteria – that this company, Pratt & Whitney, is going to be expected to live up to in order to receive the second installment, but I haven't received from the minister the details as to what the performance and employment criteria are. I wonder if the minister could make some comment specifically with reference to this vote towards Pratt & Whitney, \$25 million. We know the figures. What are the rest of the terms that go with it?

Before we can even decide with that, I guess the question is: how necessary, really, was it? Did Pratt & Whitney come to the government and say, "We'll only come here if you give us \$50 million interest free," or did we make the offer and they said, "Son of a gun, if we've got that kind of offer, we can't pass it up." In other words, which came first, the chicken or the egg? I have a bit of a concern. I know the minister has probably seen the articles in the newspaper: Pratt & Whitney have laid off about 400 employees in their Ontario and Quebec plants. Is that going to have an impact on us here in Alberta? In other words, are we in a sense causing jobs to be gained in Alberta but lost elsewhere in the country? Because I think if we're looking at building a nation, we can't start robbing from Paul to pay Peter, as it were. That's a concern that I have.

I note vote 4 is well done, so we'll just move right along past that one.

I have some questions on Western Economic Partnership Agreements: \$60 million from the provincial government and \$60 million from the federal government for a total of \$120 million. When I look at the figures before us in the budget this year and recognize that this is a four-year program, in particular I want to ask the minister about two initiatives, one of them being the reforestation. In vote 5.6 we're proposing to spend \$6.6 million. That's out of a total of \$30 million. Also in vote 5.3, Cultural Industries, which is \$2.8 million, it seems that the figures, if we're spending them that quickly, aren't going to last for four years. So I'm wondering: are the figures going to be juggled, or are some of them planned to be spent in two years and others phased in over a later time? What is the long-term strategy here? Although we see a description for it overall, we don't see as much in there as I think we'd like to have.

The minister in his comments said that really these are individual; we're going to hear more from other ministers that are affected by these figures. If that's the case, I'm wondering: why are we putting these partnership agreements in Economic Development and Trade? Wouldn't it have been more logical simply to put, for example, Tourism Marketing into the Department of Tourism? We have the Team Tourism program. Wouldn't it have streamlined things if you'd simply put the dollar figures into the appropriate departments rather than putting them all in economic development and then spreading the dollar figures out?

We had some economic and regional development agreements that I guess the western economic partnership agreements were designed to replace, but the ERDAs ended in 1989. I'm wondering: why was there such a delay in signing these new agreements? The old ones ended in '89; these news ones have come in in 1992. We had a three-year gap in there. I'm wondering why that was. Why did we have that three-year gap in signing these co-operative agreements between federal and provincial agreements here? I think the concept is there, but it seems quite a time lag in between there.

The minister has talked about the Alberta Opportunity Company in vote 6. As the minister knows, I'm not a great supporter of the Alberta Opportunity Company. When I look at its record over the last 10 years or so since its inception, the dollars put in really don't seem to justify what we're getting back out of it. Last year the province increased the grant so it turned a "profit," but it's easy to turn a profit when you've got an extra \$15 million injection of cash, Mr. Chairman. If somebody gave me \$15 million, I could probably show a substantial profit at the end of the year as well. I'm concerned that when you take away that extra \$15 million, it looks like AOC really showed a \$10 million loss. So I haven't really been a supporter of the AOC; I'm not a supporter of the AOC now. The minister said this is the 20-year

anniversary of the AOC. I also want to mention that this is the 50-year anniversary of the battle for the Atlantic, and maybe he should be like some of the U-boat commanders and torpedo this thing and have done with this particular concept.

I think what I'm suggesting here, Mr. Chairman – as you may have guessed, I'm leading up to a motion that I would like to pass out, and I'll get to it in just a moment. I've ensured that this one has been signed and preapproved by Parliamentary Counsel. But I do want to make some more comments about AOC. The minister talked about long-term debt of \$150 million, accumulated deficits of \$36 million, total assets of \$142 million. A question I put to the minister before is that I'd like more details on the loans and the guarantees. I think the minister did give some details in terms of total dollar figures, but I'm concerned about the losses recorded by AOC. How much has been lost, to whom, and what do we have to show for it? We're being asked in his vote to approve \$20.1 million, and to be frank, Mr. Chairman – no pun intended – I have some difficulty in supporting that when I don't have enough information before me.

Generally speaking, Mr. Chairman, the minister also made some comment about particular companies that have been under the auspices of this department and that he'd be delighted to answer some questions about those, and so I'm going to pose some questions to him about particular corporations which have received substantial infusions of cash from this department.

The first one I want to start with is Global Thermoelectric Inc. I understand that this is an interest free loan to Global, no repayment schedule. My first question about this particular company: what kinds of controls are there over loans such as this where there's such an oversight that no repayment schedule was ever instituted? I understand that this loan that was \$3.7 million was later converted to a 25 percent equity position, and that's been written down to a \$750,000 value. Has the \$3 million loss been written off in this current fiscal year or the past fiscal year? What's happened with that particular corporation? With respect to Global Thermoelectric Inc., I understand this particular company is in some substantial difficulty. My third question is: is there provision made for remaining potential losses? That's corporation number one.

Northern Steel, Mr. Chairman, is another corporation with which the minister has been involved. Thursday and Friday of last week we had the auction take place on this particular corporation. Fourteen million dollars in loans and guarantees from this department and assets realizing sales of approximately \$2.2 million is my understanding. I know it's in a different department, but it relates to this particular ministry. What portion of the \$6 million in losses is budgeted for the losses on Northern Steel? Since the Alberta government is not, as I understand it, a secured creditor, will we be getting anything back as a result of the sale of the assets? The assets are land, building, equipment, and also, I understand, quite a chunk of inventory of steel that's ready for sale. Are we going to be getting any of that money back against our \$14 million investment? Another question I had with respect to Northern Steel was a long-term lease dealing with equipment to PanAmerican Bancorp Leasing. My question with respect to that particular loan is: is that an ongoing expense, or has that now been terminated because the corporation has been terminated?

9:20

Another question I have is with respect to another company called Golden Gate Fresh Foods, Mr. Chairman. This is a subsidiary of Fletcher's and is a firm located in California. I'm wondering why or how this \$13 million loan guarantee was transferred from Fletcher's to a California corporation. My

supplementary question to that is: why would the government allow that loan guarantee to be transferred out of the country? I really don't understand how giving money to a California corporation is going to help us here in Alberta.

The last corporation I have a question for the minister on deals with Smoky River Coal. I understand their concern is that they may need an additional \$60 million in capital assistance to develop new mines. I'm wondering if the minister and his department have any plans to give any further assistance to that particular corporation.

Mr. Chairman, the department puts out a publication called *The Record*. In *The Record* they refer to the loans, and the minister frequently refers to a 5 percent loss. In other words, 95 percent of the loans are good, 5 percent of the loans are bad. I think that figure does hold with respect to the export loan guarantee program, but I'm wondering about the rest of the loans. For example, MagCan has a \$102 million loan. I'm wondering if we look at it perhaps from a different perspective rather than numbers of loans. We look at the dollar signs, the value of the loans. We look at MagCan, we look at Gainers, we look at Golden Gate Fresh Foods, and it seems that perhaps what we should be looking at is dollar value rather than simply numbers of loans. If you have a thousand \$1,000 loans and all of those are good but you have one \$10 million loan and it goes sour, it more than offsets the difference. So the concern I have to the minister is that perhaps the department should consider reporting in a different fashion.

The Western Centre for Economic Research made a submission to *Toward 2000 Together*. The Auditor General has also talked about no-risk management for contingent claims. I'm wondering if the minister has implemented any of the suggestions. The suggestions are that in the event, for example, that Golden Gate Fresh Foods would go down, rather than the public taking it over, what about consideration of putting this out to an auction and selling it off at an auction? Rather than us taking it over, let's get out of this business; let's sell it off and get what we can for it.

The disclosure of guarantees is improving, but in the budget document – and I refer to page 40 of the budget speech – we still have a huge category that says other, and it lists \$41 million. We don't know what "other" really means in terms of numbers of companies, who's got what in terms of the details. I'd like some more details, and in fact I've put a question on the Order Paper for that for the Legislature to consider.

The loan guarantees should have some kind of a call option on the shares of the corporation. In other words, if we're going to take some of the risk in supporting a particular corporation, what do we have for offsetting securities, and has that been considered by the minister?

Finally, Mr. Chairman, just in wrapping up, I think I've asked the minister lots of questions and given him lots to deal with. I have circulated a motion to the Legislature. I believe all members have a copy of it. The minister asked in his opening comments for suggestions on how we can improve, and I've provided a motion that I think is quite open-ended and broad and gets at the intent of what we, certainly in the Liberal caucus, have been talking about: trying to at least put a handle on things.

Sunset Clauses

Moved by Mr. Bruseker:

Be it resolved that the Committee of Supply recommend to the Assembly that consideration be given to implementing sunset clauses in all legislation which establishes subsidies for various projects, businesses, or other programs so that all such programs have a finite life span.

MR. BRUSEKER: Mr. Chairman, this really is a nice, wide, open-ended kind of recommendation, but I think really that the key words are "sunset clauses." If government is going to introduce a program for May 1, 1992, they should say, for example: "We're going to start this program May, 1, 1992. We're going to end it three years later, May 1, 1995, and then we'll re-evaluate it at some point." So the purpose of this really is simply to say: let's not get ourselves in the trap of having things go on and on simply because it's been the way we've been doing things for a lot of years; let's recognize that at some point we do need to end programs. I'm putting forward this motion in the spirit of suggestions, as the minister asked for, to perhaps help in working towards that balanced budget we've all been working towards.

Thank you.

[Mr. Jonson in the Chair]

MR. DEPUTY CHAIRMAN: Any discussion on the amendment?

[Motion lost]

Economic Development and Trade *(continued)*

MR. DEPUTY CHAIRMAN: Calgary-Glenmore.

MRS. MIROSH: Thank you, Mr. Chairman. It's a privilege for me to stand and speak on the estimates and congratulate the minister and his department for the fine work that they've done in stimulating this province's economy.

One of the greatest responsibilities that government has had in the '90s will be the continued diversification of our province's economy. I'm confident that our government will continue to meet this challenge. It's amazing to see that in spite of the setbacks that this province has seen in the early '90s, Alberta's economy continues to grow. Since 1985 Alberta has created 122,000 new jobs. Despite the recession we see in North America, Alberta is still creating new jobs. Manufacturing investment has tripled, value-added production of agricultural goods has doubled, and manufacturing and petrochemical plants in Alberta exceed \$3 billion.

I'd like to talk, Mr. Chairman, a bit about *Toward 2000*. I really believe that the opposition is definitely very jealous of that particular direction. It's now called the T2T. We talk about *Toward 2000* and what has happened with this particular paper. In southern Alberta we've received a lot of very positive comments, and in spite of the current situation the recent United Nations studies indicate that Canada has the second highest quality of life. In Alberta we expect that high quality of life. Our national wealth has been built on trade and especially our natural resources, yet the opposition members seem to hit on votes 2.1 and 2.2 regarding trade.

Despite the wealth generation of our natural resources and manufacturing, we have to pay for this standard of living that Albertans have become accustomed to, and we do that through trade, Mr. Chairman. The accumulated federal and provincial debt is fast approaching one entire year's gross domestic product. Add that to the municipal, corporate, and personal debt, and we find ourselves in a very desperate situation. Our deficit continues to grow, and funds required to service the debt are draining much of the wealth that we have generated.

How are we going to pull ourselves out of this debt? We have to do it by trade. The global economy affects all of us, and the reality is that the global economy is a competitive method. We must compete in order to sustain our quality of life. We must

find ways to generate more wealth to fund our social and other programs as well as service our debt. Otherwise, we cannot afford them and we cannot afford this standard of living. So our choice is simple. We either decrease our standard of living or we increase our output, and in order to increase our output we have to move into the area of trade.

Members opposite have been criticizing this government about promotions of trade and tourism and the benefits that we have realized through trade shows and other areas throughout other countries. I can't believe, Mr. Chairman, that they don't understand that without these kinds of trade shows and promotions, we cannot promote people to spend money in our province.

9:30

We're listening to the concerns of Albertans, to what they're saying, and stimulating our economy. I can't say that about the opposition members. They don't seem to be listening. It's interesting to note, Mr. Chairman, that we have received over 2,200 responses with regards to *Toward 2000*. [interjections] I'm talking about *Toward 2000* and stimulating trade and economic development and stimulating our economy. You still don't know what we're talking about, yet we have over 2,000 responses from the *Toward 2000*. Members opposite are asking what people are saying in those submissions. Well, I'd like to talk about what people are saying in those submissions.

They're talking about our energy sector and what is happening in that area, that our oil and gas firms are price takers, not price setters, and they rely on the international firms and events that take place all over the world. That's what trade shows are for, and that's what this whole thing, vote 2.5, is all about, the promotion of trade and tourism. That's how you promote our economy.

Global travel is on an increase; more people are traveling than ever before. Tourism is a great stimulant to our economy. Increased competition is now coming from places like eastern Europe, and we need to create an area where we will create growth for tourism. We now know that the greatest growth potential is with seniors, who are wealthier and healthier than ever, and they do travel.

Agriculture. The industry has been forced by economics to look at new ways to stay alive, but it can still go a little further. Subsidy wars may end, but the use of technology in competition for world markets will not. Value-added opportunities exist in such products in agriculture. We have to be creative and see a way of replacing traditional methods and products. We must look at high technology.

Possibly the greatest untapped resource of our talent in Alberta is high technology, our brains, and there's a tremendous potential. The biggest obstacle has been the inability to take advantage of expertise. We must continue to do that. All firms must stay abreast of industry and global trends. Global competition will affect our businesses, and thus we must continue to sell ourselves in the global market. We have to look at partnership as a means to an end, government in partnership with industry. This is an approach that we must look at in our economy. We have to look at communication, cultural industries, mineral development, northern development, reforestation. This year the economic initiatives of the provincial government will help the Alberta economy grow by 2.5 percent in real terms and will create 15,000 jobs this year.

Alberta's tax advantages. This is in the *Toward 2000* paper. A lot of people are talking about having a tax advantage in order for people to come here to invest. The government recognizes that global competition for manufacturing and jobs requires that our

tax rates be competitive. Income tax rates for large manufacturers and processors must be competitive. The capital cost allowance on manufacturing machinery and equipment purchases will be increased. Small manufacturers will continue to benefit from our low 6 percent tax rate. The combined Alberta and federal income tax reductions will cut the total taxes of Albertans by \$65 million in 1992, and this is very important in order to create a diversified economy and to help people invest.

It's interesting to note that exports support 250,000 jobs in Alberta, yet members opposite talk about our export loan guarantees. These have created 250,000 jobs, and nearly 2,000 Alberta companies export to over 150 countries around the world. In just over 20 years our exports have tripled from \$5.2 billion to over \$17.7 billion in 1991. We have to credit this to our export loan guarantees, and yet the opposition can't comprehend it. You keep complaining about it. It's a major part of it when you look at 250,000 jobs.

MR. McEACHERN: A small part.

MRS. MIROSH: You say that's a small part. This program has assisted 322 companies in nearly eight years, and most of them are from Calgary.

MR. McEACHERN: So?

MRS. MIROSH: So? You don't care that the loan guarantees have created and helped 322 companies? Where are you coming from?

MR. McEACHERN: I merely said they didn't do it all. [interjections]

MR. DEPUTY CHAIRMAN: Order in the committee, please. On all sides of the House, please. [interjection]

Order, hon. member. Order please.

MRS. MIROSH: In the Alberta capital loan guarantee program we have assisted 650 small businesses. The small business term assistance plan has . . .

AN HON. MEMBER: Alex doesn't care either.

MRS. MIROSH: The Member for Edmonton-Kingsway really doesn't care that we have created all these jobs in Alberta. He admitted to that. Shame. He admitted he doesn't care about 320 small businesses.

Mr. Chairman, the people in Calgary, the people who have made submissions to *Toward 2000*, say that we have to have a long-term goal. In order to achieve these competitive advantages, we must continue this loan guarantee program. That's very important. The world's getting smaller, and the competition's getting greater. We have to create new wealth. We create new wealth with people, and people believe in what we're doing. We believe in quality, and most important, Mr. Chairman, are the value-added products, our opportunities realized, including by-products or innovative spin-offs from our main products. My colleagues in this House wonder about whether or not we in the urban areas understand agriculture. Well, we're learning. We know now how important agriculture is in the value-added products. We are now trying to sell all these products in the urban areas.

We have to have a major information centre. We have to have a way of measuring, rewarding, and recognizing performance of individuals and teams who have become competitive in the global

market. The most productive company will be the one in which all the employees are striving for the same goal: quality, total quality. We must invest in our most important asset, and that is the people of Alberta.

Mr. Chairman, in closing, I would like to commend the work that the department has done. I have some reservations about the total budget cost increasing, from 1991 to 1992, from \$36 million to \$53.3 million. Perhaps the minister could talk about that increase. It looks like the operating budget has decreased from \$33 million to \$28 million and capitals costs have decreased by half, yet we have a total increase of almost double in his overall budget.

Mr. Chairman, I think it's important that we do develop more and more trade and competitive trade within the department of trade and continue helping small businesses wherever we can. I'd just like to make one point in closing with regards to your office in Calgary, Mr. Minister. We have had a great deal of help from the Calgary office. The department in Calgary has had 11,000 inquiries related to business counseling, trade development, and investment opportunities. This is not any small potatoes. They have co-ordinated help to agents throughout the world, in New York and London. They've helped in business counseling and development branches and assisted in hosting a lot of delegations from Russia and other parts of the country. They've been extremely, extremely helpful in those areas, and I would hope that the minister would continue to encourage his department to do that.

9:40

The business counseling and development as well has been very successful. It's been a new area in the department. The business counseling and development branch provides leadership in co-ordinating development and implementation of the strategy.

Mr. Chairman, I hope that the minister will continue to develop those programs and help people, particularly in our province, who are interested in continuing to trade and promote their trade through the trade shows. It's been very, very productive. The Member for Calgary-North West wondered about these trade shows, and I think perhaps it's important that he be shown how many companies have been helped by this.

Thank you, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Are you ready for the question?

SOME HON. MEMBERS: Question.

MR. DEPUTY CHAIRMAN: The hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you very much, Mr. Chairman. I'm going to keep my remarks relatively brief this evening, but I'm not sure that hon. members will be any happier with the comments or points I have to make. I really would like to talk about a triple E department: efficient spending, effective spending, and equitable spending within this minister's department. I'm sorry I'm going to have to say tonight that he's part of the "in" crowd - inefficient, ineffective, and inequitable - and I'm going to make my points around those three.

First of all, Mr. Chairman, I thought it instructive, in looking at the cost . . .

MR. DEPUTY CHAIRMAN: Excuse me, please, hon. member. Could we please have order in the committee. A certain amount of informality is permissible, but the speaker should be able to be heard. Thank you.

Please proceed.

MR. HAWKESWORTH: Anyway, Mr. Chairman, I just thought it would be interesting to take a look at how much is being spent by this government in administration. So I took the liberty of looking at these estimates, Economic Development and Trade, and we find that they're spending \$25 million this year, approximately, for business and development. There's another \$21 million into the partnership program, vote 5, for a total of \$46 million. Now, there's one \$25 million loan that somewhat skews the global figures, and as well there's the money that's going to the Alberta Opportunity Company, which in turn has its own corporate structure, its own board of directors and so on. I didn't want to double count administration, but basically this government is spending \$3.4 million in departmental support to spend \$46 million.

I thought it was interesting to also look at the Department of Technology, Research and Telecommunications, which essentially serves exactly the same function as this department: \$14 million in that department for providing funding, \$28 million for the Alberta Research Council, \$17 million for Access and CKUA; a total of \$59 million in that department. Combine that with this minister's \$46 million, and \$105 million is being spent in the in the two departments for economic development initiatives.

Combining the Departmental Support Services for the two departments, we find that they're together spending \$10 million to administer a \$105 million program, and I haven't even begun to analyze what might be going on in the tourism department, which is also an overlap in terms of the delivery of economic development programs. I just think, Mr. Chairman, that that's an inefficient way to organize and deliver programs of government. I would say there are some areas there of inefficiency that could be addressed or ought to be addressed.

Ineffective spending. I just would like to briefly highlight the litany of failure that's occurred in the ad hoc program. I mean, it's astounding that with the six companies that succeeded in the ad hoc program, for every dollar they returned, there was \$42.40 of taxpayers' money lost by the companies that did fail. Now, Mr. Chairman, I'm not expecting that every program and every support that this minister provides to a company is going to succeed. In fact, I would just anticipate that that's part of the business of providing funding to business, that if you're into that, not all of it is going to succeed. But of the 75 companies that received ad hoc taxpayer investments, loans, guarantees, or indemnities since April 1, 1986, 36 have failed, leaving taxpayers on the hook for losses totaling over \$1.6 billion. I know that the hon. member who just preceded me talked about all the jobs that have been created under the ad hoc program. Six companies have fully repaid or fully discharged taxpayer-funded obligations, and that came to \$38 million. There are another 33 that still have debts outstanding.

I'll just give you a brief overview of some of them: General Systems Research, Myrias Research, Alberta Terminals, Chembiomed, Global Thermoelectric, Nanton Spring Water, Ringo Manufacturing, Tomotechnology, Northern Steel, Gainers, Gainers Properties, Alberta-Pacific Terminals, Magnesium Company, Golden Gate Fresh Foods, Alert Disaster Control, Pyramid Industries, Continental Canal Systems, to name only a few, Mr. Chairman.

In 1990-91 for every dollar the government spent on new ad hoc assistance to business, 98 cents was lost on previous business ventures. Mr. Chairman, that in my view is a highly ineffective spending program. We're talking big dollars here: \$1.6 billion that could be used to reduce our deficit, that could be used to create more openings in our colleges and secondary institutions for students who want an education, extra money for all sorts of things, including funding a tax reduction if the government so chooses. So I just want to highlight the extremely high loss rates

that have been suffered by taxpayers in the ad hoc assistance programs.

Mr. Chairman, if you take just the year the most recent public accounts are available, 1990-91, the loss rate on student loans was 9 percent; .6 percent on farm credit stability loans; capital loans, 1.5 percent; export loans, 5.7 percent; and as I indicated, for the ad hoc assistance program, 98 percent. Not, in my view, a record of success.

Mr. Chairman, inequitable spending. Some have already highlighted that small business is being squeezed out in order to support big expenditures for single entities such as Pratt & Whitney. Obviously, we're not opposed to bringing new investment to the province, but we also don't want to see our small businesses squeezed out either.

I would also like to review, in terms of the way money gets spent by the ministry and by the government, what the Auditor General had to say about evaluating and monitoring specific loan guarantees. He says on page 13 of his most recent report that proposals received from departments are sometimes inadequately supported because they lack business plans, operating budgets, and financial statements.

I'd like to know if the Minister of Economic Development and Trade will indicate whether these comments from the Auditor General are directed at his department or not.

In a sample of files reviewed, instances were noted where financial statements of organizations with guaranteed loans, which should have been submitted by the borrower, were not available. In one instance, the file contained no evidence of action taken or proposed by the financial analyst when the actual results of operations of the borrower differed adversely from those in the guarantee proposal.

These are very, very alarming comments being made by the Auditor General. I realize that the monitoring of guarantees once they've been implemented moves over to the Treasury Department, but obviously one can't make a hard and fast delineation between the two departments, and the Auditor General's report is very alarming in some ways in view of that. So, ineffective and inequitable.

9:50

On an ad hoc basis, the minister's department makes the decision. The minister or people very close to the minister are the ones making the decisions. That is, it's not part of a policy overview; it's on an ad hoc basis. I'd just like to ask the minister: who gets in the door? How is it that these individual companies all get these approvals? Is it because they knock extra loud, or because they have a certain degree of credibility with the minister? Or is there some other reason why they're approved, especially given that the Auditor General is saying that some of them lack business plans, operating budgets, and financial statements? I would be very concerned, and when I see a pattern here of failure reaching \$1.6 billion, I have a great deal of concern about the administration of the ad hoc program.

A lot of discussion about the Pratt & Whitney loan: \$25 million without interest. I'd like to ask the minister: what are the repayment terms? What is the best case scenario as well as the worst case scenario? Is there some instance in which Pratt & Whitney would not have to repay that money at all? I'm sure that's part of the agreement. Would he tell us what, under the best case, would be the repayment terms, and under the worst case, what are the repayment terms?

I'd just be interested whether Pratt & Whitney will be obliged to carry a contingent liability on their financial statements which indicates that money is going to be owed to the Alberta government, and will that financial statement indicate what the terms and conditions might be? I know that it was instructive for me as a member of the Heritage Savings Trust Fund select committee,

when reviewing the loan provided by the trust fund to the Alberta-Pacific consortium for their financing – you know, you go and get a securities offering in this province, and it contains a lot more information to the shareholders than members of the Legislature can get from the government regarding the matters that we're being asked to vote on. Here we're being asked to vote for this loan. What kind of information are we given? Not much, and I would like the minister to expand on some of those terms.

Finally, I would hope the minister could take a few minutes in his closing remarks to talk about a general provincewide sales tax. I notice that the Canadian Manufacturers' Association's most recent bulletin is now calling on the government to implement one. I notice that significant players in the oil patch are now calling for one, and I also note with interest that the opposition Liberal Party is also calling for one. I would like to have the minister perhaps take a moment or two, if he would like, to tell us what the prospects are for the tax regime as he sees it in terms of a general retail sales tax. I think those might be some comments that I would welcome and look forward to receiving.

Thank you, Mr. Chairman.

MR. ELZINGA: Mr. Chairman, let me respond to a number of the issues that have been raised, and I will do so in reverse order, if members don't mind. Prior to doing so, let me indicate my special appreciation for the debate that we have had tonight and for the valuable advice that we have received. I'll do my level best to respond to the questions and concerns that have been raised.

Let me start with the hon. Member for Calgary-Mountain View and indicate to him that the administrative costs naturally would be higher when you are involved with the number of clients that we are. Assessments have been done by a number of financial institutions, as have been done by ourselves, but the smaller the loan amount, the more clients you have, the greater administrative costs that are incurred. Since we do deal mainly with the small business sector, as I indicated in my opening remarks, there is a higher administrative level required as it relates to counseling and the information services that we pass on.

Just as it relates to the administration itself, the \$3.4 million he referred to includes the finance division, whereby we do monitor the projects that we are involved in. I must say I find it a wee bit ironical whereby he says we should have less administrative services, yet he goes on to highlight some of our failures, whereby maybe if we had more administrative services to do a more thorough job of monitoring them, we would have fewer failures than we've had to deal with. But I deeply respect his comments.

I'm going to deal with the issue of losses, which he highlighted too, when I deal with the hon. member for Edmonton-Kingsway. I'm also going to respond because it has been raised before as it relates to the Auditor General's statement, but let me indicate to him also that our deputy has responded to the concerns that have been raised by the Auditor General. We believe that we have responded in a positive way in addressing the concerns that he has raised.

Just as it relates to project approval, any project that we are involved in, we do go through a very thorough analysis. The analysis varies as to the project. If I can give one example, an example which I have repeated on a fairly consistent basis in this Legislative Assembly, with our export loan guarantees and a number of other projects we also rely on the advice we receive from the financial institution, whereby they do the due diligence. We rely on them plus a further analysis on our own behalf to make sure that what we are involving ourselves with is a valid project.

Since other members raised Pratt & Whitney, I'm going to deal with it in a more in-depth way. Just to leave the hon. member with the assurance that there is a full repayment as it relates to the loan we have given them. Other members have indicated that our budget has increased. Well, this is a loan. It's a nonbudgetary item, whereby there is going to be a full repayment.

Just to close on the hon. Member for Calgary-Mountain-View's comments as it related to a sales tax, our position has been stated very clearly on a consistent basis by both our Premier and our Provincial Treasurer. I don't feel that I have to add anything to that.

Dealing with the hon. Member for Calgary-Glenmore, let me indicate to her also, as I have done to other members, my appreciation for the advice and counsel she has offered this evening in this Legislative Assembly but more importantly for the advice and counsel that her and her committee have given me and a number of other colleagues on an ongoing basis. The hon. Member for Calgary-Glenmore serves as the chairperson of our economic planning caucus committee, and we deeply appreciate the good work they do on an ongoing basis. I've made notes of her comments on the economy and the role that the Calgary office plays and that she has done. I, too, compliment Doug Neil and the excellent people we do have in our Calgary office.

Dealing with the hon. Member for Calgary-North West, I thank him also for his comments. He stressed the reductions we were taking as it relates to the number of employees and a small decrease in the minister's office as it relates to supplies. But I would be less than honest if I didn't indicate to hon. members that I feel our department presently is stressed. We have gone through a number of cutbacks within our own budgetary expenditures. The figures that you have before you I'm going to go through in greater detail in a moment, but if you remove the WEPA funding and the Pratt & Whitney nonbudgetary funding of the \$25 million loan, we have seen an actual decrease in our budget again this year. On a consistent basis our budget has been restricted, whereby we have a large clientele that we have to serve within the small business community, the small communities throughout rural Alberta. Quite frankly, I salute the work that our department has done, recognizing that there have been additional efficiencies imposed upon them. I indicated to him that if you do an analysis of the budgetary figures, you will find there is an actual decrease.

10:00

The hon. Member for Calgary-North West also asked my thoughts as it related to the amalgamation of a number of different departments, and this has been a question that has been put to other ministers also. It has been repeated that this is strictly the prerogative of the Premier. Here I salute the Premier for his initiative in giving a higher priority to technology and research development within this province, the higher priority he has given to tourism, the higher priority he has given to forestry. If you look at the investments that have taken place within this province, recognizing that agriculture and energy have suffered some severe economic downturns, these sectors have done a great deal to contribute to the further diversification of our province. That's not to say that there should not be an ongoing analysis of that, and I'm sure our Premier does that. I'm delighted that he had the foresight to involve a number of ministries in the further diversification of this province of ours; otherwise, we would be in sad shape today rather than experiencing real economic growth.

He also had a question as it related to international assistance. I deeply appreciate his commitment to that. As he pointed out, there is a small reduction within that sector. Ours is one of the few provinces, if not the only province, that does offer interna-

tional assistance, and we believe it is very important that we do offer that. In the event that there is any opportunity as we go through this budgetary cycle that I can reallocate some funding within certain sectors within our department right now, I'm more than happy to re-examine that, but presently as the budget stands, there will be a small reduction.

Just dealing with the Motion Picture Development Corporation, again I thank the hon. member for his comments. As he indicated, we do have a piece of legislation before the Legislative Assembly that will basically have two thrusts whereby we want to involve ourselves to a greater degree dealing with interim financing. As the hon. member knows, there are those amendments in the legislation before us. Plus what we want to do is give greater flexibility to the corporation itself so that they can charge a small application fee and some small fees to those they are offering support to rather than having to absorb those disbursements themselves as they relate to legal fees and script reviewing, so they can deposit those revenues into their revolving fund.

Just dealing, too, with the concern that he raised dealing with our value for what we are spending our money on, I leave him with the assurance that there is a thorough analysis done by the Auditor General, and we appreciate the Auditor General's constructive advice to us on an ongoing basis. We do on an ongoing basis a thorough analysis as to whether we are receiving value for our money. We believe we are, and I appreciate the debate that has gone on here as it relates to that issue.

Dealing with Pratt & Whitney, I indicated, too, to the Member for Calgary-Mountain View that the loan will be totally repaid. We have a full corporate guarantee on this loan, and I indicated earlier in my opening remarks some of the criteria that related to us offering that loan. The member raised a concern about what impact the layoffs in other parts of Canada would have, dealing with Pratt & Whitney on this project. I can assure him that there will be no impact as it relates to this project itself.

The hon. Member for Calgary-North West also touched on the Toward 2000 process. Maybe it's somewhat early to indicate what will come out of this process, but we sense, as the hon. member has suggested, that there is a desire by the business community to create a more competitive climate within our province, offering direct support to individual companies to come to the province of Alberta. That is my desire also, but unfortunately we are in a competitive society. The hon. Member for Edmonton-Kingsway has indicated that we shouldn't involve ourselves in that competition, and I respect his comments. But we recognize that if we didn't, we would have gone through a severe downturn such as other areas around us are experiencing. We felt we had an obligation to our population to involve ourselves in attracting companies such as Pratt & Whitney. We are hopeful that on a more global basis all governments will pull back from their support and we can do it strictly on the basis of our natural advantage and through our taxation system. That is why we started with this budget, whereby there was a reduction as it related to the manufacturing and processing portion of the taxation levels and also a reduction in the personal income taxes.

Dealing with WEPA, I'm more than happy if hon. members wish to go through it in a fairly lengthy way. It will take far too long with what time constraints I'm under here, but I wish to share with them, too, that each individual minister who has a component within the WEPA is more than happy to respond. The hon. Member for Calgary-North West touched on the forestry section. This is a \$30 million involvement which is cost shared by the federal and provincial governments, which includes reforestation, intensive forest management programs for silviculture on provincial Crown lands and management of federal Crown lands, a

research and technology transfer program, and public information and education. That's a brief overview, but the individual ministers are more than happy to go into it in a detailed way. I thank him also for his advice and will make sure that we have further discussions in Treasury Board as to whether we should not have these individual allocations within the various ministries rather than under ours. We felt that we should highlight this major economic initiative, recognizing that we want to continue on with our thrust in creating jobs within the province.

He commented also on the Alberta Opportunity Company. I noticed that he has a question on the Order Paper dealing with that, and in due course we will get back to him. I must share with him that there are some difficulties and some restrictions in which we are placed as it relates to commercial confidentiality, as I pointed out to hon. members earlier. I have noted his criticisms, but I must share with him that I do not share his thoughts as they relate to the Alberta Opportunity Company. I highlighted in my opening comments the reasons why.

He also raised a number of companies, and I'm going to deal with them briefly in my closing comments to the Member for Edmonton-Kingsway. The issues he raised, Global Thermo-electric, Northern Steel, Golden Gate Fresh Foods, Smoky River Coal: none of these are within our budget this year. We do have some constraints as it relates to the budgetary estimates that are before us in that we have to deal with those budgetary estimates and not items that are not within those budgetary estimates. For that reason I will not deal with them, because we've dealt with them on a fairly consistent basis in question period whereby we have responded to the concerns that have been raised. Whether they be on Smoky River Coal or Northern Steel, we have responded to the hon. member's concerns during a different time element here in the Legislative Assembly.

Let me close with the hon. Member for Edmonton-Kingsway in response to his concerns about Toward 2000. I'm sure the hon. member can appreciate the difficulty in putting together a discussion paper in that we don't wish to be too leading. We want to make sure that we draw what individuals feel should be present within our economic thrust without being too leading in one direction or the other. That is why we have been less specific than what the hon. member suggested.

The hon. member has raised concerns about free trade. He has raised them on a consistent basis. Let's look at the facts. We recognize that the hon. member is in opposition to free trade, but in 1988, before free trade was a reality, Alberta exported some \$9.1 billion worth of products. In 1991 we exported \$11.7 billion worth of products, a 28 percent increase. The U.S. remains our most important trading partner and our most accessible market, and we have to have access to that market. I would suggest that the hon. member look at the major product groups that have endorsed free trade: the Alberta oats council, Southern Telecommunications, Novacor, Alberta pork producers. There's a long list of groups and producer commodity groups that have endorsed free trade. I recall when I was in Agriculture stressing to hon. members the importance of our having market access other than what we presently had within our own boundaries; otherwise, the face of farming would drastically change.

He raised a concern as it related to our incubators. It was a three-year program. There have been suggestions of sunset legislation. This is a program that did have a sunset provision within it, and we're presently going through an analysis. We've lived up to all of our requests to date. In the event that individuals feel this program is worthy of further support, it is something we will analyze.

10:10

The hon. member was very critical of our interest shielding program. Some 62,000 individual participants took advantage of that program. If the hon. member is saying to those 62,000 people within the province of Alberta that they shouldn't have taken advantage of it, I would have to disagree with him. We had expenditures of some \$14 million to offset – I agree with him – a very discriminatory federal practice of having high interest rates, and we're delighted that now they are dropping off so that again we can see an upturn in our economy.

I dealt with the WEPA component. Pratt & Whitney I believe I responded to. As the hon. Member for Edmonton-Kingsway also indicated, I would like to reinforce what he said about Mr. Kolkman. Our relationship goes back a long way. We farmed very close to each other. It's a family that I have high regard for, a fine outstanding young Christian man whom I have nothing but the highest respect for.

But I should share with him that I do have some questions as it relates to the documentation they put out – and we've indicated that – because it is less than factual. They indicate probable losses in the paper, and then they say their actual losses verbally here in the Legislative Assembly. They highlight issues such as credit union assistance, the Principal Group. These are not business involvements. As I indicated to the hon. member, those were involvements because of our strong social conscience and our desire to help individuals who did encounter difficulties. We had no legal obligation whatsoever. They highlight that in their list of so-called failed companies. I can go through this sheet too. "Probable loss," "probable loss," "probable loss," "probable loss," "probable loss." We won't know the actual losses. "Probable loss" under Northern Steel, under Gainers, under Magnesium Company. We can go through a long list of probable losses. They're all reported when the loss actually takes place, and they won't be near to the degree that the hon. member has suggested. I'm happy to leave him with that assurance.

I want to close, though. I want to close and just look at the New Democratic Party's paper, A New Direction. They suggest that we should involve ourselves with an infrastructure development component. We did that in our budget, and what did the hon. members do? They voted against it today at second reading, whereby we've offered some \$200 million to municipalities for infrastructure support. What they've advocated in their own paper we've offered by way of support, and the hon. members are critical of it. It just shows you how they attempt to talk out of both sides of their mouths.

In addition to that, they indicate that the government should provide direct funding to create jobs. We've created, as we've indicated, in excess of 120,000 jobs in this province in the past five years. What they're suggesting in A New Direction is that economic development be focused on creating 2,400 temporary jobs for \$120 million. In other words, what they're suggesting is welfare, not work. We want to make sure that individuals have an opportunity to work within this province, not welfare.

I can go through this in a lengthy way as it relates to export-related jobs and Alberta first policy. We work closely with our Alberta companies. All things being equal, they do get the work first, but in the event that there is somebody more competitive in some other part of the world, we believe that they should have a right to compete on our projects again for the benefit of the citizens of the province of Alberta.

Rather than taking a long time, let me close and indicate my thanks to hon. members for their participation, and I say with

deep sincerity that I deeply appreciate the comments we received tonight. I again salute our officials within our department for their ongoing commitment to our province, as I salute the individuals within this Legislative Assembly for their commitment.

Thank you, Mr. Chairman.

MR. GOGO: Mr. Chairman, I move that the committee rise, report progress, and beg leave to sit again.

[Motion carried]

[Mr. Speaker in the Chair]

MR. JONSON: Mr. Speaker, the Committee of Supply has had under consideration certain resolutions of the Department of Economic Development and Trade, reports progress thereon, and requests leave to sit again.

MR. SPEAKER: Do members of the Assembly concur in the report and the request to sit again?

SOME HON. MEMBERS: Agreed.

MR. SPEAKER: Opposed.

SOME HON. MEMBERS: No.

MR. SPEAKER: Carried.

Deputy Government House Leader.

MR. GOGO: Mr. Speaker, by way of information, it's the intent of the government to call estimates tomorrow evening with the Department of the Environment.

[At 10:16 p.m. the Assembly adjourned to Tuesday at 2:30 p.m.]