

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen, and welcome to another afternoon's meeting of the standing committee on the Alberta Heritage Savings Trust Fund. All members of the committee are aware that we have three events planned for the first three days of this week. Today we're meeting with the Hon. Hugh Planche, Minister of Economic Development. Tomorrow morning's meeting will commence at 10:30 and will go until noon. The purpose of tomorrow's meeting is to look at the process that this committee will want to follow in arriving at the recommendations. You will recall that when we last met, we discussed that and set aside that one and a half-hour time frame. On Wednesday, September 21, at ten o'clock in the morning, we will be meeting with the Hon. Fred Bradley, Minister of the Environment.

To date, all members should have received the Hansard of all meetings of the committee, including the last one. I believe you now have minutes of all committee meetings, save for the last meeting. Those minutes should be available within the next couple of days and will be circulated to you.

Our guest this afternoon is the Hon. Hugh Planche, Minister of Economic Development. Mr. Planche, do you have any overview comments or statements you'd like to make to the committee?

MR. PLANCHE: Mr. Chairman, I appreciate the opportunity to be here this afternoon. With me is Herman Young from my department. In that I have no specific draws on the heritage fund for the year under review, I have no opening comments but would welcome any general questions that the Chair might think are appropriate.

MR. CHAIRMAN: Thank you very much, Mr. Planche. The Chair has tended to be rather flexible on the questions, so you may find that we will be talking about more things than just those which may be contained in the annual report for 1982-83. We'll begin with Mr. Notley, to be followed by Mr. Gogo.

MR. NOTLEY: Mr. Chairman, to Mr. Planche. I would like to deal with a question that has been raised before, and that is with respect to Ram Steel and the potential loss of some millions of dollars; we don't know how much yet. We will be dealing with Mr. Adair again, but my reason for raising this question with you, Mr. Planche, is with respect to question No. 181, sessional paper 181/83. I might just read the question:

Following the meeting with Ram Steel officials, including Mr. Foster, on November 25, 1982, attended by Mr. Adair and Mr. Planche, what communications occurred between the Government and officials of the Alberta Opportunity Company?

The response:

A telephone conversation was held with the Managing Director of the Alberta Opportunity Company and the Minister of Tourism and Small Business, advising that a meeting with Ram Steel officials had occurred and that Ram Steel officials were advised that any negotiations regarding their application must be with the Management of the Alberta Opportunity Company.

Mr. Planche, first of all, I have a little bit of difficulty understanding how it is possible that someone as close to the centre of this government as the former Mr. Foster, who would know the ins and outs of the corridors of power not only here but in the agencies and sub-agencies, Crown corporations, et cetera, of the government of

Alberta, could bring his colleagues from Ram Steel all the way to Edmonton to meet with two ministers of the Crown, simply to be told: whoops, you passed the place; it was really Ponoka, 30 miles from Red Deer, that you should have stopped; you came 100 miles just to learn that you should have gone to the AOC. We're not dealing with someone who is totally naive about the operations; we're dealing with a former cabinet minister. I must confess, Mr. Chairman, to the minister, that I find the response to question No. 181 puzzling. I would invite the minister to respond.

MR. NELSON: Excuse me, Mr. Chairman, on a point of order. It seems to me that the question is inappropriate in dealing with the Heritage Savings Trust Fund, insofar as it sounds like the question would be better dealt with either in the question period of the House, where it was possibly answered, or in the estimates or the public accounts area.

MR. NOTLEY: Mr. Chairman, on the point of order. When we're talking about money that was made available from the Heritage Savings Trust Fund to the AOC — we're going to have the minister in charge of the AOC back — and we have an official response in the House that indicated that the Minister of Economic Development was at a key meeting where money was at least discussed, and that money ultimately is in jeopardy, it would only be correct and fair that the minister have an opportunity in this forum, since this is the forum that is here to scrutinize the trust fund, to respond.

MR. CHAIRMAN: Are there any other members who want to speak on this point of order? Frankly, Mr. Notley, I don't know how we tie that question in with the subject matters that are before us today. I would really appreciate if you would give me a better feeling for this. Mr. Planche is the Minister of Economic Development and, essentially, under the 1982-83 report of the Heritage Savings Trust Fund, there are a couple of items, including hopper cars and the Ridley Grain terminal. Please, would you assist me in trying to understand better how this ties in?

MR. NOTLEY: The AOC is one of the government vehicles, presumably, by which diversification will proceed. While the AOC is in part a responsibility, in a narrow sense, of the Minister of Tourism and Small Business, the Minister of Economic Development is obviously crucially interested in diversification. The arguments that have been presented before in this House have related to the loan being made to Ram because of diversification.

Frankly, Mr. Chairman, I think it would be a very restrictive ruling not to allow the minister to respond to specific questions about his involvement in a loan which has gone sour. It's not just the case of Mr. Adair. If it had been just Mr. Adair as a minister dealing with this loan, that would be one thing. But we have a meeting on November 25 — I am quoting from the sessional paper here — including not only Mr. Adair but Mr. Planche, dealing with a loan.

In my judgment, Mr. Chairman, this committee has ranged all over the place. If we're going to have a very narrow rule, then we'll have to pounce every time a backbencher asks a question, because we will make sure, I will tell you, that the rules are narrowly applied. But you've been quite fair, sir, in recognizing that questions relating to investments made in the broadest sense from the trust fund — and we have one investment that I think everyone is a little sorry that it was made — can be properly raised.

So I would say, Mr. Chairman, that it would be unfair not to allow the minister to respond.

MR. CHAIRMAN: Mr. Notley, I appreciate that additional bit of explanation that you have provided. I think it would be appropriate, though, that the input of your questions to Mr. Planche, if they deal with the general subject matter of economic diversification

in the province of Alberta — you are very correct in saying that we have in fact tended to wander in this committee, and that has been by the general acceptance of the members of the committee.

If in fact the question that you wish to address to Mr. Planche in this area can be tied in with the whole question of economic diversification within the province of Alberta, then I think that question might be appropriate today. But if it's dealing with very specific matters that might best be dealt with by Mr. Adair, whom we have reinvented to the committee on Monday, October 3, perhaps those questions might best be kept for Mr. Adair.

MR. NOTLEY: Mr. Chairman, just on the point of order. We're not in a position to know, because all we know is that Mr. Planche is generally in charge of whatever diversification programs this government has. As Minister of Economic Development, that's obviously an area of his concern and responsibility. Along with Mr. Planche's responsibility goes Mr. Adair's responsibility. So in a sense both of them, in tandem, have considerable responsibility for whatever diversification occurs or doesn't occur.

As we read Hansard, we have seen Mr. Planche indicating that the investment in Ram was made, at least in part, because of the government's interest in diversification. That being the case, we are now dealing with the trust fund. We have asked questions of one minister who was very closely involved with that decision; we now have another minister who was very closely involved with that decision. I think it would be an extremely narrow interpretation and one that's not in the public interest to say, no, that question isn't in order. I think the question should be put, and it will allow us, as members of the House, to evaluate what questions, if any, should be put to Mr. Adair. They were both at the meeting.

MR. CHAIRMAN: Well, as long as the questions that you are raising here today with Mr. Planche deal with the general subject of economic diversification, I think they would be appropriate. If you're asking Mr. Planche to respond on behalf of Mr. Adair, then I'm afraid I'd have to rule you out. So would you please proceed.

MR. NOTLEY: Yes. I'll put the question, then, directly to the minister.

MR. PLANCHE: I'm afraid I've lost the question.

MR. NOTLEY: I don't blame you for losing the question, Mr. Planche, with the points of order.

MR. PLANCHE: Was the question that Mr. Notley has difficulty in understanding something, and he wanted me to comment on that?

MR. CHAIRMAN: I'll ask Mr. Notley to raise the question again.

MR. NOTLEY: Yes, Mr. Chairman. I'll rephrase the question for Mr. Planche. I'm sure I wouldn't want him to misunderstand the question.

I would like to know, Mr. Planche, why you were at the meeting of November 25, 1982.

MR. PLANCHE: Mr. Chairman, because I have a staff department as compared to a line department, which most of the ministers have, and because my responsibilities take me into almost all those ministers' areas of responsibility more or less, I go to many, many meetings that are held in line department offices, to discuss projects or concepts that are more germane to those ministers but that I am prepared to comment on because they fall under the purview of my staff department. So it isn't unusual for me to be at

meetings.

I didn't see any particular significance in that group's going all the way up to Edmonton from Red Deer. It's only an hour in a car, not a lot longer than it takes really to come from the suburbs of Edmonton.

Finally, I remember some of the questions that the member asked in the House, when he said some, I thought, unkind things about Mr. Peckham's reputation, inferring also that Mr. Peckham had a loan outstanding, which in fact wasn't the case. He made no recognition whatsoever of the contribution Mr. Peckham has made to employment in the province, and was unable to distinguish the difference between a pipe mill and a steel mill. So I really don't know exactly what it is he's asking me.

MR. NOTLEY: Perhaps we'll just follow that up, then, Mr. Chairman. I want to come back to the meeting on the 25th and ask the minister: are we to believe that these gentlemen came from Red Deer to meet with two cabinet ministers, advised by a person as knowledgeable about this government's operations as Mr. Foster, simply to be told that, shucks, you're talking to the wrong people; you should really see the officials of the AOC? Are we to believe that, Mr. Minister?

MR. PLANCHE: Mr. Chairman, on the question of belief, the fact of the matter is that Mr. Foster at that time had been out of government three years. We as a government never made an issue of shrouding someone because they've been in public service, and he's just as welcome to come into anyone's department as anybody else I know.

The key issue, as far as I was concerned, was whether or not the plant would be completed as a unit in Red Deer, so that in the event that something happened to it over time, it couldn't be dismantled and sold in parts.

The member will know that before 1955, the steelmaking industry in Canada supplied all tubular goods out of eastern Canada and that over time, as plants are developed here, it becomes necessary for them to participate in the supply of skelp to those facilities or they simply lose that part of their market participation in Canada. Every time a plant is built in western Canada, that means that jobs that were elsewhere are transferred here for the consumption of steel.

So my main interest was to see to it that that plant was complete and that however it came to rest, it would be employing people in Red Deer and participating in the demand of tubular products in western Canada.

MR. NOTLEY: Mr. Chairman, just a supplementary question, and then I may come back with additional questions.

The minister's answer is self-evident, and would certainly be self-evident to Mr. Foster. My question, however, gets right back to why Mr. Foster would think it was in his interest to meet with two ministers who apparently, according to the record, simply advised him to go and see the AOC. That seems very puzzling, Mr. Minister. Surely, there must have been some other reason for the meeting on the 25th. People are busy. You don't bring a board of directors up for what would appear here to be an absolutely useless meeting, a meeting that could have occurred by a 30-second phone call. You don't have someone like Mr. Foster, as knowledgeable as he is, knowing that he shouldn't go to the AOC. My simple question is, why? It seems very strange indeed.

MR. PLANCHE: If the question, Mr. Chairman, is why Mr. Foster thought the meeting was important, I'm afraid I can't answer that. I'd have to ask Mr. Foster.

There was some allegation, I think, that the whole board came with him. In fact, as I recall, that was not the case at all. I think there were three or four. I'm not sure that they were all board members.

MR. GOGO: Mr. Planche, welcome to the committee. As I look over the committee's

terms of reference, which is essentially the annual report for '82-83, I really don't see that much that is directly applicable to you, Minister.

What I'd like to ask you is if you would share with the committee — you've just clarified, for example, that economic development is really a staff operation which tends to either have its tentacles into other departments or co-operate with other departments. But I would submit, Minister, that this committee and most Albertans view you, the Minister of Economic Development, with the responsibility for economic diversification and activity throughout Alberta. It's on that point, Mr. Chairman, that I'd like to ask Mr. Planche if he could just take a moment and indicate to this committee what is being done with regard to economic development and diversification throughout Alberta, whether it's directly related to the Heritage Savings Trust Fund or not. I'd like then to pursue perhaps a couple of questions, if that's in order.

MR. PLANCHE: Economic diversification as it relates to the heritage fund: I would think the most influenced in that area would be the financial sector of the province. Aside from that, the specific investments that have been made have been to facilitate mostly the transportation portion of our economics. We've learned very well in the last 30 months that because we're in the commodity business, we don't control prices and we don't control demand. All we do control is supply. So our economics really revolve around the removal of impediments to supply, and it's in that sense that we've directed most of our investments.

On the issue of economic diversification, I guess the problem is perception. In that oil and gas pricing had increased so dramatically in the '70s, it represented statistically by far the largest percentage of Alberta's gross domestic product. But at the same time, other sectors were growing quite well. Manufacturing in Alberta as a percentage of what happened in Canada doubled in that decade, and there was a period at the end of the '70s, turning into the '80s, where more people were employed in manufacturing than were in agriculture. So while the indices reflect an enormous percentage of the gross domestic product attributable to oil and gas, there nevertheless was some substantial increase in all other activity.

Recognizing the impediments we have in distance to market, I think that in the circumstances we have done quite well with activities in the smaller centres revolving around economic diversification. The other day I was called upon to comment on that publicly and had a sheet done, and would be happy to read you some examples of it to sort of refresh your memory. So the manufacturing sector has done quite well.

Finally, I guess there's the advanced technology area, which is the one that's coming now, that's employing quite a few people as well. That, for a variety of reasons, has a very bright future.

MR. GOGO: A supplementary question, Mr. Chairman. It would just seem to me that without the consumers here, we have to be looking in those areas whereby we can develop things that other people can consume, whether it's high tech or whatever.

Minister, last week in my constituency, there was a first for Alberta with a relocation of a railway yards. The city of Lethbridge could not have done that alone. CP rail could not have done that alone. Economic Development, primarily through you, really put those pieces together, and it proposes not only a challenge but great opportunities for the community which I represent. I recognize all the potential employment opportunities created by that.

Are there other types of relocation projects on the burner now whereby by your involvement they could perhaps proceed, and as a result of that we would have many opportunities for employing Albertans?

MR. PLANCHE: Mr. Chairman, yes there are. On the first question, I meant to comment that diversification really is best represented by activity, not necessarily

contributions to the Treasury. If you look at it from that perspective, we're doing a great deal better than the indices indicate.

In terms of other redevelopment proposals, there are two that are active right now and a third that's sort of at the conceptual stage. The criterion for railway development is that the land that is freed up by the movement of the railroads should have a resale value that equates to the cost of moving the railroads. That is the criterion we've set, and it's difficult to come by depending on the topography and how the city is structured around the rail yards and main line as it presently exists. Both the proponents are having difficulties getting that aspect of it together. Of course, we're actively helping them with the study and the rail negotiations. As soon as that criterion can be satisfied, I presume we'll go ahead with them.

MR. GOGO: A final supplementary, Mr. Chairman, if I could. I well recognize this is not directly related to the Heritage Savings Trust Fund, but I've read with interest the meetings and recommendations of the Northern Alberta Development Council. It seems to me there are great opportunities in northern Alberta. Is the minister's department currently involved in any major project in northern Alberta, with a view to diversification of Alberta?

MR. PLANCHE: Mr. Chairman, of course we are greatly concerned with the development of the Slave River for one. We continue to look at the city of Fort McMurray and its activities. A multimodal staging centre including containers would be for access to the north. We continue to concern ourselves, along with the water resources group, with the impact that flow regulation would have on the depth of water in the Mackenzie. We want to be certain that over time we have competitive barge access for modules. We continually concern ourselves with discussing with the federal government things like bridge access at Hay River; what would be the advantage of moving upstream to Mill Lake over time. Without consulting my notes, those are the ones that come to mind.

MR. THOMPSON: Mr. Chairman, my question has to do with the new debenture issue of Vencap. Possibly the minister would like to comment on the reasoning behind the decision to have this debenture issue presented through the stockbroker houses instead of through the treasury branches, banks and that, considering the facts that it is primarily for all Albertans and, secondly, that it is guaranteed by the provincial government.

MR. PLANCHE: In the province, Mr. Chairman, there is a set of rules about the distribution of stock issues. It's under the auspices of the Alberta Securities Commission. Variance from that requires the approval of that commission. A presentation was made by Vencap to have wide distribution so people in the smaller centres around the province would have access through their traditional financing interfaces with the treasury branch and the banks. It's my understanding that the investment dealers intervened and made a case based on the criterion that their avocation was best suited to recognizing the suitability of an investment for a client, that they should be the ones who would be responsible for the distribution. The Securities Commission found in their favor. As a result, the people who have traditionally traded through treasury branches and banks in their financial dealings in the smaller centres will now only have the alternative of dealing with investment dealers.

MR. THOMPSON: Well, Mr. Chairman, from my point of view as a rural Albertan, of course, this is discrimination. But anyway, there are people that do not have an opportunity or do not take the opportunity to work through brokers. I guess it's too late now, but is there any chance of this decision being appealed, or why wasn't the decision appealed?

MR. PLANCHE: Mr. Chairman, the proposal for wide distribution through channels other than investment dealers was Vencap's. In that they're at arm's length from the government, it's also appropriate that whatever appeal mechanism was available they would use. Because time, I guess, was of the essence, they elected to simply go as instructed by the Securities Commission. We had very much hoped for wide distribution. The investment dealers, as I understand it, have indicated that there is some difficulty in the time allotted between the time the units started to be sold and the closing date, that mail transactions from the smaller centres to the investment dealers' offices couldn't be readily handled. I understand that Vencap is considering extending the time of the offering before it closes, to facilitate mail transactions back and forth between the smaller centres.

MR. THOMPSON: Thank you, Mr. Chairman.

MR. MARTIN: Mr. Chairman, I don't want to risk the ire of the minister, but I too want to deal with an \$8 million loss from the heritage trust fund, only specifically in terms of the minister's involvement. We do know he was involved on November 25, so I would come back to that meeting and ask the minister very directly what role the Minister of Economic Development played at that particular meeting.

MR. PLANCHE: I know of no meeting that I attended where an \$8 million loss was sustained by the Heritage Savings Trust Fund.

MR. MARTIN: I said a possible loss. Would the minister answer the question about the role he played at that November 25 meeting we were talking about?

MR. PLANCHE: My role was one of input into whatever decisions the minister responsible for the AOC would have as they might affect economic development in the province. That's not an unusual role for me to play. The plant is now complete, and there is nothing that's been brought to my attention that indicates that an \$8 million loss is imminent.

MR. MARTIN: We could certainly argue that one, but we'd be out of order if we argued that, and I certainly wouldn't want to be out of order. But to go back to the meeting, at the time of the meeting back on November 25 what evaluation did the minister have of the Ram proposal?

MR. PLANCHE: I was generally aware of the proposal, Mr. Chairman. As to the detail of that meeting, that would be commercially confidential, as are my meetings with many, many clients every week. It's an industry I do have some feeling for, and I was generally aware of the merits of the proposal, the evaluation of the plant, and an assessment of the market forecasts as they saw them at that time.

MR. MARTIN: Thank you. I would expect that about confidentiality; we've heard that before. But, again, I relay that we're talking about taxpayers' money. The minister is well aware of that.

In terms that he had an evaluation of the proposal, who else was involved? Who else had that evaluation of the proposal at that specific time? Was it just the minister's department, or were there other people involved?

MR. PLANCHE: I'm not able to answer that specifically as to whether or not the proposal that was before us was one that had been submitted to AOC. I believe that's correct; I'd like to check that, though. I'd like to have an opportunity to check that

specifically. I don't believe we ever asked for an assessment or appraisal of the concept directly from the clients at all. To be precise, I'd have to check that.

MR. MARTIN: Mr. Chairman, could I check — it's not a question — that that information will be forthcoming to the members of the committee?

MR. PLANCHE: Yes.

MR. MARTIN: Thank you.

MR. R. SPEAKER: Mr. Chairman, to Mr. Planche, and it's related to the Vencap operation. In press releases and other statements, the minister has said that there'll be an arm's length arrangement between the minister or the government and Vencap. I was wondering if the minister could describe that arrangement. Would that be similar to what we have witnessed in terms of AOC? Is Vencap more autonomous, say, than the AOC operation? How would the minister see his relationship, and what has occurred, say, in the last few months since 1982 when the concept was made public?

MR. PLANCHE: That's an important question, Mr. Chairman. It's very difficult to structure that kind of facility, that has access to those very large sums of government money, and still allow it to operate in the venture capital sphere outside regulation. The way the structure finally came to rest was that the units would be sold. The board of directors which was appointed by me originally, who in turn have selected the president, the chief executive officer, and the chief financial officer, would then stand for election at the direction of the shareholders, as they existed; there would be no government representation on that board whatsoever; and that board of very distinguished Albertans would then be the ones who assessed the clause "of benefit to Alberta" which overlays the way they are to look at investments.

Venture financing is largely, or to a great extent, intuitive, and that doesn't lend itself well to regulations. It needs to be done on a businesslike basis. So the line that the operating authority within Vencap and the Board will have to walk is one "of benefit to Alberta" versus their responsibilities under law to the shareholders. But they are in no way analogous to the Alberta Opportunity Company. They are not a Crown corporation. We will not have input into the Board. We will not prescribe what they do; we have prescribed what they cannot do. They will make the final judgment on the merits of the concepts, and they will make the final judgment on whether it is "of benefit to Alberta".

MR. R. SPEAKER: Mr. Chairman, I believe the minister has answered my supplementary question. In terms of regulations through O.C. or by cabinet scrutiny, there will be none as terms of reference for this Vencap body.

MR. NELSON: Mr. Chairman, the minister changed the tone here a little bit. What is the situation with regard to the possible investment in western Canada, and in particular Alberta, of the many millions of dollars from offshore, and in particular Hong Kong? We hear in the news media and what have you that there is a possibility of moneys available or people coming here to invest. Are we encouraging this at all for development of our resources and industries?

MR. PLANCHE: Mr. Chairman, we've always taken the position that foreign investment is welcome in this province, providing with it comes good corporate citizenship, transfer of technology, and optimization of jobs for Canadians. Hong Kong is particularly interesting for us, because our attention has been diverted from Europe to the Pacific Rim because of the EEC and because generally speaking the Pacific Rim is compatible with us and not competitive with us in their desire to buy energy and food.

The Hong Kong businessmen, who are probably among the wealthiest and wisest in the world, have long taken their investments out of Canada and in Canada generally speaking only to Vancouver, where the overfly is to Toronto. We have made some considerable effort to see that that's changed. It won't be a matter, however, of straight investment; it will be a matter of business arrangements, trading arrangements to and from, cultural exchanges, and hopefully an aggressive industrial sales campaign that we will be catalytic in.

The one main stumbling block so far is the Foreign Investment Review Agency's regulations as to the percentage of foreign ownership in various enterprises.

MR. NELSON: Thank you, Mr. Planche. Mr. Chairman, Mr. Planche just about answered my second question regarding FIRA. I was wondering if there was possibly any manner in which the province, in conjunction with any other province, has approached the federal government or FIRA itself with regard to FIRA, in endeavoring to make some changes to those regulations to enhance the opportunity of Canadians seeking employment, to have people offshore bring their finances to this country for the benefit not only of themselves but certainly of Canadians seeking work.

MR. PLANCHE: The answer to that is yes. I've done it individually, I've done it in concert with my colleagues, the Premier has done it, and the Premier has done it in concert with the other premiers. The federal government consistently tells us that they are modifying the rules, and we watch with some interest the rejection rate. The problem with that is it doesn't tell the whole story. It doesn't tell the story of those who don't apply because of it. I think that's particularly true of the Asians.

Until the time constraints on decision-making are delineated, until the reason for the rejection is made clear, and until the rules are understandable, there are many, many places in the world where capital will flow readily, besides Canada. Our judgment is that it is doing a great disservice. We simply can't develop resources without foreign investment. Hopefully that will change over the next 18 months.

MR. NELSON: One further question, Mr. Chairman. I am just wondering if Mr. Planche has some thoughts with regard to utilization of the Heritage Savings Trust Fund insofar as encouraging private industry to Alberta from the perspective of our province having a stable government, of course thereby recognizing a stable, hardworking people, offering low interest loans or something in the order of a small business development bond previously offered by the federal government. There are a lot of young people who are making efforts to obtain moneys from the banking industry or institutions who are being turned down. Considering that some of the larger banks really don't want to talk to small business men and that the opportunity for many loans or what have you through AOC is very difficult, I am just wondering if there is any opportunity there for us to diversify the Heritage Savings Trust Fund to assist in diversifying the economy, through your department.

MR. PLANCHE: The answer to that is yes, but that's judgmental. First of all on the small business bonds, we don't have the capacity to offer incentives on personal income tax, just corporate income tax. That makes it a little less encompassing than I'd like on those development bonds. There is nothing new in the development bond idea, and indeed it has been very successful in many jurisdictions. They develop real estate with those kinds of bonds in the U.S. So I think there probably is something that can be done there, and there is some work being done on that right now.

The other side of the equation is the one in which the Treasurer is charged with the responsibility of maximizing the return on the Heritage Savings Trust Fund. That's done at the exclusion of the vehicles that he invests in and uses to invest in. It may very well be that a cost/benefit could be established where he might not be directed entirely to the

maximization of profit as *raison d'être* for investing but might very well be, in a direct way, supportive of our financial sector and of our investment sector. Those are all areas that we are looking at and, indeed, are going to make a quality judgment on.

MRS. CRIPPS: Mr. Chairman, I guess my first question is a follow-up to John's. You said that Vencap was thinking of requesting extra time to allow for communication between smaller centres and, I trust, Edmonton and Calgary. I just don't know of any smaller centres with access to brokerage firms or outlets, and that does actually put all rural Alberta at a very distinct disadvantage. Can you name some smaller centres that do actually have outlets?

MR. PLANCHE: Aside from the major centres in the province, I wouldn't think that the investment dealers were officed in those. My understanding was that investment dealers were going to undertake a program to give themselves a profile so that the people in the smaller communities could in fact get in touch with them by one means or another. I think it's understood, although it may not be understood by all bankers, that they can in fact take applications and refer them to investment dealers, within the law. It doesn't mean the bankers can get a commission for that sale, but it does mean they have the capacity to refer and, indeed, it would do a disservice if they didn't.

My impression is that the investment dealers indicated to the Alberta Securities Commission that they could do a very good job of wide distribution within the limits of time, and would undertake to so do. So I'm anticipating that they are in fact doing that, through the weeklies and whatever communications are available to them.

MR. CHAIRMAN: Mr. Moore.

MRS. CRIPPS: That's not the major question. It's a follow-up.

MR. CHAIRMAN: Please proceed, then.

MRS. CRIPPS: My major question is on Prince Rupert. Can you outline the progress and the outlook for the terminal as it stands today?

MR. PLANCHE: Everything is on time and on budget with the exception of the marine facilities, which I think will be some three or four weeks late but will not affect the opening of the facility in late 1984. We've been very fortunate in every regard in terms of the output of the workers, the continuity of work, the price of material coming in, and the way the contractors have performed their function. We are overseeing just the computer technological part of it, which we still have some concern about. We have hired some consulting people, to be certain that when that's in place it will be a plus and not a minus in the short term.

MRS. CRIPPS: In your answer to Mr. Gogo, you indicated that transportation is key. Do you have any information on the present and future expansion of the railway lines and what effect that will have on the opening of Prince Rupert?

MR. PLANCHE: Of course, the key is that the railways will be funded for carrying agricultural commodities. If that comes to pass, my presumption is that they will meet their commitments. If Bill 155 in the federal government is not passed and no funding is forthcoming, then you will miss a winter season again while they dither over what's the best way to handle it, and there are four years after the letting of contract to complete Beaver Tunnel. If we miss it now, we could very well be into freight rationing in the year 1988. So it's essential that some accommodation for rail financing is made, both with their variable and constant costs.

MR. R. MOORE: Well, Mr. Chairman, Mrs. Cripps asked my question related to the Prince Rupert terminal, both on the transportation and on the budget — whether it was on target — so thanks, Mr. Minister.

MR. ALEXANDER: Mr. Chairman, to the minister. It's my view that one of the very best and outstanding roles this ministry has played is as a catalyst to economic development. I have been fortunate to personally see a couple of examples in which I thought that catalytic role was played excellently. One example to which I refer was the spring seminar your department sponsored for the advanced electronics investment area, in which you imported a top venture capital person from the U.S. to speak to local businessmen. The discussion that took place at that seminar was very interesting, and one of the questions that was posed was what intentions local investors might have to invest in advanced electronics or other high tech businesses. I'm just wondering whether, in the intervening seven or eight months, the minister has seen any evidence of people carrying on with those initiatives or utilizing the information, whether you've been able to do any more catalyzing with people who are interested in that area.

MR. PLANCHE: That's a very interesting question. The advanced technology area is really split into three. The first one is the R and D area, and that's generally where either very wealthy corporations who have a sectoral interest or governments get involved with programs of one kind or another to assist R and D. The next one is the developmental area, where the concept is proceeded to bench manufacturing and geared toward a logical market. And the third one is when the product is ready to hit a market and has found a niche and a need in the market. The third one is usually taken over by entrepreneurs pretty readily. It's the middle one that's difficult, taking it from R and D to the market. The problem is further compounded for Alberta by the fact that a great many things we're trying to transfer technology on are medical related. Because of the pure Food and Drug Administration in the U.S. and the equivalent body in Canada, the waiting time for that development can be anywhere up to 11 years.

If you take the tack that you're going to fund the owner, the inventor, or the one who developed the concept, you isolate him from the necessity of addressing the market problem. So instead of perhaps funding the owner, it may very well be that part of the criteria of funding should be that the developer identify a market, that we fund the market to respond to him, and that the market rules on whether or not the money that's been put in causes a market response, and he would be the one that dictated at the time the thing would all terminate. That does quite a few things. It certainly market-orientes the concept, which is where it has to go finally. It won't do, though, for the medical research part of it. That's a very different kettle of fish, and that's the one we've really been spending a lot of time concerning ourselves with.

There have been some instances around the province where local people have put in money at the R and D stage in order to set up an industry in their community, and that's proven to be very effective. But the regulatory prevention of some of these concepts reaching the military and the medical really take it out of the realm of normal funding for profit and loss that people do unless they're philanthropic by nature. It's that area we're addressing.

MR. ALEXANDER: A follow-up to that might be: in the third stage, are you able to identify anything specifically in the advanced electronics area, which is what that particular seminar was about and which is a preoccupation of market places, magazines, and so on today. Everybody's onto high tech. Is there anything in the way of electronics stuff developing in Alberta to the point where it may soon become profitable to participate in non-medical high tech?

MR. PLANCHE: There really is quite a remarkable statistical report on that. One of the difficulties we have is quantifying who the players are. The reason for that is that in the last 30 months, for one reason or another, a lot of very high-priced, high-powered people have become redundant in their traditional employment and have elected to go out on their own. We haven't been able to identify what they're doing or who they are in some sectors.

Now the Alberta Microelectronics Centre at the U of A has gathered together the microelectronics people, and we're getting a pretty good handle on the players in that sector, certainly in northern Alberta and to some extent southern Alberta. If my memory serves me correctly, there are about 4,000 people employed that they can identify. There are 100 companies that have a positive cash flow and out of those, I think about 37 or 38 are exporting. And that's all happened in the last 30 months. I think the same kind of activity is taking place in communications and to a lesser extent in hostile environment activities, including transportation, steel metallurgy, and a variety of other initiatives, so we look forward to a very active sector.

With some slight restructuring so that communication between them and whoever is going to be the facilitator of funding can be established and so that we can get a line of communications open to keep them up with state of the art activities and understand who they are so that we can refer people who come here to them, then with creative financing and a change in attitude in the relationship between university and business, I think we're well on the way. We're attacking each one of them separately, but understanding that they all have to finally come together. The main two are really technology transfer, which is the attitude between business and the universities, and the other one is trying somehow or other to fund that never-never land between R and D and the market.

MR. ALEXANDER: Very good. Thank you.

MR. R. SPEAKER: Mr. Chairman, my question to Mr. Planche is related to my first question, with a little different slant to it. The committee here in the Legislature will allocate \$200 million from the Heritage Savings Trust Fund to the board of directors of Vencap, which in turn can be used for purposes which they designate and to relate to various investments which they feel are good to the development of Alberta. What concerns me, not only with this one but with other instances that may be similar — and I'd like the minister to comment on the similarities of this to, say, the Alberta Energy Company and Pacific Western Airlines. We as members of the Legislature find it very difficult to hold someone accountable for the actions which take place in terms of the investment — and I'll use that word — of the Heritage Savings Trust Fund.

Let's say a year from now, whom do we question with regard to activities and investments in Vencap? Would it be the chairman? Would that person appear before this committee? What responsibility has that person to the committee? Maybe the chairman would like to address himself to that question as well at some point in time. We are the watchdogs, supposedly, for the people of Alberta, and here's \$200 million. Has the minister thought about that question, and what would be the proposal of government with regard to that matter?

MR. PLANCHE: There is a very real difference, in that we are not a shareholder whatsoever in Vencap. We are a creditor, and that would be the very real difference at the outset. I presume you will be taking advantage of the offer to buy and, as a shareholder, you would be able to go to their board meetings and ask them what they're doing with the money. That would be my hope.

The issue of how they spend the money, or how secure the money is, is a security contract that was worked out with Treasury, Vencap, and outside legal, financial, and accounting consultants to be certain that as best we could, the money would be secured

in the interim between the time it went out and the time it is recovered. It will be always invested in a wide variety of things that are hard to put a lien on or secure in other than a general security way. The money will go out of here in terms of investments, and it will be taken by them. It will be understood that those investments won't be liquidated until they're mature, and we will have a first call on those through a repository in a trust company, or an arm's length financial institution, so that we will have a call on those until finally they're invested. Then presumably there will be a flow back in.

Mr. Chairman, they estimate about a seven-year turnaround before there is a positive cash flow on the way out. In the short term, they need the investment income from the \$200 million we have voted for them in order to meet their obligations on the bonds they're selling. While that money is not invested but is held for them, that will be fairly easy to secure. It gets increasingly difficult to secure as it gets into a variety of investments, some of which will fail. But we have a general security on all their assets and activities.

MR. R. SPEAKER: Mr. Chairman, to the minister. I guess the real question is: during the period of time — that seven-year period while investments are being made and the money is being held, and at a later stage when money is returned to government — can the minister at points in time, upon being questioned here in this Legislature, say: yes, our investment, our money, is secure, and I am satisfied that everything is occurring according to our loan contract? How does the minister do that if there's an arm's length, and how can the minister assure us? Does the minister have some kind of ability, then, to go in after the fact and look at what the Vencap people are doing? Is there that ability of government to do it, or does "arm's length" say: stay away; you must trust us, and you can't see what we're doing — there is a wall between Vencap and government?

Certainly I look at the people on the list. I trust them. But it is \$200 million of government.

MR. PLANCHE: I appreciate that. Mr. Chairman, there is a debenture agreement, and they will have to fulfil its requirements. If they do not, then that gives us an opportunity to call a loan, renegotiate it, move in, or whatever is required, very much the same as you would have if you bought debentures in any activity that's going. So we would have the ability to move in if they wandered off their agreement under the debenture contract.

The second area, which is a little more difficult, is if in our judgment they come off "of benefit to Alberta" over time. That's a little bit trickier. We do in fact have an opportunity to buy 20 per cent of their voting stock from Treasury if we feel that over time they are coming off their mandate, which is "of benefit to". We would hope that would never have to be exercised, but it is in place, with the presumption that if we are right in that they are off "of benefit to", 20 per cent should carry it. If in fact the shareholders, who are predominantly Albertans, disagree that they are off the issue "of benefit to", then we would lose with our 20 per cent. That was put in place for the very reason and concern that you've properly expressed. The trick is to be certain that if you have a merchant bank presence, or a venture capital presence, it can be done at arm's length of regulation, or else it won't be successful. You and I have experienced the frustration of that over time.

MR. MARTIN: Mr. Chairman, I'd like to look at a little different aspect of economic diversification, and then come back to a specific project that I'm sure the minister had some thoughts about in terms of the heritage trust fund. It has to do with the recent announcement of Canex Wood Products and their proposal, which I know the minister was involved with.

The first question I would ask, in terms of the minister's deliberation with this

company — at least, the press quoted the minister as saying that the project was an attractive proposition and that he had gone out of his way to help Canex. The minister will correct me if that's misquoted. My first question to the minister: was it in fact an attractive proposition?

MR. PLANCHE: I was attracted to it, Mr. Chairman, because it made eminently good sense. People that came to see us had some knowledge of that industry and a marketing plan but unfortunately no money. That's almost an impossible equation to put together anywhere. So I asked them if it would be agreeable to them if I called some people I knew who were in associated industries. I indicated I was attracted to it and opened the door for them to go directly to the proponents of Canex; in other words, be a facilitator. They agreed to that, and I did that. I heard no more from them in my office, except through a newspaper article.

MR. MARTIN: My second question, and again the minister was quoted — if it's a wrong quote, I'm sure he will tell me — as something about "we are not a granting government". I wasn't sure what the minister meant by that. Could he explain this to me?

MR. PLANCHE: I think the reporter asked the question: wasn't it important that we employed handicapped people? That was part of the proposal. This work would lend itself well to handicapped people, because much of it could be done with only the attendance of people. Presumably those without one limb, or some other impediments, could handle the flow of product as it went by. For that reason, wasn't it an important place for me to make a grant? I don't have the capacity to make grants, so I made the comment that we are not a granting province.

We have consistently and publicly said that one of the reasons that this is an attractive place to invest is that if you put 100-cent dollars in here, you won't expect someone along later having an opportunity to get into your market with 50-cent dollars. I think we've consistently stayed with that.

MR. MARTIN: My final supplementary to the minister on this matter. I'm sure the minister was interested, in terms that it looked like a good idea in terms of diversification. It had to do with finished wood products, which certainly would fall into the diversification plan. It goes to the minister talking about not being a granting government. My question to the minister would be this: what is the difference between this proposal and, say, a proposal like Ram Steel? Surely they were a granting government in that regard.

MR. PLANCHE: Mr. Chairman, that question is fatuous in the extreme. In the first place, Ram Steel had more or less \$6.5 million in their own equity in, and they were not looking for a grant at all; they were looking for a loan. He will know, with his vast business experience, that there is a difference between those two.

MR. MARTIN: I also know that they overestimated what they told you, in Ram.

MR. NOTLEY: What about the minister's vast business experience?

MR. MARTIN: Yes.

MR. NOTLEY: Mr. Chairman, we won't get into a situation of trading insults here but will get back to some specific questions.

I'd like to take the minister back to page 42 and page 60 of our transcript. We are now dealing with Ram Steel again. I'd like to probe the minister's mind as to the

evaluation made by his department of the so-called equity of Stelco. The reason I cite the two pages is that my understanding of the deal was that Stelco was going to buy 40 shares at \$10 a share; that's \$400 in cash. The remainder of their equity would be made up on the basis of selling skelp between the cost price and the market price, which is a great proposition for Stelco. For that, they get three members on the board of directors.

The reason I raise that, Mr. Chairman, is that I specifically cited that, on page 42 and page 60, asking the minister's colleagues to confirm or deny. Presumably if that information had not been correct, since I specifically asked it, we would have been set straight at that time. So I can only presume the information I have is correct, in that we're talking about a minimal investment by Stelco.

To what extent did the Department of Economic Development prepare any evaluation of Stelco's so-called equity position in Ram Steel before the government finally agreed, at the cabinet meeting in early October or finally at the meeting that took place on November 15, at which time the matter was referred to the AOC if this sessional paper is correct? What evaluation was made of the adequacy of Stelco's involvement in Ram Steel?

MR. PLANCHE: I think the extent of our involvement in Stelco's contractual arrangement with Ram Steel was one of insistence early on that Ram would have to have more equity in order to have a good debt/equity ratio as a running company. In the time period between that conversation and their application to AOC, there was almost a dearth of equity available anywhere, because anybody in Alberta who had some was now well hunkered down and generally had banking constraints that they hadn't anticipated at all.

The knowledge that Stelco was going to become a working partner and an equity holder in Ram was welcome indeed, but I don't recall our assessing how that might come about. But the relationship between a skelp supplier and a converter into pipe is often done that way. You should know that the intermarriage between a buyer and a seller in a steel market such as that is very close, simply because the steel has to be cut and prepared a certain way for specific machinery, and once it's rolled into pipe, it no longer is reclaimable by a steel mill for any purpose. So a very close working relationship in terms of skelp supply and discounts on conversion price is not unusual.

MR. NOTLEY: I'm not arguing that at all, Mr. Minister. I'm well aware of that. But it also is an indication that a major firm like Stelco was taking virtually no risk. The risk was \$400; the rest of it was the difference between market and cost price at a time when they had a surplus in any event. So the risk factor was minimal.

What is important in this debate is that the risk factor for Albertans is very considerable because we, through the AOC, made the largest loan in the history of that particular corporation, and now there is some question. No one is arguing that we've lost the \$8 million, but there is at least some question — and Mr. Parker makes it very clear — as to how much of that money will be reclaimed.

MR. PLANCHE: Mr. Chairman, I think it's appropriate to make a comment, without any knowledge about the specifics, about the risk that Stelco was exposed to. The risk that Stelco was exposed to is the value of the steel delivered, converted, and not paid for, regardless of whether they take an equity position or not. If Stelco is delivering steel at a discount and for over 90 days they deliver one-quarter of Ram's annual projected requirements and none of it is recoverable, for whatever reason, then Stelco is clearly at risk. I don't understand why the member would say that Stelco has a minimal risk. If Ram didn't have the capacity to repay, Stelco's risk is indeed exceptional in view of the fact that they wouldn't achieve much equity over a 90-day delivery period of skelp.

MR. NOTLEY: In actual fact, Mr. Minister, that did not occur. A very minimal amount

of skelp was in fact shipped to Ram Steel before it went into receivership, as I understand it.

MR. PLANCHE: A very minimal amount of shares changed hands.

MR. NOTLEY: Indeed, and that really raises what the effective risk of Stelco was compared to the effective risk of the government of Alberta.

I want to ask the minister with respect to this meeting of the 25th. I am reading from sessional paper 178. Under, I gather the auspices of the deputy minister of Executive Council — although we'll discuss that with the Premier when he comes — a number of meetings had been held between various officials, including officials, sir, of your department. Perhaps the minister could elucidate what role Economic Development had at either a meeting or meetings. The Minister of Tourism and Small Business inferred it was meetings, the manager of the AOC seemed not to be aware of these meetings, yet we have sessional paper 178, which specifically says:

As of this date we can confirm that a number of discussions have been held between officials of Tourism & Small Business, Economic Development, the Deputy Minister of Executive Council, and the officials of the Alberta Opportunity Company with representatives of Stelco Canada following the October 5th approval-in-principle of the loan by Cabinet.

In view of that response, is the minister then telling the committee that when the meeting took place on the 25th, the nature of the Stelco involvement was not fully made aware to him? I would also like the minister to outline to the committee exactly what role Economic Development had in either a meeting or meetings with the deputy minister of Executive Council between October 5 and the final disposition of the money.

MR. PLANCHE: Mr. Chairman, it wouldn't be possible for me to answer that question today. I would have to research that. We are involved in meetings on loans and guarantees and facilitating business investments, 15 or 20 a week. My officials are, one at a time, seconded to committees to study specific proposals endlessly. So I couldn't begin to answer that without going back and going through a bunch of documentation and diaries.

MR. NOTLEY: Mr. Chairman, just on a point of order. In view of the facts that we are now talking about \$8 million and we have a sessional response, would the minister endeavor to get this back to the committee?

MR. PLANCHE: Sure. I certainly will.

MR. NOTLEY: Mr. Chairman, I have one additional question on Ram Steel. We'll defer the bulk of the questions until his colleague comes back. I understand that IPSCO, although indicating that they weren't interested in purchasing Ram Steel — that Ram has been operating for the last two weeks. Can the minister assure the House that the government is not at this stage looking at the possibility of selling the equipment as opposed to the operation of Ram?

MR. PLANCHE: No, I can't, Mr. Chairman. I had no idea that we were in the business of selling anything. I thought the receiver was managing it.

MR. NOTLEY: Mr. Chairman, in view of the fact that the minister indicated that one of his major concerns, as I recollect his initial comments, was to keep the business going as opposed to the equipment being sold, have there been any discussions?

The reason I raise this, Mr. Chairman and Mr. Minister, is that we have the public

statements of the president of IPSCO saying they aren't interested in it, yet we have the possibility of purchasing the capital equipment at what could be considerably less than \$31 million, which is what we would need if all the people, including the investors, are to come out with the money they put in. Knowing the loss that is incurred from certain ventures from time to time where people have to sell the equipment as opposed to the operation, and keeping in mind the minister's initial comment, what discussion, if any, has there been, Mr. Minister, involving yourself or officials of your department concerning piecemeal sale of the assets of Ram?

MR. PLANCHE: Well, there's been none, Mr. Chairman; it's in the hands of a receiver. But since the loan was advanced, the plant indeed was completed in all aspects. It's now a complete, functional unit, so I'm presuming the buyer would be interested in purchasing it at a price where it is, rather than dismantling it at additional cost. There has been none, because it isn't my place or the government's place to interfere with the receiver. We'll have to give approvals by law as the thing unravels, and we'll do that.

MR. MARTIN: If I can just come back to Canex again, because I'm not sure. It's hard to tell what they were asking from the government. Could the minister tell us exactly what their proposal to the government was, what they wanted from the Alberta government?

MR. PLANCHE: My memory, which is subject to checking, is that they arrived with a plan and a marketing concept and wanted money. I told them I would check to find out if there were some grants from this province, some assistance or relief, revolving specifically around the employment of handicapped people. I also agreed to undertake to see if I could facilitate their becoming associated with someone who would put some venture capital in. Clearly my capacity beyond that really boils down to guaranteeing, and you can't guarantee a bank loan for someone who has no cash flow, so that was an alternative that just wasn't available.

We have a lot of people come by who have experience and need money. What we're trying to minimize is five years later, when we have a lot of experience and they have a lot of money.

MR. MARTIN: Okay, I accept that. I still am not clear, Mr. Minister, though, what sort of money we're looking at. Was it loan guarantees? Exactly what did they want, and how much money?

MR. PLANCHE: I'd have to check back, and I'm not so sure that I'd like to give out that information — it's available from them if you wanted to ask them — other than to say that certainly the numbers the press reported were well in excess of my understanding of their requirements in the near term at least.

MR. MARTIN: A final supplementary, Mr. Chairman. I mentioned looking at the handicapped angle because it was my understanding that if 25 per cent of the employees were to be handicapped, you looked at that angle. Did the minister think this would be appropriate, or was it not appropriate for them to go to see the AOC? Would it not have fallen into that area at all?

MR. PLANCHE: Well, that would have been something we would have suggested also, but the AOC could do no more than we would do. The AOC only responds if there's equity. You can't go in with no money whatsoever of your own to finance a company of any kind that I've ever heard of. So if they had some equity, there was a variety of options possibly available to them. They had none to speak of. I had one meeting with them; I haven't seen them since. I don't recall having been asked to have another meeting with them. I certainly would have, had I been asked. I know that at least one of

the people I recommended the Canex group to as an area of interest was in detailed discussion with them, and he expressed some surprise at that newspaper article also.

MR. HYLAND: Mr. Chairman, my question is relating to diversification and the work the minister is involved in, in diversification, and recommendations he would see either with the use of the trust fund or outside it. At the present time, is the minister involved in any negotiations that would create diversification in the province and that would have an ironclad guarantee of no risk? I wonder if the minister is involved in such negotiations?

MR. PLANCHE: Just the convertible bonds of Vencap, Mr. Chairman.

MR. HYLAND: Okay. Then indeed there obviously has to be some risk when one creates jobs, whether you're lending money and signing for it or such as the case we've seen in Ram Steel, and that's one we still don't know the whole story about. To the minister: is there such a thing where either ourselves or the government can lend money or become involved, either partially or totally, where there's absolutely every guarantee that you're going to make money?

MR. PLANCHE: None that I know of, Mr. Chairman.

MR. HYLAND: Thank you.

MR. PLANCHE: I've had some personal experience on the other side of the fence, however.

MR. CHAIRMAN: You're not alone, Mr. Planche.

To the members of the committee, that exhausts my list of members who wanted to raise questions to Mr. Planche. Are there additional questions? That being the case, Mr. Planche, thank you very much. If all goes well, we'll see you one year hence.

To the members of the committee, just a brief reminder that tomorrow morning we'll reconvene at ten thirty. The purpose of the meeting is to discuss the process we will be following in arriving at recommendations with respect to our report. The meeting will be held here in the Legislative Assembly Chamber.

On Wednesday, we will be meeting with Mr. Bradley at ten o'clock in the morning. Some documentation has been circulated to all members with respect to the presence of Mr. Bradley.

So that being the case, we shall adjourn.

[The meeting adjourned at 3:17 p.m.]