

Title: Estimates of Economic Development, Wednesday, March 1, 2000

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8:06 p.m.

[Mrs. Gordon in the chair]

Subcommittee D – Economic Development

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Renner, Rob, Deputy Chairman
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Broda, Dave
Carlson, Debby
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THE CHAIRMAN: I'd call the meeting to order again tonight. We're going over the main estimates for the Department of Economic Development. We have approximately two hours, give or take a little bit either side of 10 o'clock, so I think we'll start with the minister for an overview.

MR. HAVELOCK: Thank you, Madam Chairman. It is certainly my privilege to submit for your review and approval the 2000-2001 estimates for the Ministry of Economic Development, which include the department, the Alberta Economic Development Authority, the Strategic Tourism Marketing Council, and Travel Alberta. Today I will briefly report on the state of Alberta's economy and the ministry's plans to continue to foster a positive business climate that is conducive to job creation, growth, and investment in our province. In 1999 our real gross domestic product increased by an estimated 2.8 percent. For this year we are again forecasting strong economic growth with employment expected to increase by 47,000 private-sector jobs. We anticipate the sectors that will lead such growth are the resource-based industries including oil and gas, forestry, and agriculture, as well as further along the value chain into petrochemicals, food processing, and wood fibre. Expansion into new economy industries such as advanced technology and information and communication will also play a large role, Madam Chairman.

Turning to the ministry, our department facilitates economic growth in the province by assessing and monitoring Alberta's business climate to ensure that it remains positive and competitive. It's mission is to promote Alberta's continuing prosperity, and it achieves this through three core businesses: strategic leadership for economic development policy and planning, market development and investment attraction, and tourism marketing and development. The department has three key goals related to these core businesses, being "Alberta has a vibrant and versatile economy," "Alberta's businesses, communities and industry sectors are globally competitive," and "Alberta is a globally competitive tourism destination." But, Madam Chairman, we cannot achieve these goals in isolation; rather we will continue to facilitate economic growth in Alberta through our expanded partnerships with the Alberta Economic Development Authority, the Strategic Tourism Marketing Council, the Travel Alberta Secretariat, business and industry associations, and other provincial governments and departments.

A critical part of our direction, Madam Chairman, is the government of Alberta's new economic strategy released on February 8, which builds on Alberta's strong forecasts and includes a number of targets for our centennial year, 2005. It was developed in collaboration with my colleagues, a number of government departments, the Alberta Economic Development Authority, and the Alberta science and research authority. Entitled *Get Ready Alberta: Strengthening*

the Alberta Advantage, it focuses on our economy's strengths by setting targets to position our province as a leading competitor in the global marketplace.

As part of the strategy, Alberta Economic Development will play a significant role in creating an environment within the province that will by 2005 create 295,000 new private-sector jobs, an increase of almost 20 percent; expand manufactured, value-added products and services as a proportion of Alberta's overall economy; increase Alberta's value-added exports to \$26 billion, up from approximately \$15 billion today; increase tourism revenues to \$6 billion from the current level of \$4 billion and partner with Alberta's tourism industry to deliver marketing programs and support services; maintain a competitive tax advantage and promotion of a positive business climate that stimulates and attracts investment activity; and develop and promote international trade and market opportunities. In addition to the province's new economic strategy, Alberta Economic Development will implement two new initiatives aimed at refining Alberta's presence in the global marketplace. The Alberta international marketing strategy and the Alberta international representation review were based on collaboration with the Alberta Economic Development Authority, various industry stakeholders, and a number of government departments. These strategies recognize government's role as a facilitator and are based on two realities. One, government has an important role in developing and promoting provincial interests internationally, and two, government should identify opportunities for Alberta businesses by focusing on regions and sectors that promise the greatest return.

The first of these two strategies, the Alberta international marketing strategy, emphasizes that in order for Alberta to succeed in the global marketplace, investment in trade activities must be competitive, co-ordinated, and targeted on promoting economic growth and prosperity. That means activities must be directed to make the most of our province's strengths. This is accomplished by identifying key geographic markets and priority sectors and highlighting marketing strategies to ensure that Albertans receive the best return on their investment. In conjunction with this, Madam Chairman, our role is to provide a range of services including market intelligence, market assistance, and opportunity identification. We will also monitor and assess trends for Alberta businesses.

The Alberta international representation review is the second strategy aimed at refining Alberta's presence in the global marketplace. In early 1999 a review process to evaluate Alberta's international representation network concluded that we must be involved internationally and continue to seek global opportunities but that we require a more global presence. This new strategy responds to that report. It is based on significant industry consultation and reflects industry's needs and expectations as they relate to international marketing. It also reflects a different approach to international representation.

[Mr. Renner in the chair]

Alberta's international offices will continue to have a trade and investment focus, as opposed to a protocol function. The managing directors who lead the offices are qualified strategic trade and investment professionals, and we are constantly examining cost-effective ways of establishing our offices, including collocating where it makes sense, and any changes to those offices will be accommodated within existing budgets. More importantly, Mr. Chairman, we will develop performance measurement processes for Alberta's international offices and evaluate them to ensure all our international marketing efforts are functioning effectively. No new offices will be opened before these measures are in place and such evaluation concluded.

Concerning tourism, Mr. Chairman, this industry is critical to Alberta's economic prosperity, generating over \$4 billion annually. Through Travel Alberta we are aggressively positioning our province both at home and abroad to ensure that we remain a top-of-mind vacation destination. To do so, the Strategic Tourism Marketing Council is currently reviewing the performance of this year's strategic tourism marketing plan. Further, a new three-year plan, 2000-2003, should be approved soon.

With respect to the current plan, Mr. Chairman, it focuses on geomarketing in the Americas, proposing the largest campaign in 10 years: Alberta, a multimedia destination awareness campaign aimed at Albertans and Europe, Asia Pacific, where we collaborated with the Canadian Tourism Commission in the U.K. and German markets and launched a new initiative in Japan with two leading travel agencies. The initial results are encouraging, and we will be releasing information relating to such initiatives in the near future. Now I'd like to turn more specifically to the estimates we will be voting on. I'll be very brief. The budget for the department is \$51,236,000. That's gross expense. As you are aware, the revised role of this ministry is solely that of the lead sales and marketing arm for the government. That means the ministry is no longer responsible for the Alberta Gaming and Liquor Commission, the Alberta Opportunity Company, and the Alberta lottery fund. The ministry does, however, as mentioned earlier, continue to work with the Alberta Economic Development Authority and the Strategic Tourism Marketing Council to carry out its role.

8:16

The first program, ministry support services, is responsible for the offices of the minister, whose budget, I might add, has been reduced by \$85,000, and the deputy minister, finance and administration, co-ordination and support for the Alberta Economic Development Authority and its subcommittees, and funding for the standing policy committee on economic sustainability. The total budget for that part of the department is \$5,112,000.

Our second program, marketing and business development, includes policy and knowledge management, investment and trade, and industry and regional development. Its total budget is \$29,189,000.

Our third program is Tourism, which includes marketing support services and development, and it has a total budget of \$16,935,000. Mr. Chairman, that concludes my opening remarks on the estimates of the Ministry of Economic Development. I am certainly now available to answer any questions the members of this committee may have, and I also undertake to review *Hansard* and respond promptly to any questions I may be unable to address this evening. Thank you for your attention.

THE DEPUTY CHAIRMAN: Thank you very much, Mr. Minister. Before I open the floor to members who wish to address this budget, let me just remind everyone that this room is somewhat more

informal than our normal location downstairs. It's not necessary to rise when you speak, but the rest of the decorum we would normally acknowledge in the Assembly downstairs should be shown in this room. So I would ask everyone to keep that in mind as we progress through the evening.

Hon. minister.

MR. HAVELOCK: Yes, Mr. Chairman. If I could for the members, I'd like to perhaps suggest a way we could proceed. When I was Minister of Justice and I went through this process, what quite often happened, in particular with members of the opposition, is that they would ask two or three questions, I would try and respond at that time, and then they would go back to more questions, as opposed to, for example, simply listing their questions for 20 minutes and then me trying to respond. I found that created a much less formal atmosphere. We were able to generate a good dialogue, and we were able to respond to questions.

Now, that's just a suggestion. I'll try my best, but of course if anyone here wishes to simply chat for 20 minutes and have me try and respond, that certainly is their option.

THE DEPUTY CHAIRMAN: That certainly is possible, but as I said, the rules are the same as downstairs. Members are entitled to speak for 20 minutes, and there's nothing the chair can do if they choose to do so. You've made an offer, and I offer that option to any of the members who choose to participate in the discussion.

The hon. Member for Lethbridge-East.

DR. NICOL: Thanks, Mr. Chairman. Mr. Minister, it's good to be in and review your budget this evening. It's interesting to note some of the things you said in terms of how your economic development strategy and some of the other things you've talked about this evening pull together. The focus on the international and the expansion of our markets is a much better idea than a lot of the other aspects that have been involved.

I guess what I'd like to do is take you up on your offer of just dealing with one or two questions, get you to answer them, and after I've done three or four, we'll move to somebody else, if that fits fine.

You talked about the idea that you wanted a target of great growth, a very optimistic level of growth in the value-added production from Alberta, up, I think you said, from 15 to 26. As part of your strategy and as part of the way you've looked at how to achieve that, how are you working with some of the other departments like Infrastructure in terms of getting the impact that may be put on the infrastructure of our province in order to facilitate that?

In that same connection, you know, we've had a lot of debate this past year in terms of transportation: what's happening to the railways, rail line abandonment. Are you looking at those kinds of things, as well, as you look at the location and the potential in-province regional development pockets that could exist, the critical masses that could develop for regional development within the province?

MR. HAVELOCK: A good point, hon. member. We have established what's called the Council of Economic Development Ministers, and on that council are the ministers of Infrastructure, Resource Development, Agriculture, Innovation and Science, and a couple of others. We actually work closely together in trying to identify economic issues as they arise. You rightly point out that infrastructure is critical, because for us to be able to grow, we need to have the infrastructure in place. So we ensure that that minister has certainly a significant say in any initiatives we're undertaking.

In putting together the new economic strategy, the Get Ready

document, we worked with I believe nine other departments in trying to determine what their priorities were up to the centennial year of 2005. So we've tried to, again, reflect a cross-departmental approach.

As concerns regional economic development, I did speak to – I may not have the name correct – the association of regional development organizations some months ago and really encouraged them to work together with us. There are some regions in our province which, quite frankly, while the province is growing and the economy is growing, haven't benefited as strongly as other regions. So we are trying to work with some of those areas with respect to, for example, potential tourism development, industries that may well be better suited for those particular areas. Finally, when we're out there selling the Alberta advantage, hon. member, we're selling the province and we aren't selling a particular region. However, of course if a business identifies a particular area or location it may wish to move to, then we do all we can to facilitate that.

DR. NICOL: In that line, has your trade office . . .

THE DEPUTY CHAIRMAN: Hon. member, I want to do everything I possibly can to facilitate the discussion, but we do have to have a record of speakers, so I would ask that you be recognized by the chairman so that at least we have a record for *Hansard* purposes if nothing else. It might make things just a little bit easier. The member indicated that he wanted to ask about three or four questions. Why don't you ask all three or four questions and let the minister answer. We'll do them in lots of about three or four, just so we're not back and forth. Is that okay?

MR. HAVELOCK: Well, I don't know. I mean, unless it creates some confusion for you, you can interject when I'm finished.

THE DEPUTY CHAIRMAN: There is no difficulty, Mr. Minister, as long as it's okay with all members, but normally the chair would not recognize the same speaker three times in a row.

MR. HAVELOCK: Right. But the hon. member is kindly giving me, I guess, a portion of his 20 minutes in which to respond and create the dialogue. Perhaps I'd ask that when the hon. member started speaking, his 20 minutes started, and I happened to be chewing up part of it answering his questions.

THE DEPUTY CHAIRMAN: Well, if that's acceptable to the member, that's fine with the chair. We were keeping stop time here.

DR. NICOL: I would suggest we run the full 20 minutes while we're having our dialogue and then somebody else can have it however they want to structure their 20 minutes.

THE DEPUTY CHAIRMAN: That is perfectly acceptable to the chair, and I would be more than pleased to accommodate. So I will advise when your 20 minutes have elapsed then. Is that okay?

DR. NICOL: If you would, please.

MR. HAVELOCK: Please deduct the 10 minutes we spent arguing about how we were going to do this.

THE DEPUTY CHAIRMAN: That's fine. If we're going to go with that, you and the minister have the floor until your 20 minutes is up.

DR. NICOL: Okay.

When we talked about the structuring, you said that you didn't want to try and promote one part of the province at the expense of the other, that you were working on a full let's promote Alberta, yet the magnet of the critical mass that exists in some of our major cities now provides us the information and the infrastructure that's necessary for business. Some of the other areas that want to focus on something different, like some of our agricultural communities that want to diversify, need the information support, the product support, the contact support they don't have because of the critical mass that's in some of our larger cities. What are you doing to try and facilitate the opportunity for small communities to attract small to medium-sized businesses to their area rather than having them all kind of fall in around the big cities?

8:26

MR. HAVELOCK: Well, I can't give you, I guess, a specific list of strategies where I could say, "Here's what we do for the smaller communities as opposed to the larger communities." Our primary role is to try and educate companies about the overall advantages we offer in this province: the infrastructure, a highly qualified workforce, a competitive tax advantage, for example. Those are just three of the things we have.

We may well, if we feel there is a particular area – I'll use the West Yellowhead area as a good example. The coal industry is there. Now, it's been reported that the coal industry is facing some challenges. Well, what we are doing is we've taken it upon ourselves to study the long-term viability of the industry as it's presently structured. We are also working with that community regarding some other initiatives they could look at, in particular with respect to tourism, for example. We do not have a strategy or a list that states, "Here's stuff we can do for smaller communities, and here's stuff we can do for larger communities." Unless I haven't seen that yet, I don't believe we have something like that.

There are some very specific initiatives we have undertaken, for example e-commerce, where we are holding a number of seminars throughout the province and are trying to encourage all businesses, large or small, to become much more involved in that particular sector. The economic strategy also refers to putting a wide bandwidth capability throughout the province. That will allow all communities to basically tie in and allow, for example, a business in Okotoks to do business directly with someone in Japan. So there are some specific initiatives laid out in our economic strategy. Again, we take an approach of: let's try and help the entire province.

Tourism is a good example. Our national parks generate about 20 percent of our revenue. What we want to do is take advantage of the draw which the national parks provide from an international perspective and try and draw tourists to visit the rest of the province. That's why we established the tourism destination regions. That's why we have the Strategic Tourism Marketing Council in place, why we have the new plan. We're very aggressively working with operators throughout the province.

DR. NICOL: Thank you, Mr. Minister. Just following up on that, one of the things we note quite often in talking with small companies, small businesses – new businesses, I guess, is a better term than small businesses – is that the shortage of venture capital seems to restrict a number of the companies. The minister of science and technology has talked about this on a couple of occasions as well. When an innovation is trying to be commercialized, there seem to be better opportunities in other areas where the venture capital is more accessible. Is there a strategy in the province to do something about venture capital access, supply? The establishment of the new Canadian Venture Exchange in Calgary is a good move in that

direction. It's going to give us a local contact point, but that only works for a certain kind of financing. Are there strategies, then, that deal with increasing the access to and supply of venture capital?

MR. HAVELOCK: Well, let's chat briefly first about small business generally. I mentioned the e-commerce initiative. Also there is a review of business tax that's presently ongoing, and a number of small businesses, the Canadian Federation of Independent Business, for example, have suggested that the corporate tax rate should be lowered and also that thresholds should be increased. I know that's being examined.

As concerns the issue of access to capital, I'm getting mixed messages from the industry. It depends on the sector you're speaking with at any given time. I've referred the issue of access to capital to the Alberta Economic Development Authority for them to do an overall review and come back to me and tell the government, one, whether there is a problem and, secondly, if there is a problem, what solutions they would suggest we move forward with.

You talk about the high-tech innovation sector. What's interesting right now when you're out there trying to raise dollars is that there's a great deal of activity with smaller high-tech companies generating equity. In fact, a number of the companies in the oil and gas sectors are pointing out right now that they aren't able to compete for those dollars because a 20 to 25 percent rate of return just isn't good enough based on what investors are getting from a number of the high-tech companies. I was in fact having dinner with a representative from Iran the other evening, and we were talking about this very issue, that it's very difficult not only on a national and local level but on an international level to generate investment in that area. But we're looking at access to capital.

With respect to the particular sector you mention, I do work very closely with my colleague the Minister of Innovation and Science. In fact, we have a rather unique structure between our two departments in that we actually share, I believe, 10 or 11 employees.

DR. TAYLOR: Do we share their salary?

MR. HAVELOCK: I do believe we share their salary, but if we don't – I guess your budget is bigger.

Yes, we're sharing the resources of those individuals. The Innovation and Science minister is primarily responsible for the initial research and development. Where we become involved is with the next step, with respect to commercialization. The recent fund that was announced, the \$500 million endowment, I think will help significantly in generating some additional research. We've set some targets in our economic strategy, creating I think 35,000 new jobs in the high-tech sector. I think it was last year that we created an additional 1,000 spaces in that particular industry in postsecondary education.

So we're trying to do some things. Part of our challenge – and the federal government did address it partially through their amendments to the stock options, for example, and the reducing of personal income taxes – is that it's very difficult for us to keep our young graduates. They're going south. While the federal government did make some moves in that area, I think they need to do more, because we'll continue to lose them because we just can't compete.

THE DEPUTY CHAIRMAN: One more question. There should be time for it.

DR. NICOL: I'll cede to someone else now if I can get a chance later.

THE DEPUTY CHAIRMAN: You betcha. I'll put you on the list. The hon. Member for Calgary-Egmont.

MR. HERARD: Thank you, Mr. Chairman. I only have one question. I'll take about a minute for it, and you can have the other 19 to respond to it. Your department spends \$51.236 million. I'm going to take the part of a taxpayer here, and I'm going to ask you to explain to me out of programs 1, 2, and 3 what makes you sure those dollars are well spent in your department. What kinds of measurements do you have on what good it does to spend these dollars in your programs? I'll be anxiously awaiting your response.

MR. HAVELOCK: Well, you didn't take a minute, and I won't take 19.

What I'd like to do is direct your attention, hon. member, to our business plan, and that would be pages 84 through to 89. One of the challenges I discussed very early on with my deputy minister when I was first appointed. We reviewed the business plan, and we felt we had to look at the issue of performance measurement. We have tried to develop some new measures from, one, the macroperspective; in other words, outcome indicators which reflect performance of the economy. However, it's very difficult to track whatever we're doing directly to the impact that we're having on the economy. Nevertheless, we need to measure that. Secondly, we've also generated what are called output indicators, and those better measure what the department is doing and what impact we hope the department is having.

8:36

I have asked the department, though, to develop further performance measures. That was a question that was asked, I believe, when we went through the business planning process. In fact, it was asked by the Member for Calgary-Montrose, if I'm not mistaken. I appreciate the question in that sometimes it's difficult to say, "Well, here's what we did, and here's the impact it had," because it is difficult to link. A good example is the international offices which we've established. We are in the process of developing very specific performance measures to determine what impact, if any, those offices are having with respect to any international trade and/or investment which occurs in the province. We've tried to list some generally in the business plan. Obviously, it's easier to measure the macro ones, the economic ones, as we've outlined, as opposed to: if the department does this, what happens?

Another good example. In the strategic tourism marketing plan we are going to be coming forward with some of the initial results. For example, one measure is our success in leveraging dollars whether or not the private sector is participating with us in programs. I'm happy to see that it's been reasonably successful thus far, and I'll be coming forward with some numbers in the near future. Through that plan we will also be evaluating certain projects along the way to determine what, if any, impact they have had and also to determine the bottom line, whether the dollars have been appropriately spent.

So, hon. member, I'm very sensitive to the issue of performance measurement. We have a way to go in the business plan. The department is well aware that we have a way to go, and they are working hard on that. We did make some changes to the plan when we were first put into the ministry, but we recognize there is more to do.

MR. HERARD: This is, I guess, a second question. With respect to the international offices, my bias says that life is a series of relationships and that if you don't have those relationships, then you're not anywhere with respect to that marketplace. I'd like to hear from you

with respect to what you've learned from perhaps the eastern economies, whether or not relationships are even more important in those jurisdictions than they are in North America.

[Mrs. Gordon in the chair]

MR. HAVELOCK: Well, in North America we do have an advantage in that, obviously, we are within North America and our largest trading partner happens to be directly across the border. So we are able to maintain good relationships and direct contact with that trading partner while not having to maintain a significant permanent presence within the United States. There are two ways in which you can generally establish and develop and promote investment and trade on an international basis. One is to have specific trade missions which are targeted to particular countries and/or sectors, which are generally led by the Premier and/or Team Canada missions.

The other way is to have direct contact through a permanent presence within a particular country. We do have some offices. In particular you mentioned the Far East and Asia. We have one in Korea, Hong Kong, Beijing, and Tokyo. We also have one in Taiwan, although during my recent swing through Asia I wasn't able to visit Taiwan because of the devastation caused by the earthquake at that time.

I can tell you unequivocally that when you're dealing with the Asian community, it has to be face to face. On numerous occasions those businesses presently actively involved in pursuing relationships and partnerships with Asian countries appreciate government involvement because so many of those markets and economies are presently regulated by government, and therefore face-to-face government contact is expected. Also, sometimes they need our assistance in getting around a bit of the red tape and meeting with the right people.

I'll use Korea as a good example. We are very aggressively pursuing some investment in the resource sector from that particular country. I spent time with a government representative, and that representative indicated that they had recommended to their private sector, their chaebols, that they should seriously consider an investment in the oil and gas sector. So there you have a government being very active, very proactive in suggesting to the private sector what industries and what sectors they should be looking at.

In China it's just as critical. Their market is just beginning to open up to western companies. It's a very bureaucratic process. It's a very lengthy process. You need to establish a level of trust prior to companies being able to do business there, or alternatively you need to have a highly specialized product and go after a particular niche market. Some of our businesses have been successful in that regard, but they still have used our support and needed our support in opening some of those doors. So it depends on the market you're looking at.

Europe is a market that we haven't focused on for a few years. We did have some international presence there, and we closed those offices down in '95, if I'm not mistaken, but the European Union is now, I believe, the world's second largest economy, just behind the United States. It is again a highly regulated market, and if we wish to make some inroads in that market, we will need to establish a presence there and start to work directly with those within the union and try and build those relationships in assisting companies.

I will say that while we can assist the big companies, the international companies, the majors, they aren't the ones that really need our assistance. While we can assist, for example, Nortel in establishing some relationships in China, they do have significant resources available to them, and they do a pretty good job on their

own, but they do tend to use us when they feel we can help. But it's the medium and smaller companies which need that assistance, and quite frankly for us it's the medium and smaller companies where we want to see some growth, and that's where we feel we have some significant upside. So it depends on the market, it depends on the sector you're going after, and it depends on how long we've actually been in the market or out of the market.

MR. HERARD: Thank you very much. Those are my questions.

THE CHAIRMAN: The hon. Member for Edmonton-Mill Woods.

DR. MASSEY: Thanks, Madam Chairman. I had a couple of questions, one about the performance indicators that you have. You classed them as outcome indicators and output indicators, and the output indicators are the ones that refer specifically to the actions within your department. I have some difficulty understanding how your department can be held responsible for the performance of, say, the manufacturing service industry investment and agri-food exports. It seems those are global things that are affected by either the actions of other provinces, the entire country, or international markets. I think the information is needed, and certainly your department would act on that information, but I'm not sure I understand why it's here as a performance indicator and how you can in any way be held accountable.

MR. HAVELOCK: Well, hon. member, I believe you're looking at page 86, goal 2.

DR. MASSEY: Yes.

MR. HAVELOCK: The first and second indicators. Those actually relate to the economy as a whole. Those aren't the output indicators. The output indicators are the ones that we try and specifically measure what our department is doing, what it has done, and what impact it has had.

But being blunt, we are the primary sales and marketing arm for the government of Alberta, and if we aren't held accountable for economic performance, who in government should be held accountable? It is really our job to get out there and promote. It's our job to attract investment. It's our job to assist International and Intergovernmental Relations in removing trade barriers, for example, and to allow in the area of agriculture more value-added product. I'm quite comfortable being held accountable, but again the difficulty is that sometimes you can't directly link a department action or initiative to the actual performance measure. So you, hon. member, are underscoring the difficulty that the measures present, but I still think we should be held accountable for the overall economic performance.

8:46

DR. MASSEY: If you look at the new business increase and the drop of 10 percent in new businesses that's in chart 4 on page 87, again I go back and say: how can you hold your department responsible for that decrease in new business? What use is it here in a business plan? Again, I think it's extremely valuable information, but in terms of judging the performance of the department – and I know these are under development too, that you're still working on them.

MR. HAVELOCK: A lot of these also, hon. member, have been used for a number of years. Again, we did put in some that are specific. Perhaps one of the better ones is measure 5 on page 87. That's where we're evaluating how competitive we are with respect

to certain areas in comparison to other jurisdictions, and we do have a good deal of control over those; for example, payroll tax, capital tax, things of that nature. I appreciate what you're saying; nevertheless, I'm still comfortable as the lead sales and marketing arm for the province taking some responsibility as to whether or not we've assisted businesses in growing through our overall Alberta Advantage.

DR. MASSEY: Okay. If I can just continue with one of the output indicators on the top of page 86, "utilization of department's website and publications." There seems to be massive use of the web site. Is there any breakdown of who's using that, whether these are national or international, or are these kids firing into the department because they've got a report on economic development and they need information? Is there any analysis of that?

MR. HAVELOCK: I'm being told that, yes, we can give you that. We do have that type of information available, so we'll certainly provide that. I don't, hon. member, have that with me.

DR. MASSEY: Can I go to the opening of the offices? I remember when there was much fanfare about them being closed, and the argument put forth by the government at that time was that it was a waste of money, that it wasn't money well spent. What's changed?

MR. HAVELOCK: Well, in my opening remarks I tried to indicate how we are approaching these offices a little differently than they have been in the past. They will not focus on protocol functions. We are staffing them with people who have training in the investment and trade areas, so we are making them much more business focused. We are collocating where we can. As I indicated, until we conduct an extensive performance measure of those offices, we won't open any new offices. I will use as a good example – I don't believe we've made it public yet, although we might be shortly. We've just completed hiring an individual for the China/Alberta petroleum initiative that's located in Beijing, and we went through a very rigorous process. In the past part of the reason I think these offices have attracted some criticism is because of the manner in which the appointments may have been made or who was appointed. We're certainly getting away from that.

We also need to understand and appreciate that, again, if we want to be a player in Europe, for example, the world's second largest economy, we do need some presence there, but we won't establish that presence unless and until I'm satisfied that where we're presently located is providing a net benefit to the Alberta taxpayer.

So hopefully, hon. member, based on what I've said, you'll feel some degree of comfort that it's a different way of doing business. It's not the way these offices used to be run. I have to give credit to hon. Minister Dr. West and also to ministers Nelson and Smith, who made a lot of the tough decisions regarding those offices. Now we're at a stage where we can go forward and evaluate and determine how they're operated.

DR. MASSEY: How are the appointments made?

MR. HAVELOCK: Well, with respect to the CAPC appointment, I believe we advertised internally to government first, and then I think there was an open competition on a national basis.

UNIDENTIFIED SPEAKER: Yes.

MR. HAVELOCK: So did we do the internal first?

UNIDENTIFIED SPEAKER: Yes.

MR. HAVELOCK: Okay. So we went internally first, and then we advertised nationally. Unless there's a good reason to do otherwise, that's the way I certainly intend on making the other appointments.

DR. MASSEY: You touched on co-operating with other jurisdictions. Has there been any attempt to do this with other provinces, to co-operate in terms of those?

MR. HAVELOCK: You mean with respect to collocation, for example? Where we have the most success in collocation is in Canadian embassies, and quite often the sectors we want to focus on or the particular markets we want to go after do not coincide with British Columbia or Ontario or some of the other provinces. We do try and co-ordinate as best we can, but at this stage I will say we operate relatively independently. In Korea I believe we're the only province that has a presence in that country. In Japan I believe Quebec has an office. The Quebec offices are interesting. A lot of their focus is on political activity as opposed to investment and trade activity, and I won't go into the reasons why they go that way. But at this stage there's not a lot of co-ordination because the provinces quite often have differing needs.

What I will say, though, is that we do some co-ordination and working together. As a recent example, I was in Lethbridge, where we announced that Lethbridge would be hosting a particular conference regarding the tourism industry where we actually team up with British Columbia, and we have tourism operators from around the world – Europe in particular, Asia Pacific, and the United States – coming to visit. We've packaged a number of opportunities with British Columbia where tourists can come and see not only one province but two. So we do try and work together where it makes sense.

DR. MASSEY: Just related to that – and you've touched on it briefly – the money in the budget for the World's Fair.

MR. HAVELOCK: Which page are you on, hon. member?

DR. MASSEY: Hannover 2000 on page 123. It's under Highlights for 2000-2001. I'm in the budget, Jon.

MR. HAVELOCK: If I can find it here – well, ask your question.

DR. MASSEY: Having been to a couple of them, in Seville and Vancouver, is there information in terms of the payoff? I'm aware of what you said: face-to-face contact when you're in China, and when you're in the Far East, Middle East, certainly face to face. You could hold all the fairs you wanted on the street and you still wouldn't end up with a business deal. Is there information on how much payoff you get from that kind of . . .

MR. HAVELOCK: Well, you can't, unfortunately, measure the payoff until you've participated.

DR. MASSEY: But we've been in others.

MR. HAVELOCK: Yes, but this is our first – I guess generally speaking this will be the major initiative which re-establishes a presence for us in Europe. What we did recently was restructure the department to try and set up some pods or areas within the department that focused on certain sectors or countries. We have worked very closely with the private sector to ensure that there are private-

sector dollars being brought to the table. I think we're looking at about a million dollars that the private sector has brought in. If you'll give me a moment, I might be able to find it.

I believe the targeted budget is \$2 million: \$1.4 million from the public sector, \$600,000 from the private sector. We're contributing a million dollars. So we've tried to make this a bit of a unique approach, but what we are going to do after the fair is continue to evaluate what impact this particular initiative had as opposed to just saying: yes, we were there; it was great; we have a few contacts; let's follow up on them.

There's also a lot of work being done prior to Hanover. We've sent a number of individuals over to Germany to lay the groundwork to ensure that our experience there is useful, that we focus on the information and technology side and create some good contacts with European countries but primarily with Germany, which is one of the countries we are focusing on. But, hon. member, once our participation is complete and we've performed an evaluation, we'll certainly make the results of that evaluation public.

8:56

DR. MASSEY: Just one last comment. The tourism indicators from previous budgets. What's happened to those indicators? Are they all dropped?

MR. HAVELOCK: The best measure we have of what we're doing in tourism is found in the strategic tourism marketing plan which the Strategic Tourism Marketing Council – I sure wish they'd shorten the names of these things – is putting together. In fact, they're revising their plan as we speak. I will have some initial results being made public in the near future with respect to leveraging in some of the programs which we've initiated over the past year.

I just saw a couple of quarterly reports come forward, hon. member, and we're going to try and put that information in a format which is easily understood and communicable because right now it's quite technical. Our main measure is that relating to growing the industry, as we've pointed out in our economic strategy, from approximately \$4.2 billion to \$6 billion, but we have a number of specific measures, and we'll be looking at specific projects over the next year. Again, we'll be happy to provide that information as it becomes available, but I'd encourage you to take a look at the tourism marketing plan. Again, as we move forward, I'll get you further information on what we're doing.

In fact, I hope within about a month or so to be releasing some information regarding leveraging and some initial results.

DR. MASSEY: Thanks.

THE CHAIRMAN: Next I have Calgary-Mountain View.

MR. HLADY: Thank you, Madam Chairman. It's certainly an honour to be here today to be able to participate with the Minister of Economic Development. You know, there are many pieces to this economy, and I think it's wonderful that we can have an open and frank discussion at a table like this.

Innovation and Science is a department that you work closely with, and I've been fortunate to be able to work with the minister there as well. In regards to the technology industry, we're trying to make this become a bigger part of our economy. I know that both you and he have certainly spent a lot of time and have identified that this is certainly a future area of economic growth and an industry which really covers so many other industries in the opportunities of making it grow and be successful.

It also has the jobs that we've identified that our students coming

out of universities want to have the opportunities to get into. It has the high-paying jobs that are going to be there. It's also an area we've seen as a potential brain drain that has led to the loss of a lot of the people we've trained at our universities and postsecondary institutions who have then moved on to other places outside our country and outside our province.

I've been working with the minister as well in my role as chair of technology commercialization. We've been really working on how we attract the capital, and I know you addressed that in your remarks at the beginning. How do we make it happen, and how do we facilitate this happening without, obviously, us getting back into business? We don't want to do that. That's not the role of government. But what we do know is that the area of the type of capital that needs to come here is probably the precommercialization capital, and that's the hardest capital to attract.

Down in Silicon Valley as it was developing, it was really defence dollars, which was billions upon billions of dollars that were put in by the U.S. government, that created Silicon Valley in the early stages. What that did is it allowed for the catalyst ability for an industry to develop and grow and make a wonderful thing happen. You saw IBM down in North Carolina and the research triangle that developed down there, but lots of money came in to create and make that sort of thing happen.

We haven't had that same natural ability happen here in Alberta, and we've wanted it to happen. We've also had some other things working against us. We've had a very good market. Because of the oil and gas sector here in Alberta, we've had the financial markets very into and understanding the development and the need for the capital to develop oil and gas. But if you have a technology deal that you want to develop here in Alberta, with all the best people and everything here, those technology people have had to take their ideas to Toronto, take them to New York and go and sell their ideas there, because the capital here doesn't understand what it takes and means to develop inside the technology industry. They don't know what it means.

The financial analysts in Alberta understand oil and gas, but they don't understand technology. Because of that, to see deals like Wi-Lan, an Alberta company, a 10-year overnight success, be successful here, they had to go to Toronto to raise the money. This is a huge piece of what we need to do to be successful, and we haven't developed those kinds of concepts.

I think what I've been able to gather over the last couple of years working with the minister and the department is to see that it's really probably a combination of Economic Development, Innovation and Science, as well as Learning to be able to produce the people so that we have specialists here in Alberta who can say that this is good and this is a good investment, to be able to make it so that the people here understand this is a wise investment and they should invest in technology.

With regards to precommercialization capital, that is a huge piece of it. We have high-risk investors here in Alberta who've invested in oil and gas wells that have gone down 15,000-plus feet, and that's high-risk capital, you betcha. It's high-risk capital and it's wonderful, but they don't understand that maybe even safer investments might be opportunities in technology because they don't understand it. The precommercialization capital is often a longer term investment. It's not the time it takes to drill down, you know. So it's an understanding, it's an education process of our public.

Before I go on to the other areas, I was wondering if you wanted to expand on that and say how Economic Development . . . [interjection] I've got 20 minutes. I'm doing my best, okay? So if you'd like to expand on that and say how Economic Development makes that sort of thing work and work in with Innovation and Science and education.

MR. HAVELOCK: I don't know how I could expand on that, hon. member, because you said it all. We're working closely, though, with the Minister of Innovation and Science with respect to the precommercialization area, the investment area. I will make it clear, though, that I personally don't support the buying of jobs, much like a number of other provinces do where they try and attract investment through direct subsidies, and that's one of the reasons why we've been successful. We will continue to push for enhanced tax advantages, again the high quality of life.

What is also critical, though, is access to a highly educated workforce, and we need to ensure that there are sufficient inducements to keep that workforce in Alberta. I discussed that a little earlier regarding, for example, the personal tax situation.

Access to capital: I mentioned that we've referred that to AEDA to take a look at. Again what's interesting is that you're talking about most financial analysts in Alberta being familiar with the oil and gas sector yet not the high-tech sector. But I'm starting to hear quite the reverse, in that the oil and gas sector right now is having some difficulty in raising equity because the rate of return that I mentioned earlier, the 20 to 25 percent, is not sufficient compared to what people are generating in the knowledge-based industries.

What can we do? Well, I think we can learn from, for example, Colorado Springs, where I believe their population went from 65,000 to three-quarters of a million. It was primarily based on trying to attract and build a high-tech sector. I hope that's accurate. If not, I know the Minister of Innovation and Science will correct me on that. What I'd be quite prepared to do is provide to the committee a list of some of the specific initiatives that we are pursuing with respect to high tech. A lot of them will be coming out of the minister's office, Innovation and Science. I think we've demonstrated we're serious, though, in growing this because of the targets we've set out in our economic strategy and also, as I mentioned earlier, the \$500 million endowment, which hopefully will generate some activity.

Having said that, our industry is actually quite strong. We have one of the stronger sectors in the country. We have ARC, which is a leading research institute that assists in that regard. We have over 2,000 electronics and software companies in Alberta doing business at this point in time. We have some excellent technology with respect to biotechnology, environmental technology, oil and gas technology. What we tend to forget is that our oil and gas expertise is part of our knowledge-based industry and we're able to sell that. We have some excellent technology in the forestry products area and also in agriculture. We're out there pushing those particular technologies, and they should continue to grow. I would personally like to see us create, not a duplicate of Silicon Valley – I think we have a good start on how we can build that particular sector, the knowledge-based sector. It's a primary focus of our economic strategy. I'll get for the committee a list of specific initiatives, and I'll work with the Minister of Innovation and Science to provide that because a lot of them are generated out of his department.

9:06

MR. HLADY: Great. Thank you.

I think there's a lot happening. It's going to be interesting to watch the rollout over the next couple of years as we see all these things happening. There are those good stories happening. I think in the past maybe the department in parts had done some elephant hunting, looking for some big leverage points to make some things happen, but it's nice to see this level and getting to the grass roots and connecting the jobs that the people are looking for, making it happen at the precommercialization level. If we can do that, we're going to see so many new companies formed and so forth that it will become a major part of our economy.

MR. HAVELOCK: Well, it is actually a reasonably major part of our economy at this point in time, but it has to grow because we want to ensure that we don't have such a heavy reliance on the commodity-based sector.

MR. HLADY: Good. Thank you.

I'd like to touch on the tourism industry a little bit. I know that there are strategies going on along that line. We've identified it, I believe, and it's sitting somewhere around the fourth largest industry in the province. It's a great industry, and we see so many things happening. There are so many dynamics going around as we hear them in dealing with everything from Kananaskis Country to the size of the national parks that sit here and the restrictions that have been put on the national parks that are inside Alberta from Ottawa. It's a very frustrating thing to have to deal with that, I would think, from the tourism industry's point of view and to try and say: how do we make it a bigger, better thing? Obviously they're in direct competition with other areas, be it Whistler in B.C. or whatever, that are able to grow and make things happen, yet they're not able to grow and compete at the levels that certainly are wanted.

Being able to keep the balance between the environmental strengths that are out there that are saying, "We don't want to see anything happen," and on the other side you see the industry saying, "We need this much to be able to be more competitive and make things happen." What are you doing, and how do you help to facilitate this?

MR. HAVELOCK: Well, you've touched on an area that's critical with respect to tourism development in the province. The national parks, as I indicated earlier, account for about 20 percent of our total tourism revenues. Yes, the federal government has been looking at some initiatives which would severely restrict any further growth in the Banff area, and while Jasper would have some ability to grow, that will be curtailed in the future, as will the Waterton parks area.

For us, one, we have to get to the table first. In the past we have not been what I would call proactive in pursuing a national parks strategy. We need to keep in mind, too, that the national parks in Alberta comprise about 60 percent of the national parks in the country. So for us it's important to continue to use the national parks to attract tourists, but it's also important for Canada. Typically you'll have, for example, some tourists coming over from Asia. They will spend time in Vancouver. They will spend time in Banff and/or Jasper, and then they'll move on to Niagara Falls. Unless we ensure that we have the services available to satisfy the needs of those tourists, the industry will be significantly impacted, because there's so much spin-off.

The other thing we need to do – as you curtail development in, for example, Banff national park or Kananaskis, for that matter, there are some opportunities for the adjacent areas. Canmore, for example, will likely experience some pressure in the future, because as the services in Banff and/or Kananaskis are curtailed and yet people want to visit those particular area, they will have the opportunity to service those needs through accommodation, through restaurants, et cetera.

So we are presently working on a national parks strategy. I have discussed it with some of my colleagues through the departments that are impacted, obviously the Minister of Environment, because we certainly don't want to do anything to jeopardize why people visit the national parks. It's all well and good, for example, to want to see development, but if the development impacts the reason people are visiting the national park, then it's not good development. So it's a very fine balance that we have to ensure we maintain, but we're cognizant of the problem.

Just recently I wrote to the federal minister asking to allow us to see some of their initial work with respect to some of the initiatives they're pursuing. I haven't received a response yet, but hopefully they'll let us become involved, because we want to be involved in the process.

MR. HLADY: Thank you.

Staying with tourism, you know, there's been a bit of debate out in the industry around the concept of the hotel tax and how that plays into funding and so forth. I don't know if you have some concepts in regards to what you'd like to talk about around that.

MR. HAVELOCK: Well, thank you so very, very much for that question.

DR. TAYLOR: Refer it to your officials.

MR. HAVELOCK: No. Actually, I'd like to answer this.

The hotel tax generates around \$45 million annually. I will say that it was a tax which was initially brought in because of the deficit that we were facing. It was specifically brought in to offset the deficit. The deficit has been eliminated, so the question becomes: should the tax remain or not?

This has been an issue that's been discussed widely within the industry. There are those – for example, the Alberta Hotel Association – advocating for the elimination of the tax. There are others within the tourism sector who want the tax to remain, but they would like us to dedicate the tax revenues directly to tourism marketing. There are still others who are suggesting: all right; get rid of the tax, but then allow municipalities to fill the void by being able to generate a tax locally to assist in promoting their particular jurisdiction and also to participate in some of the programs which we undertake through Travel Alberta, for example.

The issue has been referred to the business tax review. I won't disclose at this time what my preference is. I would like the process to work its way through. At some stage, though, I will likely indicate my bias, because eventually I would like to have some impact on the decision.

I would like to also point out that the decision on the level of funding that we provide to the tourism sector with respect to marketing has nothing to do with the hotel tax. We have a budget in tourism of approximately \$16 million a year. As I indicated, the tax generates about \$45 million a year. Since day one – and I think the hon. member for Fort Macleod would agree. Livingstone-Macleod. Sorry. But I know how to spell Macleod.

I think the member would agree that when I was first appointed, the one message I took out there consistently was: if you want to make the case for additional spending on tourism marketing, make it separate and apart from the tax, because the two are independent. I know that the industry is, as we speak, preparing a case to look at additional investment in tourism marketing. Again, as I indicated earlier, the initial results on leveraging are encouraging. Some of our initial results in our programs are encouraging, and if it makes sense to increase and enhance that spending, well, that's something we of course need to debate both around our caucus table and publicly through the budget process.

MR. HLADY: I won't expand on that at this time, but I appreciate your comments. I think they're very insightful.

I'd like to go back to the trade offices a little bit as well, if I could, Mr. Minister. You know, there were some good comments that you made in your opening comments and obviously some great questions from around the table. Everyone understands and knows the history

to a certain level. Accountability is obviously going to define whether this is successful or not. How do we show that these are successful? What are the defining points? How do we show that they have been successful in creating trade, business opportunities, and so forth for Alberta companies going out there? How do we create that connection in making that happen? I think that's crucial. I'm sure you're still in process, but if you have any comments in regards to that right now, I'd be interested in hearing a little bit more detail.

9:16

MR. HAVELOCK: Well, as I indicated earlier, we are in the process of developing performance measures for those offices. I can't tell you what form those performance measures will take, although I don't want to simply measure activity. We need to measure results. So we'll just unfortunately have to wait and see what the department comes forward with, although I would expect that we will have something for consideration at the standing policy committee within two to three months. Is that fair? If anyone around this table has any ideas as to how we should be measuring the performance, I invite you to submit those to us for consideration.

Part of the difficulty we're going to be faced with – and I'll use my trip to Korea as a good example. As I indicated earlier, we're aggressively pursuing, hopefully, some investment in the oil sands by some Korean companies. I did meet with some representatives from Korean companies. I would not be able to measure the impact that those visits had on those companies if they decide to invest. I couldn't sit there and say: yes, they came because I happened to spend time with this particular individual. So measuring performance is going to be a little difficult. Nevertheless, I need to be able to demonstrate and our government needs to be able to demonstrate to the taxpayer that they are receiving value for their money.

THE CHAIRMAN: Hon. minister, if we are going to stick to the 20 minutes . . . [interjection] Well, I think he can finish. I'm just telling him maybe he can finish quickly.

MR. HAVELOCK: Well, I must be tired, because I lost my train of thought again, Madam Chairman, so I'm finished.

THE CHAIRMAN: I didn't want to have that hold on you, hon. minister.

Edmonton-Calder.

MR. WHITE: Thank you, Madam Chairman. I would like to turn your attention to program 3, tourism.

MR. HAVELOCK: What page are you on, hon. member?

MR. WHITE: Page 120 in the budget book. In-Alberta marketing programs I see was sustained at about \$2 million annually. As I recall, it's only the last couple of years that that has been going on, and it goes on for a number more.

Two questions come to mind. One, is it going to be sustaining such that there is a plan in place to market Alberta to Albertans as a tourist destination? In my personal view, it has been marketed in the past very poorly, particularly from sort of Airdrie south. That area of the province doesn't seem to know what this area of the province knows, particularly around St. Paul, Bonnyville, all of that northeast and right across the north and out west. It doesn't seem to know how beautiful the place is and what it has to offer. We've always missed this opportunity to market. I'm hoping that it's sustaining and it will be successful.

I should add that most of those I'm aware of who are in the north part of our province do know what the south has to offer. I'm talking south of Pincher and west of Pincher and out in the Cypress Hills. Up here it seems to have been marketed better, or it just happened. I don't know how it occurred, but it occurs to me that is the case. There are other areas in that same budget area of a sustained Alberta image promotion. I'm not sure how that relates to foreign representatives and an international marketing campaign of some \$6 million. I don't know what the difference is, quite frankly, and I guess I need a little definition of that.

The other question that does come to mind on all of these areas is that if they are well-thought-out plans, then they need to be sustained. You need that much longer term vision than, quite frankly, I've seen with the last two ministers, perhaps three, and I'm hoping that there will be that sustained plan to market Alberta both inside and outside Alberta.

The image bank and web site. It seems that funding has ceased in the current budget we're in now and is nonexistent in the subsequent year. That would mean to me that either it was declared a failure and all the activities were curtailed or it's determined successful. If that's the case, then it really should have some periodic reassessment and some maintenance. You don't go from some \$300,000 to nil in maintenance of an image bank and web site. They all require some sustenance now and then.

Perhaps I'll stop there. Those are all the questions and observations I have on this particular page.

MR. HAVELOCK: Thank you, hon. member. Let me talk briefly about the in-Alberta/regional marketing campaign. I'd really recommend to you, again, getting ahold of this document and going through it if you haven't already. If you have, great. We can even get you the expanded version, which I think is about 140 pages or something.

MR. WHITE: Is it on the web site?

MR. HAVELOCK: I'm sure it's on the web site. Is it?

AN HON. MEMBER: No.

MR. HAVELOCK: No. We'll give you a hard copy then.

Will this campaign be sustained? Well, the bottom line is, hon. member, that with any expenditure we make, if it can be demonstrated that it generates positive results and benefit, then my position would be, yes, it should be sustained. We need to keep in mind, I think, in fairness to the ministers who have preceded me with respect to this portfolio – you will recall that in '93, when we were all elected, we were faced with a very significant deficit and some financial issues, and I say "we" because of course there are 83 of us and we were all representing Albertans, albeit not necessarily in the same way. So the focus at that time was to really concentrate on getting the financial house in order, to evaluate departments to determine whether or not they were of the right size, whether we had the right people, et cetera.

This particular department has undergone significant change. I think we have about 200 FTEs now, whereas I think in '93 there were about 800. That's a significant reduction and re-evaluation, but I'm happy to say that we have excellent people left. We have a very good department, and we are going in the right direction.

One of the areas that we are focusing on and trying to build is tourism. I can't take credit for the strategic tourism marketing plan because much of the work was done by the previous minister prior to my moving over to this portfolio, but my commitment is certainly

to continue to evaluate the dollars as they're spent. We recognize that we should continue with an in-resident program. This past year, for example, we had a brochure produced outlining a lot of the activities in the Edmonton area, and we distributed that, I think, through northern Alberta, if I'm not mistaken. That was to try and attract people from that sector to Edmonton. I know the mountain parks and also Calgary did something similar, and that was with government support also.

I will take under advisement your comment: have we done as good a job in assisting northern Alberta to market themselves to southern Alberta? We'll take a look at that, although I hasten to add that the number one tourist attraction in the province is West Edmonton Mall. That seems to have a lot of positive spin-offs for Edmonton and region. Fort McMurray, for example, is becoming quite successful in marketing the aurora borealis to visitors from Asia. They have something called a midnight experience, although I won't go into a lot of the details as to what that might be, but I think it's looking at the lights during the evening.

9:26

You're making some good comments. Yes, Albertans travel a lot and they travel through this province a lot, but I don't believe we've done as effective a job in encouraging Albertans to see their own province. Certainly we're focusing on that.

Now you mention the Alberta image promotion. That's 3.0.5.

MR. WHITE: Is there a difference between 3.0.5 and 3.0.3? I didn't understand the significance.

MR. HAVELOCK: The international marketing campaign, again, is outlined in this document. That's the marketing strategy to get Alberta out there and in front of the international community. The brand image is really trying to develop a recognizable image that would be folded into the international and all of our marketing strategies. So it is separate and apart, but it is linked. So through the brand image hopefully we can come up with a logo or something that we can get out there and basically will be easily recognized as Alberta in trying to promote all the positive things that Alberta has to offer. So it was a budget separate and apart.

We don't have the brand image at this time, hon. member. It's quite difficult actually to come up with a brand image that captures all that Alberta is, because you have the mountain region, you have the northern region, you have the eastern region. They all have different experiences to offer. How do you come up with one brand that basically sells all of that? That's been part of our challenge. Once we come up with that, though, we'll roll it into the international marketing strategy. We will be announcing something having to do with our America strategy in the next week to 10 days, and we'll be more than happy to provide you with a lot of the marketing materials associated with that, but it doesn't have the specific brand associated with it yet because we haven't developed it. Does that explain the difference?

MR. WHITE: Image bank: failure, success, continuity.

MR. HAVELOCK: Vote 3.0.9?

MR. WHITE: Right.

MR. HAVELOCK: Now, my understanding is that we had a number of images out there and we needed the budget to actually acquire those images, so we do have a rather significant image bank at this time. But it is a good point that you raise. Any image bank needs

maintenance. It needs to be purged periodically and/or supplemented, so certainly we'll take into account the fact that we should evaluate this on an annual basis to determine whether or not our image bank really needs some updating. If it does, then of course we'll incorporate that in the budget.

MR. WHITE: Thank you, sir.

MR. HAVELOCK: Thank you.

MR. WHITE: A personal area of interest that I see from the business plan in goal 2 is a geographic target, and that's Mexico. I understand there is an MOU that has been signed and executed by the state of Jalisco in Mexico. It would go from what was then FIGA to this department now. What is being done in the area? Is it an active area, or is it an area that needs some more work?

MR. HAVELOCK: It's an area that we want to focus on, not only Jalisco but Mexico generally. If you look at our international marketing strategy, we've tried to identify in here our priority markets with respect to both investment and trade. I'd refer you to page 4 of the summary document, the highlights, where we've listed Mexico as a group A, which is really a primary market that we want to get into and work closely with companies in trying to expand our presence and our trade. Now, if you managed to follow a little bit of the media on this particular issue a little while ago regarding the international marketing strategy, we were looking at the possibility of establishing a presence in Mexico, a mid-level presence, to facilitate developing the trade relations, because this is a priority market for us. But as I indicated earlier, before that's done, we need to develop performance measures and evaluate our existing offices to see whether it makes sense or not.

I also want to emphasize, though, for those of you who've known me for the past few years, that I don't simply sit around inventing ways to spend money. Rather, any moves that we make with respect to international marketing presence will be in response to what industry is telling us they need and want. When we looked at our international presence based on a KPMG study, it indicated, as I stated earlier, that we do need to have a presence but we need to have a more balanced presence. One of the areas that that study indicated we should look seriously at was the Mexican region.

So we are going to focus on that. We're just getting started on it. We've again been sending some department officials down there to lay some groundwork. We have had an individual down in the Jalisco region for some time, and they were funded through the department of agriculture because there's a lot of agricultural trade going on. Through the government reorganization we inherited or, rather, had all of those involved in those types of functions moved over to our department, so it now falls within our purview. We are maintaining that presence at this time, but it is focused on agriculture, and again, we're evaluating how we can expand that focus.

MR. WHITE: Thank you, sir. Now, if you turn to page 88 in the Bold Plans budget book, the indicators about the business plans section. Being an engineer, I deal with a lot of numbers, and the numbers didn't quite jibe. I get totally different percentage growth numbers. I assume that the growth is total growth. I do one number to the other, and the first number that I have any data for, instead of 9.5 percent, I get 10.8.

Now, I recognize that the numbers are aggregate numbers at the bottom, the \$3.7 billion and the \$4.1 billion, but it occurs to me that if these numbers are to be used in any outcome measurement, then they really do have to be relatively accurate to track something. The

data has very little significance. If you use the common mathematical tool that says that the numbers are insignificant, you can't take 9.5. You know, it can't even be close. Then I look in the ministry document, page 125. The same numbers are repeated through there as though they're target and fact, and they are highly specific.

So I suggest that when you do this a number of times, you have either a mathematician or someone look at it a little closer for some numbers that are significant and accurate. I don't want to be that critical, but when you say you're highly sensitive to outcome and outcome indicators and then I see that the numbers that are produced have very little significance in comparison to one another, it concerns me somewhat.

MR. HAVELOCK: Well, hon. member, I'm assuming you're looking – if you go from \$3.7 billion to \$4.1 billion, that would be a \$4 million increase, and that should equate to over a 10 percent rate of growth. Is that what you're suggesting?

9:36

MR. WHITE: Yes, \$0.4 billion, over \$3.7 million or \$3.8 million.

MR. HAVELOCK: Yes, over 10 percent. I'll be honest with you: I didn't crunch the percentages when I went through this. We'll certainly take a look at those, and if there are any wrong, I know that one of 200 people I have on staff will certainly make sure they're corrected.

MR. WHITE: That's all I have right at the moment. There are others who do wish to speak, I'm sure.

THE CHAIRMAN: Thank you, Edmonton-Calder.
Calgary-Montrose.

MR. PHAM: Thank you, Madam Chairman. Mr. Minister, ever since I was elected in 1993, I have always had the question: if the Department of Economic Development were shut down completely tomorrow, what would happen to the province? Not that I'm not valuing the great job your department is doing, that is the dilemma I have had for many years. The performance measure for your department is certainly very, very difficult to put in place, because our economy is doing extremely well. It has outperformed all the other provinces in the country. Definitely you are doing something right. I don't know to what extent your department can get credit for that.

In my mind I think that in a perfect world I would like to see the Department of Economic Development assume three major functions. The first one is that there should be a think tank to develop policy to help boost the economy. It can make recommendations to the government regarding taxation, human resource training, all the things the economy needs to perform well in the future. Of course, if you do that, then you almost become a superdepartment that will do the job for many other departments, because we are living in a world that is so complicated and everything is tied to the economy.

The second role is that I think the Economic Development Department should be able to forecast the global economy. If it can forecast that economy to a certain degree of accuracy, then we can be better prepared for the future. If the department can do that, that is worth all the money the taxpayers can spend on your department. Again, if you can predict the future of the economy, then maybe most of the staff can make millions of dollars overnight.

The last important role, which I have been thinking we have lately shied away from, is to open doors for Alberta business outside our province. That is the area where I think we can make a real impact

and we can measure the success of your department. On that topic, I want to venture into the area of foreign trade offices. For many Albertans the term "foreign trade office" is taboo because of the experience we had in the past when many of the foreign trade offices were perceived as patronage appointments, as not doing their jobs, and as not providing the kind of support a business community needs. The great expense associated with those offices created a bad taste for Albertans and many Canadians also.

There are many parts of the world today that still rely a lot on government when it comes to economic policy. China, for example: I don't think any company can go in there and make any important contacts and sign any meaningful contract without the support of the government. The government over there, whether it's provincial or federal, will not talk to a private company unless it has some kind of protection and some kind of association with a level of government, be it federal or provincial.

I have had the opportunity to travel quite a bit and visit quite a few Canadian embassies overseas. One thing I think we can learn from the province of Quebec is that compared to all the other provinces in Canada, Quebec is probably the most successful province in utilizing our embassy. I can bet you that if you walk into any Canadian embassy overseas, there's a good chance you will find a Quebec bureaucrat working with the Canadian embassy, trying to promote that province and trying to get as many business opportunities for our province as possible.

Of course, the relationship it has with the federal government plays an important role in that, too, because many of the diplomats who work overseas are bilingual by requirement and therefore many of them are Quebecers. That inheritance, that built-in relationship somehow helps the relationship between the embassy and the Quebec bureaucrats who work overseas. Somehow we have to build that kind of relationship. We have to pay attention to recruiting people who can be bilingual, locating them overseas. People have to have the mentality of getting things going rather than the bureaucrat who sits behind a table and doesn't take action when it is needed.

A good way to measure the success of a trade office or a foreign presence is that we should measure the percentage of market share in trading and investment in that particular jurisdiction. For example, if we put a trade office in Beijing this year, then we should look at what is the percentage of trade in that country that we are taking today and then compare that percentage a year from now. We have to look at this as a competition between us and the world, and if we can get the bigger market share, then we should be okay.

Mr. Minister, I think we should take more action. We shouldn't shy away from the idea that we have to spend money in order to make money. There is no doubt that in many parts of the world we have to have a presence. If you look at our growth and our production, our GDP, we are a significant player in the Canadian economy, but when you go overseas, we have a very humble presence. Many countries do not even know that Alberta exists within Canada. When they talk about Canada, they know Quebec, they know Toronto and maybe Vancouver, B.C. That's about it.

I think we have a lot to offer to the world if we can come out with the kind of performance measures I just mentioned earlier. We should put in place a pilot project. We shouldn't put in a trade office immediately. What we should do is put it in on a trial basis, just like a contract when you go and work for an employer. You don't get appointed for five years immediately; you get a trial period for about a year to see how you perform. If the performance exceeds the target we set out, then we can increase the presence or add additional resources to it. I think if we approach it that way, then Albertans will support us in this area.

Also, with the member of the opposition party here, I also would ask that they take this consideration seriously and try to work with us in that approach. I think it's very easy to score political points when you attack foreign trade offices. The reality is that as our economy grows and as the global market becomes more integrated, the choice to become a major player in the global economy requires the ability to be able to find trading partners with other countries outside Canada. If we cannot find trading partners, if we cannot find new markets for Alberta products, then sooner or later we will be left behind. This is not a matter of theory; it is a life-and-death issue for our economy.

9:46

I want to touch on another area that is equally important and that I mentioned earlier, and that is the process we put in place to develop economic policy, the policy that can impact the economy. We are different from many Third World countries in that the economy doesn't listen to the government to a certain degree and it goes its own way. However, for the last seven years I haven't seen a co-ordinated effort from the federal government to develop a national policy to deal with the economy.

Our philosophy is also very simple nowadays in that we just stay out of the business of doing business and let the economy take care of itself. I think it is a good policy. However, in some areas, for example the high-tech industry, we have taken some action to invest in that sector of the economy because we realized that that sector will be the future of Alberta and the future of the world. If we don't have the kind of proper investment, if we don't have the good policy, then we will miss out on the opportunities.

Today I think there are many other areas we can look at, too, because the baby boomers moving into retirement age could have a significant impact on our economy. It could have a huge impact on the entire network of social support that the government designed, and up to now I haven't seen a huge effort from any level of government in Canada to seriously think about how to deal with that issue in the future.

Another area we have not been very active in is the area of dealing with the new Canadians. Canada is a multicultural country. We receive and we welcome thousands of new immigrants every year to Canada, and we've welcomed thousands of them to Alberta. These people come with a wealth of experience and knowledge, and up to now I haven't seen a co-ordinated effort from the federal government and the provincial government to maximize the talents and the knowledge of these people. Many of them become underemployed in our economy, and I think that is a big waste of resources for us. I am looking forward to the day we have some kind of policy that can help them through the transition period, help them achieve the maximum potential they have. Some of that, you know, is related to other departments like the human resources department, but who will take the lead; right?

If you look at it from the economic point of view, that all these decisions we make today will impact the economy in the future, then, yes, it becomes your department that will have to initiate these actions.

MR. HAVELOCK: Do you want me to answer some? I'll go as quickly as I can. You reiterated a comment you made, I remember, when we first discussed the department during our initial business planning process, regarding: how do you evaluate the department? If you disappeared tomorrow, would there be a problem? That type of approach. I can't sit here and tell you: if we disappeared tomorrow, would the economy stop growing? No. However, I think in the long run it would have an impact, and that's what economic strategy

and development is all about. It's putting together a long-term strategy as to the direction we should be going. That's what the department is focusing on with, for example, the Get Ready Alberta process, the long-term strategic tourism marketing plan we've created, the new international marketing strategy. That's where I think we really have a role to play.

You indicated three areas that we should be primarily involved in, the think tank being the first. Well, we really do a lot of that at this stage, and the three documents I just outlined for you are a result of those within the department working with other departments and with the private sector to generate new ideas, a new direction and strategies as to how we can grow the province. So I completely agree with you. That's one of the things we try and do.

Forecasting and the global economy. That, again, falls into the think tank. We are constantly monitoring what's going on throughout the world. We do produce through our department our own forecasts. We work closely with Treasury as to what they're doing, and we are trying to follow the trends and determine where we should be putting our resources. So, again, I agree with you, but I think we do some of that right now.

The third thing you talked about, the foreign offices. You mentioned that in the past they've had a bad name. I agree, and part of our challenge is trying to ensure that we get the full story out. Now, it doesn't help getting the story out when documents within the department make their way to the public prior to us even having a reasonable discussion on what the documents contain. Then sometimes the issue gets away from you, and you're dealing, quite frankly, at a disadvantage in trying to explain what the documents are all about. Once we were able to come forward with what we were intending to do, the issue really disappeared, and the explanation was that we are going to develop performance measures, that we're going to measure how the offices are performing, and that we won't expand until we've completed that process.

Again, part of the challenge for us is in convincing people that we need to have an international presence. It is important, and I think we can win that discussion by, again, ensuring that those located in our international offices have trade and investment expertise, that they aren't performing a protocol function. I'll use Mr. Brad Klak in Tokyo, Japan, as an example. He's completely fluent in Japanese. We have our Beijing representative, Ms Choi. I believe she speaks Cantonese, if I'm not mistaken. The fellow we're appointing to CAPC also speaks a particular dialect of Chinese. So I agree with you that we need to get people who have some background, who understand the language, who can work with the local communities.

Why do we need to do that? Well, you yourself indicated how important exports are to this province. We spend about \$7 million a year on our international representation strategy, yet exports count for \$34 billion worth of activity in this province. It supports 500,000 jobs directly. So we're getting a reasonable rate of return on what we're doing.

We have not done a good job as a government, I think, in explaining to Albertans how important exports are to this province. I believe it was the president of Grant MacEwan who indicated to me the other day that he was discussing the very issue of exports with an audience which he considered to be reasonably well educated, and he asked them how much of our GDP they felt was dependent on exports. They said about less than 10 percent, yet it's about 35 percent. These were people who should know and who are professionals. So that's part of the challenge we need to take up.

You mentioned measuring a percentage of market share in trade and investment. That's a good suggestion, and I know my department officials are going to take that into consideration. Putting someone in place for a year, for example, pursuant to contract – my

personal and initial reaction, hon. member, is that probably a year isn't long enough because it sometimes takes a long time to develop a relationship, so you might not see any measurable results for quite some time. It's the same with tourism marketing. We could be out there spending dollars now, yet you probably won't see a return for a couple of years.

A co-ordinated effort with respect to development of economic policy on a national basis. I agree that there hasn't been a co-ordinated effort. I would suggest, though, that the present federal government and federal governments of the past actually have implemented policies which are not conducive to developing an overall national economic policy because of the way that grants and subsidies work, for example, with particular regions. So in a way we're actually working against ourselves, although I'm encouraged by some of the moves the federal government made with respect to its recent budget on the tax side and on the stock option side. I think that will be of some assistance.

You mentioned new Canadians. Well, interestingly enough, I think it was about 10 days ago I actually had something presented to me by the department regarding . . .

9:56

THE CHAIRMAN: Hon. minister, I hesitate to interrupt you, but that particular 20-minute segment is up, and we have had indication that there is one more question coming.

MR. HAVELOCK: Well, I want to finish my answer. It'll take 30 seconds. Would you let me do that?

MR. PHAM: Please.

MR. HAVELOCK: Thank you. Regarding new Canadians, I just had presented to me by the department some of the changes the federal government is suggesting with respect to immigration policy, and we will be responding to their suggestions in the very near future. You're right; we do in our department have an interest in immigration policy. We want to attract people to this province who actually can become contributing members of our society and contribute to the economy generally. So we are working in that area, although it's very preliminary, and at this stage I can't tell you what we're up to.

MR. PHAM: Not only that, but we have to have a plan to help them when they are here too. We can select the best people, but when we bring them here, they lack the network of support.

THE CHAIRMAN: Calgary-Montrose, we do have to sort of follow what we set out in the beginning here. Lethbridge-East has indicated that he does have one final question.

DR. NICOL: Thank you, Madam Chairman. Mr. Minister, as we were looking through the performance indicators and that, in a lot of the new literature that's coming out now talking about economic growth, especially when you start talking about issues like the Alberta advantage attracting business to our area, they deal with issues that are not just monetary measures but issues of health care, education, income distribution, and the availability of appropriately trained labour forces. Are you at any point in time planning to put some of those kinds of indicators into your business plan so that we can have a little bit of an idea how you as the chair of the council of ministers are kind of bringing together some mechanism to measure the interrelationship and the joint activity between your department and the – what do you want to call them? – support departments that

are under you as the chairman of the Council of Economic Development Ministers?

I would just like to have you think about that and deal with it, and I hope that in the future at some point in time we can see some of those kinds of measures in the performance indicators for the department.

MR. HAVELOCK: Well, I think that's a very good point. Again, we aren't simply concerned with the pure economic indicators, as you indicate. We are concerned also with the quality of life, with ensuring that we have a highly educated workforce, for example. So we will take a look at some of those. Now, some of those concepts may be captured in the measure where we're comparing ourselves to other jurisdictions on those 16 points that are listed in the document, but we'll certainly take that into consideration.

Also, Madam Chairman, just very briefly, I'd like to provide a little bit of additional information to the hon. member's questions regarding 3.0.9 and also the numbers that we were talking about regarding the percentages on page 88 of the business plan. I am advised that the image bank and web site were onetime development costs, and actually the maintenance of these is provided for in 3.0.5, Alberta image promotion. So I just learned something tonight, and you did too.

MR. WHITE: I was sure it was somewhere.

MR. HAVELOCK: Yeah.

The Member for Edmonton-Calder also raised the issue of the percentages on the bottom of page 88. I am advised that the numbers aren't in error. They're a function of rounding off large

numbers, but we can give you a detailed work-up on that. I'm glad to hear that they were reasonably accurate. They are because of rounding off, but we'll give you more information.

MR. WHITE: Terrific. Thank you kindly, sir.

DR. NICOL: Madam Chairman, with that, I'd like to move that we adjourn back to the Assembly.

THE CHAIRMAN: Okay. The committee must rise and report when we return to the Assembly.

Before we close, the chairman and the deputy chairman would both, I think, like to thank you very much for the decorum in here tonight. I think it was exceptional. I am very, very impressed with the dialogue back and forth, and we had a number of members on both sides able to ask questions.

Mr. Minister, thank you for your co-operation. I think it was a good session tonight.

DR. NICOL: Don't we have to vote?

THE CHAIRMAN: Oh, yes, we have to vote. All those in favour of rising and reporting?

HON. MEMBERS: Agreed.

THE CHAIRMAN: Thank you.

[The subcommittee adjourned at 10:01 p.m.]