

[Chairman: Mr. Oldring]

[2:02 p.m.]

MR. CHAIRMAN: Good afternoon, everyone. We'll call the meeting to order, please. I want to begin by welcoming the minister, the Hon. Larry Shaben, Minister of Economic Development and Trade. With the minister this afternoon we have Mr. Clarence Roth, Deputy Minister of Economic Development and Trade, and Mr. Roy Parker, president of Alberta Opportunity Company. It's nice to have you with us.

It has been customary, Mr. Minister, as you know, to extend to you an invitation to make some opening remarks, followed by a question and answer period. The format has not changed, I believe, since you served on this task force and certainly not since you were here last year. We extend the opportunity to members to ask one question, followed by two supplementaries. So on that note, I would extend the floor to you, sir.

MR. SHABEN: Thank you very much, Mr. Chairman. I'm pleased to be able to again appear before this committee. I think I'll forgo making any introductory remarks. When I look at the members of this committee, they have heard my remarks with respect to the matters I'm responsible for reporting upon. The only comment I'll make, Mr. Chairman, is those investments by the heritage fund that I'm assigned responsibility for. Those items are the investment in the rail hopper cars, the investment by the government in Vencap Equities Alberta Ltd., the investment by way of debentures to the Alberta Opportunity Company, the investments by way of a loan and investments with Millar Western Industries Ltd., the government's investments in the Prince Rupert grain terminal by way of Alberta Heritage Savings Trust Fund bonds, and a portion of the investments in the small business term assistance program as financed through the heritage fund. Mr. Chairman, those are the areas I'm responsible for as minister.

MR. CHAIRMAN: Good. Thank you very much. I should just note that the committee will be going out on an investigative tour of the Prince Rupert grain terminal at the end of this month. A number of the members haven't had the opportunity of seeing that fine facility yet, so we're looking forward to that.

I'll open the floor for questions with again a reminder that we're here this afternoon to deal with the hopper cars, AOC, Millar Western Industries Ltd., the Prince Rupert grain terminal, the small business term assistance plan, and Vencap.

The Chair would recognize the Member for Lethbridge-West.

MR. GOGO: Thank you very much, Mr. Chairman. Mr. Shaben, welcome to the committee. I'd like to ask you, or Mr. Parker perhaps, a couple of questions about the Alberta Opportunity Company. I think it goes without saying that AOC has been a real success story to many small businesses in Alberta as a lender, I think, of last resort. That was the original intent of the program.

Mr. Minister, with regard to AOC, the objective of AOC is to provide funding for small- and medium-size business in order to promote growth and diversification of the provincial economy. Could you or Mr. Parker just tell the committee what you mean by small- and medium-size businesses?

MR. SHABEN: Maybe I can make a preliminary response, and because Mr. Parker is the president and has the hands-on experience, he could supplement the answer, Mr. Gogo.

Alberta Opportunity Company's mandate and activities have gradually evolved, and I think they have evolved as a response to what happens in this province. The loans that have been provided by AOC principally to companies that haven't been able to get financing from other conventional lenders now total about 5,000 in number. About 85 percent of those companies are still operating, which is a pretty phenomenal achievement. The loans are generally to small companies, and there is a very good take-up by companies in rural Alberta -- that is, outside Edmonton or Calgary -- because there seems to be more opportunity for financing in the major cities. I say it has evolved because in addition to providing loans to companies whether they're involved in service, manufacturing, or a variety of areas, AOC has now moved into providing venture capital financing.

I'll ask Mr. Parker to comment on both those areas, particularly with respect to your question about the size of companies, so the committee can get an idea.

MR. PARKER: Okay; I would be pleased to. Historically, the average size of the loans we've made to Alberta businesses has been in the \$90,000 to \$115,000 range. It varies from year to year. Certainly, the overwhelming percentage of loans we have made have been \$250,000 or less. I would say that 90 to 95 percent in number are \$250,000 or less. This kind of gives you the picture of the type of loan we make and the size that goes to the businesses.

Now, to say what specifically is a small business is difficult to do in that it depends on the industry you're involved in. A small foundry may have sales of \$10 million or \$12 million a year -- which sounds a lot, but in the foundry end of things that is a small operation -- and we would look at providing assistance, and actually have in the past for one of your constituents, in this field. But the overwhelming variety would be small businesses owned by families. They could be partnerships; they could be proprietorships. The profile would see them, 80 percent at least outside Calgary and Edmonton, helping to develop the economies of the communities they're in.

In regard to our venture capital operation, as of the end of March in our 1988 fiscal year, we had a total of 12 deals for about, I think, \$14 million. I may be wrong.

MR. GOGO: Eleven.

MR. PARKER: For eleven; okay. For \$11 million that we had made commitments to. To the end of September, just last Friday, we now have approved 19 deals, 18 of which have been accepted, for about \$16.5 million.

So obviously, you can see that the average venture investment is significantly higher than in our small business portfolio. This is due to the fact that we concentrate on early-stage companies involved in leading-edge technology. Whether it be high tech or low tech, as long as it's something that's new and different, that has a proprietary aspect to it, and that has significant opportunity for dramatic growth, then we will look at it. That is what we have done and where we have gone.

MR. GOGO: Mr. Minister, just so we're clear when we use the term "venture capital," we're talking about equity or ownership as opposed to loans. I'm not too sure everybody is clear on that.

Mr. Minister, in your estimates this year approved by the Legislature on page 123, the amount appropriated by the House for AOC was down \$1 million, from \$13 million to \$12 million, or 6.6 percent. Could you inform the committee of the reason

for that? Essentially that money is for losses, I think, experienced by AOC or the differential in interest rates paid by AOC to the fund and moneys received. Is this a result of the small business loan program of 9 percent that was initiated by the government? Is that the reason the request this year was down a million dollars in the estimates?

MR. SHABEN: Mr. Chairman, I didn't brief myself on that item, because it's a GRF item. However, each year through the legislative process we appropriate a certain amount of money to the Alberta Opportunity Company in addition to the funds AOC requires from time to time by way of debenture from the heritage fund. That amount that we appropriate is a result of determining a number of questions, including the portion we would ask AOC to place against its accumulated losses. That would be a portion of it. I think one of the reasons for the reduction in the current year from the previous year is that the amount AOC was applying against the accumulated losses of some \$21 million was less than the previous year. I think that accounts for the major part of the difference in the transfer.

MR. GOGO: A final question, Mr. Chairman, to Mr. Shaben with regard to AOC. As a lender of last resort, I think it goes without saying we want to encourage Albertans, regardless of their age, who have good ideas and simply don't have access to capital to get into business and prosper. I seem to recall that at one time our former Premier, Mr. Lougheed, said that unless you experience a loss of about 6 to 8 percent on your loans, you're really not taking chances; you're really not putting faith in Alberta entrepreneurs who want to go into business. Now, if that was fact -- and I heard him say that, but that doesn't mean it was policy -- is that the policy today, that AOC should always go to the side where the risk may be very high but the intent of the applicant is very strong?

MR. SHABEN: I think this is one of the trickiest areas to respond to, because if one says that the loss ratio of an entity should be 10 percent or should be 12 percent or should be 6 percent, then you begin to respond on the basis of trying to achieve that as your end result. At AOC the board, all being private-sector individuals, have tried to respond to the mandate of AOC; that is, provide financing for small businesses and medium businesses that generally aren't able to get it in other places but have a very good chance of paying back their obligations. So right now I think -- and Mr. Parker could correct me -- our losses are running at about 10 or 11 percent.

MR. GOGO: Thank you.

MR. CHAIRMAN: Okay. We have a lengthy list. We have the Member for Athabasca-Lac La Biche, followed by Stony Plain, Little Bow, Calgary-Forest Lawn, Ponoka-Rimbey, Wainwright, Vermilion-Viking, and Calgary-Mountain View.

MR. PIQUETTE: Thank you, Mr. Chairman. I'd like to welcome the minister here today. I'd like to start off on Vencap and take a look at the Vencap performance in the past year.

You touched very briefly on the number of new equity. I guess we do have the annual report here. Is this the new investments, the ones that are listed alphabetically? Are those the new 1988 equity investments, venture investments as of 1988, or the cumulative 27 which are all part of the total venture capital?

MR. SHABEN: I don't have their annual report, but I have a list of the 28 investments that have been made by Vencap to date and a brief description of the amount of the investment, the company in which the investment has been made, and the type of business the company is involved in. Mr. Piquette, the total I have shows that the total is approximately \$106 million in 28 investments.

MR. PIQUETTE: So the last investment is fairly . . . It was \$88 million before; now it's \$106 million.

MR. SHABEN: Excuse me, Mr. Chairman. I think the 28th is the most recent investment in Sherritt Gordon.

MR. PIQUETTE: I have one particular company -- I'd like to ask the minister or someone who could answer. The BIOSIS investment of venture capital of \$1.126 million went to an American company who will be doing, I guess, some research here in Alberta through the Alberta Research Council in Edmonton. It indicates that it is intended that BIOSIS will build its production plant, a \$20 million fermentation facility, in Edmonton to supply the North American market and that the plant is expected to become operational in 1990. Is there any guarantee that this company, with the technology developed being funded here through Vencap, will actually build a plant here in Alberta and won't take this technology south of the border? What kind of performance contract is there in terms of exchange of funding?

MR. SHABEN: Mr. Chairman, I regret that I'm not able, in terms of my information base, to respond to specific questions on investments by Vencap. That information, I think, is readily available by any shareholder through Vencap, as Vencap is . . . We're not involved in the operation or the decision-making or the companies in which they invest, so I don't know the answer to the question. But I believe any individual is free to contact Vencap and obtain further information.

MR. PIQUETTE: Well, as a minister who is supervising a Crown operation, I would expect the minister would be taking a look at whether it conforms to the mandate of Vencap. I'm questioning here whether, since it is a California company in the venture capital here, we benefit from that money invested here in that company, that we don't lose out, that they build a plant elsewhere. Isn't that part of your mandate, to ensure that that Crown corporation carries out its mandate as indicated by the government when setting up Vencap, which was basically Alberta companies getting involved in diversification in terms of high-tech and low-tech industries?

MR. CHAIRMAN: Perhaps, Mr. Minister, it might be helpful for the benefit of the committee if you could review the arrangements that have been made between the government and Vencap in terms of the loan and clarify again for the benefit of members that we are operating an arm's-length transaction, as I understand it.

MR. SHABEN: Mr. Chairman, yes, there is an Act of the Legislature that governs the operation of the company. The board of directors is chosen by the shareholders, and they set the policy for the company within the framework of the legislation and the instructions that were communicated to the company, I believe in 1983, by way of a letter from the leader of government

at that time. I have no reason to believe that the company is not working within the framework of the legislation and the mandate that was assigned to it. If I did have that information, the government has a capacity through the legislation and a golden share to move and purchase sufficient shares to take control of the company. So there is that capacity.

With respect to your question, Mr. Chairman, the company is financed by a \$200 million loan from the heritage fund, and there is an arrangement by which half the pretax profits of the company flow back to the heritage fund and the payments are made on a basis that allows for a balloon toward the year 2013, where the total \$200 million will be repaid.

MR. CHAIRMAN: Thank you.
The Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, to the minister and Mr. Parker and Mr. Roth: I'm pleased to see you here today, and everything seems to be in stable condition.

My questions today are a follow-up to a letter I addressed to the minister on August 2 and the minister responded to on, I believe, August 31. My concern that I raised with the minister, Mr. Chairman, was with regard to the AOC, its venture funding arm, and then the new small business term assistance plan. There was a creation at that point in time -- a rather overlapping of financial institutions, and in the marketplace for money a competition for clients, and maybe each trying to serve the same clients. That was my concern at that time, and I believe it's still there, that I can't clearly see a distinction between one and the other. In the minister's letter he addresses the question, and what you've said, Mr. Minister, is that it is not a concern and you feel there is not an overlap. I was wondering at this time if the minister could just respond to the matter again verbally.

MR. SHABEN: Mr. Speaker, were you talking about small business term assistance or SBEC, small business equity corporations?

MR. R. SPEAKER: What I understand . . .

MR. SHABEN: My memory was that it was with respect to small business equity corporations, but maybe my memory fails me.

MR. R. SPEAKER: No, I believe that's correct.

MR. SHABEN: Okay, because you mentioned small business term assistance.

The area of financing small business is truly a challenging one. Governments respond from time to time, whether it's the current government or the previous government, to try and meet the needs of small business where those needs are not met by the marketplace, because all of us know that particularly in small business the risks are high, and often the conventional lending institutions don't respond in a way that we think is appropriate. So governments devise ways of assisting the conventional market.

Notwithstanding the establishment of AOC, which has been very successful in providing debt financing and now moving into equities or venture capital, and the establishment of small business equity corporations, which in a recent review I'm advised that \$112 million worth of investments have been made in Alberta companies, the average size of the investment . . . Let

me see. I'm not sure, but there are 460 investments through that SBEC process. It's somewhere around \$200,000 per investment and has created just about 3,000 new full-time jobs. So I'm generally pleased with the performance of the SBEC program. Because of the numbers of investments, Ray, as a result of the networking that takes place -- 459 compared to venture investments by AOC during a period of a year of about 15 -- it's an entirely different area that is being reached. It may be the same area, but it's being reached by SBEC through the networking process a little differently than AOC does. I think it is positive, although the program has been suspended. No further applications were accepted after September of '86. But it's still working, because the pools of equity are out there.

I still have a concern that companies or individuals or partnerships requiring funds in the neighbourhood of \$50,000 to \$300,000 are very tough to get. In spite of the fact that there are 19 venture capital companies in Alberta now and we have the SBECs, it's an area that is really difficult, because up to \$50,000 a person can generally get what is known as love money from relatives and friends, but that gap between \$50,000 and \$250,000 is really tough. So we're searching it out, and AOC and ourselves together are doing a review of the Alberta Opportunity Company. It's timely, because the company is now 15 years old. We're looking not just by talking to the board of directors; we're talking to people who have taken advantage of the company, those who have been refused by the company. We're trying to get a body of information together in order that I can make recommendations to government as to how we might further refine our capability to respond, particularly in that \$50,000 to \$300,000 range.

MR. R. SPEAKER: A supplementary, Mr. Chairman. In terms of that range, which means there are consumers out there for that kind of market and have some ideas in terms of developing some product for Albertans and hopefully making a profit, is there any indication in your current statistics of greater demand for loans of that size, a larger number of refusals by the regular lending institution? That's the chartered banks plus the Treasury Branch, which acts as a regular commercial lender. In light of the current state of the economy in Alberta versus Ontario, which is quite heated -- and I understand that's the place in Canada that has the greatest demand for funds at the present time and also the lender has a greater opportunity of return on his dollar versus Alberta -- is that affecting the fact that these persons you're talking about can't get money from regular agencies? And in turn, I see that it has an implied effect on what we do here through the Heritage Savings Trust Fund, because if money is withdrawn out of Alberta for other locations in Canada, demand comes to government for more money in the marketplace.

MR. SHABEN: Mr. Chairman, I can offer only a personal view, as a result of the way I see the current situation, and Mr. Parker may like to add his comments. But I don't think it's a new phenomenon that small businesses have difficulty in accessing financing from the conventional lending institutions.

The previous government established the Treasury Branches in order that there would be a response in the rural area to the requirement for funds. And I think that will continue, because it is the toughest area to lend in. The security is usually minimal, the experience is limited by the entrepreneur, and so it's an area that will always be tough in terms of the response. But the relative response by the chartered banks reflects what's happening

in the economy. So when the economy is tight and tough, as you well know, the banks tend to be a little more difficult in lending. In recent months we've noticed that there is a better attitude by the chartered banks toward providing funds in Alberta than there was during that terrible period between '82 and '86. So there is an improvement. But notwithstanding that improvement, Mr. Chairman, there is still a problem in that range, and I think there always will be.

MR. R. SPEAKER: Supplementary, Mr. Chairman. In this 15-year review, one of the aspects you'll be looking at, then, is the question I've raised with you by letter and again today: the competitiveness in the market and to make sure the overlap is eliminated if necessary. Is that one of the objectives?

MR. SHABEN: Yeah, we don't like duplication or overlap at all, as any person does, and we want to keep it to a minimal amount. But one of the things we're looking at with this review is how we can improve the effectiveness of AOC within the current market conditions and what's going on and based on what the demands are for services that can be provided by an organization like AOC.

MR. CHAIRMAN: Member for Vermilion-Viking.

DR. WEST: Thank you, Mr. Chairman. I'll direct my questions today to the minister in regards to the Millar Western pulp mill in Whitecourt. I had an opportunity in another committee to tour that plant, and it's one of the most remarkable things I've seen recently of a highly advanced, technologically sound business.

However, there are some questions. We have a loan of \$120 million from the heritage fund in that company. It works on the basis of the bleached chemithermomechanical pulp mill technology: 90 percent utilization and environmentally highly efficient. The question could be asked by some taxpayers: we put \$120 million into this plant, and at the same time Daishowa is building a plant of some \$500 million in northern Alberta on the old technology that is only 40 to 50 percent effective in utilization of its product and yet is building it after the Millar Western plant. Whose technology, then, is the advanced one, and why would Japan use old technology on a less efficient basis and we've made an investment in a newer one just a little before it?

MR. SHABEN: Well, Mr. Chairman, we could spend all day talking about forestry technology, but let me try and be fairly brief. The most prevalent known technologies for the production of pulp are two in number, and then variations on those two. One is the kraft method, which Mr. West describes as the Daishowa method. An example of the other sort of basic method is CTMP, chemithermomechanical pulp, which is simply what it is: it's heat and pressure and bleaching to produce pulp. The quality of the pulp that comes out of each of these and the uses to which they're put are completely different. So the pulp that will be produced from the Millar Western project will be used for things like baby diapers, absorbent towels, paper towels, and so on. The pulp that will be produced from the Daishowa project is the kind that can be used for fine papers, including photographic papers. So the finest paper to a different quality of paper, and those are essentially the differences.

There are new technologies being developed that are even more advanced than CTMP. I think one of the only plants in

production is one in Finland that uses a system of chemicals where the chemicals are reutilized, where you can improve the quality of the pulp and get about 60 percent utilization of the wood fibre, but it's still fairly new technology. In my view, if this new technology becomes the accepted technology in 10 or 15 years from now, kraft mills will not likely be the way of the future. But that's just a personal view.

DR. WEST: Thank you for that answer. As I say, that question could come up.

The other question I have is with the \$120 million. I don't know what we have of that drawn down at the present time. What's the rate of return on that to the fund? And do we have an equity position as a province outside of that loan?

MR. SHABEN: Mr. Chairman, the authorized investment was \$120 million. The drawdown at March 31, 1988, is just over \$50 million. The agreement calls for a return of up to 10 percent, and it provides for an option for the government to convert its preferred shares to common shares. Based on what's happening in the market, we expect that the investment will achieve its return. When we entered into the investment, there was virtually no investment going on in the forestry industry. The Millar family is an Alberta family that has a long history of involvement in the forest industry, I think going back to 1923, and they approached the government. We were excited about the possibility of an Alberta company becoming a major player in the forest industry, so we were enthusiastic about providing support for this very good project. They have confirmed markets for 60 percent of their production, and that was one of the terms of the financial arrangements. We think it's not only excellent for Whitecourt and area, but it's very good for the province.

DR. WEST: Thank you.

MR. CHAIRMAN: Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. The beneficence of this government for some people continues to really amaze me, and in this case it's the shareholders of Vencap, unless I'm misreading this situation.

It appears to me that Vencap, according to its 1988 annual report, has some \$125 million-plus invested in securities that are providing some rate of return that I can't quite ascertain because the interest and dividend income and the statement of income are lumped together. But in any event, I believe the minister said that the government gets back only 50 percent of the total pretax profits of the Vencap operation. Yet we're putting up much more than the investors are to get half back, kind of thing. We as a province put up approximately \$200 million, and the shareholders \$40 million. Yet they get back half of money they've just -- the great bulk of which they've borrowed from the government and are merely investing in long-term securities, which the province could be doing on its own. So how does the minister justify this practice on behalf of the government?

MR. SHABEN: Mr. Chairman, to my knowledge -- and I don't watch the activities of the shares, but I don't believe there has been a dividend paid to any of the shareholders. So I'm not certain what the hon. member means by the question, in that the shares trade. The shares were issued at \$1, and I think they're somewhere around \$1.95 or \$2. But there isn't a dividend that has been paid on the shares.

In terms of the investment by the government, the hon. member is accurate in that the return is only about 4 percent on the investment. But when we established the company, we were well aware that this money was being placed in a patient sort of way and that the objective was to create a pool of venture capital in order to diversify the Alberta economy. Now, beyond that, in terms of the day-to-day management of the company, Mr. Chairman, that's a matter I think I dealt with earlier.

MR. CHAIRMAN: Supplementary.

MR. PASHAK: Well, I'm not sure the minister answered the question. I know it's a very technical question in a sense, but let me try it again. I just want to repeat the same question, which is that the province has put up \$200 million, Vencap has turned around and invested a total of \$125 million, and it gets a rate of return on that investment -- it's invested in short-term securities and that kind of thing. They get back only half the total profits that are made by Vencap, if you want to look at it that way, yet they've invested five times as much money as the individual shareholders in Vencap have. So the return to the government for the amount of money it's put up is proportionately much less than what the individual shareholder has put up.

MR. SHABEN: Mr. Chairman, the investment by government is a loan that will be repaid. We have acknowledged that the rate of return on that loan is below market; it runs at 4 percent. But that is a different kind of investment than the purchase of shares. This is a loan as opposed to a share purchase. So the two wouldn't be treated in the same sort of way, and that . . .

MR. PASHAK: I'd like clarification on that point then. So the province of Alberta, the heritage trust fund, receives interest at the rate of 4 percent on that \$200 million, regardless of Vencap's operation.

MR. SHABEN: No. I'm saying that the half of pretax profits is equivalent -- the calculation is 4 percent. I've done the arithmetic, that's all.

MR. PASHAK: That's what I thought you were doing, and that's what I'm asking you to justify -- exactly that.

MR. SHABEN: It's not inconsistent with what the expectation of the government was when the company was established. It was not our expectation that it would generate huge revenues for the government but would rather create a venture capital company that would contribute to the diversification of the Alberta economy. That was the primary objective. The other matter of the way it was structured was to assure that the company could function and provide funding to ventures in Alberta.

MR. PASHAK: A supplementary question, Mr. Chairman. I note that at one point in time a number of the directors of Vencap approved loans that were provided to other companies in which these directors held an interest, and I can provide you with a list of those companies. But my question really has to do with a justification of that kind of behaviour, from a government's perspective, for directors of a company that's so largely financed through public dollars.

MR. SHABEN: I think I've responded to that question on a number of occasions, both in the House and outside the House.

And the response remains the same, in that the company operates under an Act of the Legislature, it has a number of shareholders who elect the board of directors, and the government does not involve itself in the day-to-day operation of Vencap.

MR. PASHAK: A final supplementary.

MR. CHAIRMAN: You've had actually three supplementaries already; not just two but three. So I think we're going to now recognize the Member for Ponoka-Rimbey.

MR. JONSON: Mr. Chairman, I have some questions on our blue and gold hopper cars. It's my understanding that the general maintenance and repair of these vehicles leave something to be desired. Could the minister confirm that statement?

MR. SHABEN: Oh, I think all of us, from time to time, see the Alberta Heritage Savings Trust Fund hopper cars on the sidings or moving along the main lines and notice that the paint is faded somewhat, yes.

MR. JONSON: Well, I was thinking more, Mr. Chairman, of the wheels underneath. But anyway, what is the arrangement that's in place for the maintenance of the quality and safety of these hopper cars?

MR. SHABEN: I'll get Clarence Roth to respond, but I thought some members of the committee might be interested in knowing how the choice of colours arose. It's particularly important, because one of the key members in that decision-making process is sitting in this room right now. I'll recall an exchange in the Assembly when he was then Leader of the Opposition, and he said, "I suppose you're going to paint the darn things orange and blue." I forget who responded; I think it was Hugh Horner. He said, "That's a very good idea." So that's how they were painted blue and gold. That's just an aside. The Member for Little Bow would remember that exchange in the House.

Mr. Roth, do you want to comment on the maintenance agreement between the railways and the government?

MR. ROTH: Yes. We have agreements with both CN and CP. They are responsible for keeping the cars in operational condition. We've had eight or nine of them actually damaged in operation, and they've had to repair those, and we've had three that actually have been written off completely because they were damaged beyond repair.

With respect to the day-to-day operations, then, the railways keep them maintained at no cost to the provincial government. However, for repair such as painting and major overhauls such as that, that remains the responsibility of the provincial government, and we've reached about that point in time where it may be appropriate to take a look at their condition and in fact give them a new paint job. It would require special funding, then, to do that; this hasn't been provided for.

MR. JONSON: A final question then, Mr. Chairman. Are the minister and his department satisfied that as far as maintenance is concerned these cars receive the same quality of attention from the railways as the other hopper cars that serve our grain terminals?

MR. SHABEN: Mr. Chairman, yes. We believe they are main-

tained by the railways in a reasonable and effective way that is consistent with the agreement we have. We spot-check them from time to time to ensure they're well maintained. The performance of the cars we look at in terms of the last fiscal year: 1.25 million tonnes of grain, which was about 23 percent of the grain that went through Rupert, was handled through these cars, and the turnaround time was about the normal. We keep track of that; it was about 20 days per car, which is about normal for the entire fleet, nationally. So we're reasonably satisfied that the cars are serving western Canada and particularly Alberta's agricultural community effectively, except that the hon. member has noted they probably need a paint job. Any suggestions for colour, I think, would be welcomed.

MR. CHAIRMAN: Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. My question would be on the Prince Rupert grain terminal. I notice in here we got paid \$13.2 million in interest payments on our \$134 million. Do we have a set interest rate that we charge the grain companies?

MR. SHABEN: Mr. Chairman, the heritage fund first mortgage bonds agreement calls for the payment of 11 percent. They carry an 11 percent interest sticker. To the end of March 31, we had capitalized interest totaling \$27.7 million for a total obligation of Rupert to the Alberta government of nearly \$134 million. Because of a number of factors, including lower than expected grain prices, which is the key factor, the projected revenue we had anticipated has not been achieved. Therefore, the interest requirements on the bonds are not being met, and it's no longer being capitalized.

MR. FISCHER: So we've forgiven them some interest then?

MR. SHABEN: Mr. Chairman, we haven't forgiven any of the obligations of the consortium, but we are no longer including it as an asset of the heritage fund. We've written them down because we must, according to good accounting practices, but we have not forgiven any of the obligations.

MR. FISCHER: On that particular note, then, with our higher grain prices, are we looking at our interest payments being met in the future?

MR. SHABEN: Mr. Chairman, I think our expectation this year is that we'll receive about \$7 million, which will be the equivalent of about 6.5 percent interest. So I think you will see, as grain prices rise, that the ability of Prince Rupert Grain to make the payments will be met. But we need to get them up a little higher. In terms of the throughput, it's been very good, other than as a result of the drought; we're going to have a slight reduction in tonnage. I think last year it was over 4 million tonnes, which is beyond its normal design capacity. So it's functioning very well. But the price of grain has resulted in less return to the province than we had expected.

MR. FISCHER: You're assuming, then, that the price of grain is going to increase the handling charges. Is that what you're saying?

MR. SHABEN: What was the question?

MR. FISCHER: The handling charges would increase with the price of grain increasing?

MR. SHABEN: That's part of the agreement with the consortium, yes.

MR. FISCHER: How about the principal? Are they going to pay back the principal on that loan eventually?

MR. SHABEN: There was a portion of the financing that was done through the General Revenue Fund, and I think it was \$125 million. For accounting purposes that has been written off, but it is still an obligation of the consortium to the provincial government.

MR. CHAIRMAN: Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd just like to confirm or clarify in my own mind the minister's answers to questions asked by the Member for Calgary-Forest Lawn. Just to go back in time to the establishment of Vencap, I think the minister would agree that the capitalization of that fund was broken down in this way. There was \$200 million in financing via debenture from the Alberta Heritage Savings Trust Fund. The corporation issued \$40 million worth of debentures and \$4 million in shares to the private sector for the investing public. So as I understand it, \$200 million of that capital came from the trust fund and \$44 million from the private-sector investors out there in the community.

Now, if you take the pretax profits and split them 50-50, half of the profits go to approximately five-sixths of the capital and half of the profits go to approximately one-sixth of the capital. I've asked the minister, then, if he would agree that even a very modest form of return on that \$244 million, if divided that way, would result in a substantial return to equity for the private-sector investors. So if the corporation did nothing more than deposit its money in treasury bills, which are a very secure form of investment generating perhaps 6, 7, or 8 percent interest, when half of that gets split with one-sixth of the capital, you'd have an effective rate of return approaching 20, 25 percent. Now, is the minister aware of that? Has he any concerns about that? Or was that intentionally the way this corporation was set up? Was it intentionally set up to provide that kind of rate of return to the private-sector investors as opposed to the public-sector investor, being the Heritage Savings Trust Fund?

MR. SHABEN: Mr. Chairman, Mr. Hawkesworth, there is no doubt that the financial structure of Vencap was unusual. It was unusual for a particular reason. I think if one is familiar with the way venture capital companies are financed and operate, one would understand -- and there are a number of other factors that went into consideration of how it was structured. But first of all, venture capital companies generally have their financing provided not by way of debt but by way of patient capital, or equity, and the reason for that is quite simple. The nature of venture investments is that they do not generally yield a return until five to seven to 10 years, so the ability of a venture capital organization to service debt during that period when its investments are not bringing a return is virtually impossible.

So it should not surprise the hon. member that the investment of the government is structured in such a way that it doesn't bring a fixed rate of return but brings a return that is a reflection of the activity of the venture capital company.

I don't know how I can explain it any differently, because that is one of the critical elements of the way any venture capital company operates. Had it been debt that commanded a fixed rate of interest, say, at the current rate of 9.5 percent, it would have been virtually impossible for the company, or any venture capital, to function when its funding was provided by way of debt. I hope that helps the hon. member.

MR. HAWKESWORTH: Well, I'm like my colleague. I'm continually astounded at how this government finds ways to help certain Albertans while other Albertans don't get any help at all.

The point that . . .

MR. SHABEN: The hon. member should know that the issue of stocks was made available to all Albertans, and they are traded on the market. The hon. member can have access to the . . . There is no favoured treatment in the structure of that company, and I resent that kind of allegation, because it's inaccurate.

MR. HAWKESWORTH: It's quite accurate, Mr. Chairman. There are lots of people in this province who don't have the money to make these kinds of investments.

I want to know why the government did not agree to a share of the profits in comparison to the amount of capital each party was putting in. Why didn't the government ask for its share in relation to the capital that \$200 million represented? Why a 50-50 split?

MR. SHABEN: I don't understand the question. It seems to me 50-50 is a share.

MR. HAWKESWORTH: Mr. Chairman, we're putting up five-sixths of the capital to get this company off the ground, yet we're taking only a 50-50 share of the profits. Why not take a five-sixths share of the profits? That's in relation to the capital the public is putting up to get this company off the ground.

MR. SHABEN: Mr. Chairman, I think I responded to that earlier. On the one hand, you have a loan; on the other hand, you have an investment. The two command different sorts of results. In the one case, the loan will be repaid. The other matter I think the hon. member should keep in mind is the nature of venture capital companies.

MR. CHAIRMAN: Thank you. Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Thank you. My questions will touch on the aspect of AOC's assistance to small business in order to diversify. The minister has admitted that the range of loans is between -- what? -- \$90,000 to \$115,000. Correct? That was the range?

MR. PARKER: The average.

MR. PIQUETTE: The average. And AOC is not in the business in terms of providing seed money for small businesses that might need \$5,000, \$6,000, or \$10,000 to get off the ground. Correct so far? You're not in the business of providing that kind of seed money through AOC. You're looking more in the \$50,000-plus loan.

MR. SHABEN: Mr. Chairman, I'm not sure whether this questioning is going to be this sort of exchange back and forth. Is there going to be a question and then we can respond?

MR. PIQUETTE: Okay. Now, the aspect I'm touching on is the lack of co-operation between the federal government and the provincial government in terms of small business assistance. For example, in my constituency we have the Community Futures with the federal government, which has started small business development centres, or financial assistance for a beginning small business for seed capital of a couple of hundred dollars to a maximum of \$50,000. However, the amount of money they put into those community business centres is only about \$250,000. Now, why isn't the provincial government co-operating with the federal government to jointly fund those community or business development centres so that there is a bigger pool of money available? I'm suggesting AOC, for example, would co-op with the federal government in this funding to do that.

Has the minister looked at . . .

MR. HERON: Point of order, Mr. Chairman. Are we getting a speech, or are we getting a serious question about the operation of the Alberta heritage fund?

MR. CHAIRMAN: Perhaps the member will be a little more succinct and get to the questions a little quicker so that we can get on with the list.

MR. SHABEN: The question was: why doesn't the provincial government co-operate with the federal government with their Community Futures program?

We've had a number of discussions on that within our management group. Some of the Community Futures projects are very effective in terms of stimulating interest in small business and providing a little bit of seed capital. And we applaud the federal government for an initiative that resulted from an employee of the provincial Department of Economic Development and Trade working with their business development branch for two years and devising the program. So it was devised by someone from our department.

What we have now instructed our business development reps to do -- and these are representatives who are placed throughout the province -- is to work very closely with the Community Futures groups so that the various programs that we have might complement the work that is being done at the local level. So it is happening.

MR. PIQUETTE: Okay, and thanks.

MR. SHABEN: Excuse me, Mr. Chairman . . .

MR. CHAIRMAN: Before I recognize the Member for Athabasca-Lac La Biche again, maybe I could remind us of the topics in front of us. This is a very interesting item, and I'm sure we could spend a great deal of time on it. But perhaps we can focus back on the trust fund report itself.

MR. PIQUETTE: [Inaudible] back to the AOC.

MR. SHABEN: Mr. Parker can respond, because the request was: what about AOC and their involvement with this process?

MR. PARKER: Yes, I'd be pleased to, because we in fact do co-operate with them.

One of your earlier questions was about us not providing these lower amounts of funds. Well, we do provide loans. We've made them as low as \$900, but the average is \$100,000, which can be made up of part of one of \$6 million and part of one of \$1,000. So we are looking at all sizes of loans for small businesses.

The first full weekend in September AOC held a conference for entrepreneurs here in Edmonton. We had 400 people in attendance to assist people either (a) to decide whether or not they should get into business, (b) if they are in business, to upgrade their skills. Included in the group who attended were 12 members from the Community Futures groups of the people around the province. So we're working closely with them. One of the Community Futures groups is headed by one of our former employees. So they know us well, and we know them.

Beyond that, we work very closely with Western Diversification. We have cofunded various proposals and will continue to do so, and we look forward to continuing this co-operation.

MR. CHAIRMAN: Supplementary?

MR. PIQUETTE: Yes. A supplementary is: why isn't the government looking at taking a pool of money out of the AOC and making it available in co-operation with the federal government to top off that seed money, which is inadequate at the present time, through the Community Futures program funded by the federal government; go on a 50-50 basis? Because I really like the concept. It's working beautifully in my jurisdiction.

MR. SHABEN: Mr. Chairman, that's a pretty tough thing to do, because when you are responsible through the various Acts of the Legislature, including the Auditor General, for how public funds are managed, simply handing money to another group is a very difficult thing to do and probably not one that we could do within the existing laws for handling the funds of the taxpayers. However, as Mr. Parker described and as I described, we are working closer with the Community Futures groups than we have in the past and will continue to do that.

MR. CHAIRMAN: Final supplementary.

MR. PIQUETTE: My final supplementary is to do with the Millar pulp and paper investment of \$120 million. The minister indicated that the reason why they went with Millar in terms of a loan basis of \$120 million was a lack of interest in the future development of forestry development. However, I'm quite surprised. I'm quite sure the government is quite surprised right now that we have in northeastern Alberta up to six companies wishing to get into the play at the present time. Was perhaps the lack of interest based on the lack of advertising of the forestry as opposed to, perhaps, not having enough players in the market? Because now that we've advertised that to investors, we find that we have a lot of players, and we do not need to be putting out loan money to these companies to get into the action.

MR. SHABEN: No, there was an extensive and extended effort by the government to attract companies to develop forestry developments in that part of Alberta. They were well advertised; we had a number of submissions. We ultimately awarded a company, British Columbia Forest Products. They started their development, built a sawmill at Grande Cache, ran into financial

difficulties because of the market collapsing, and then no further progress was made. So we were really enthused when an Alberta-based company came forward and said: "We want to do it. We have some contracts and agreements for the technology. We have some agreements for marketing, but we don't have the money." We said, "We'll help you," and that's how it developed, because at that time we had advertised extensively, and there was no one that wanted to build a pulp mill at that particular time. Now the hon. member is correct: the price for pulp is strong and the market is attractive, and a number of companies are looking at our resources. We're weighing which ones are likely to go ahead.

MR. CHAIRMAN: The Member for Little Bow.

MR. R. SPEAKER: Mr. Chairman, my question is to Mr. Parker. When we had the first discussions on the Heritage Savings Trust Fund following -- this was into 1975 and a few years after that -- the former Premier and others in this House discussed a couple of principles: first, that the heritage fund should not be an extension of the General Revenue Fund, and secondly, that what we do with the heritage fund should not create situations where we compete in the private marketplace of Alberta. Now, what has happened as we came up with various ideas for disbursing funds by various means from the Heritage Savings Trust Fund, we eroded those principles, and I would have to say that I was even part of that in making recommendations and supporting various things to happen.

I raised it in light of the review that's going on, and I'm so pleased to hear that, that you're having a more formal major review of the AOC. We started out with a couple of principles: that the Alberta Opportunity Company should not compete with other private lending agencies -- that's that first principle -- and secondly, that businesses created should not compete with other businesses in the marketplace. As the leader of AOC for us -- you know, we started out with those pure principles. Where do you see them in position at the present time?

MR. PARKER: Well, I see them basically as you enunciated them. In every loan or bank guarantee that we make, we, like any other lender, do a credit check, and we are in contact with the applicant's banker. In this contact we write to them and, among other things, outline what it is we're being asked to do. In that letter we say to them: if you are interested in providing this financing, please let us know, and we will step back until you make your decision. Ninety-nine times out of a hundred, they will respond to us and say: yes, they're good, and these are the terms of our loan. Either they'll say they're not interested or they won't mention it at all, which we take as not being interested in doing a deal. When they do say they're interested, then we do step back.

In regard to the funding we provide, one of the judgments we have to make is to determine whether or not the business we're going to provide the funding for is providing undue and unfair competition to an existing business. If in our mind it is, and it's going to do harm and damage to an existing taxpayer, then we will not do it. I would tell you that probably of all the complaints we get about ourselves, the most vigorous are from people that we turn down, saying, "Your business will be a success, but you're going to..." For instance, a fast-food outlet: they've got a great location, but they're going to put three others out of business in their town. When we say, "No, we can't use the taxpayer's money to put himself out of business," then he is

upset.

But those are the principles we stick to. Obviously, I think from time to time we'll make a wrong decision, but we certainly don't do it knowingly. We have very few people who come to us and say, "You shouldn't have made that loan because it's going to put me out of business." In most cases they say, "Well, I wish you wouldn't, but yeah, I can stand the competition and I can beat him." It's good for the citizens, and it doesn't do undue harm to the existing business. In fact, it may smarten them up a bit.

MR. SHABEN: Can I provide a specific example, Mr. Chairman, of where a restaurant in a community that I know applied to AOC and AOC said no because there were six other restaurants in that community? Now, the fellow went around and got letters from each of the other restaurants that supported him in getting a loan from AOC. It was kind of a fascinating thing. I'd never seen anything like that before, where the competitors said, "Sure, it's a good idea; we could use another outlet." So that kind of process is used by AOC before they provide loans.

MR. R. SPEAKER: I raised this question in the letter I sent to the minister, Mr. Parker, and it's with regards to Solar Square Properties Ltd. in Lethbridge. I just want to use it as an example. Now, money was lent to them to buy computer equipment. Solar Square Properties was the holding company that held the computer equipment for a chartered accountant firm. I don't know the firm, so I'm not pointing any fingers at any persons or anything. I don't know which firm in Lethbridge received these moneys. The question I raise is with regards to the principles we're discussing. I think of numerous chartered accountant firms in Lethbridge. I even think of the small accounting firm that I have used, and many of my constituents use this small accounting firm, which receives no money. This person is just installing major computing equipment. I'm sure that if he were aware of moneys going to a competitor, he would be very interested, and say, "Well, look; that's unfair." I see a violation of the principle in this particular instance. I also can think of businessmen in southern Alberta who raised the question we have been raising. But I like the idea of the letter; maybe that's one way of overcoming that.

I raise this one situation as an example of the violation of the principle. Was this a difficult one that tugged the strings of decision-making more than others, or is there some information here that I'm not aware of?

MR. PARKER: No, it didn't tug any strings, to be perfectly frank, because we are available for your accountant to talk to, to provide assistance to, and there was no indication that by upgrading and mechanizing his office, he was going to do anything but operate more efficiently. This was not, certainly in my recollection of it, going to allow him to go and snatch 52 clients from somebody else. This is the type of thing that we do for a great number of businesses, whether they be accountants or manufacturers or retailers. If there is something new, state of the art, in the way of equipment that will assist them to operate more efficiently, we encourage this and we will help. Again, it's a judgment that has to be subjective as to whether or not our loan is going to harm somebody that they're competing with. Had we set up, say, in a town of 3,000 the third firm of chartered accountants and financed them, yes, that probably would have been something we shouldn't do. But if the people are already there, they have a share of the market, and they wish

to improve their technical capacity and efficiency, then that's what we encourage.

MR. R. SPEAKER: I raise this question in light of Mr. Parker's remarks, and also, you know, when you become a chartered accountant, that's licence to open multiple bank accounts at that moment. Why would a firm with great business opportunity and just about a guarantee of success, if chartered accountants practise good business management, which they hopefully learned at their institution -- why would the Alberta Opportunity Company put public money in the form of a loan into a private business like this? In Lethbridge, Edmonton, Calgary there are lots of chartered accountant businesses. The point I'm making with these questions is that we started with some nice principles, but it seems like we are continually eroding them, and I'm citing an example to try to be more concrete.

MR. PARKER: Well, one thing I should mention is that the interest rate we charge is at or near the commercial rate. It could be slightly above, it could be right on, or it could be a point or two below. So there is not a very significant difference in the cost to the applicant as compared to his competitors.

Secondly, whether it be chartered accountants, lawyers, or engineers, the fact that you have this designation doesn't mean that you're going to make buckets of money. Some people do, some people go broke, and some people struggle along in the great in-between. I've been with the company 14 years, and it's always been the policy that all businesses are equal, other than the ones restricted in the Act, which we can't deal with, and that we should not turn someone away because he is a druggist or an accountant or a machinist. Their businesses are contributing to the province, and as long as they're not going to unduly hurt the competition by the use of our money, then they're eligible for consideration.

MR. SHABEN: Mr. Chairman, maybe I could just add that last year I think AOC provided financial assistance to just under 400 companies. In my discussions with the chairman of the board and the president, the point the member makes is one that they are conscious of, but there is no doubt that from time to time there may be, in your judgment or mine, areas where they have strayed from that narrow thing. I don't think you could avoid it completely in the course of making 400 investments in a year, although that's what they strive to do; they're continually conscious of it. And I appreciate it, as does Mr. Parker, when they're brought to our attention.

MR. CHAIRMAN: The Member for Calgary-Forest Lawn, followed by the Member for Ponoka-Rimbye.

MR. PASHAK: Thank you, Mr. Chairman. I was looking at what I assume is a statement about the original mandate of Vencap. It's by Mr. Planche, who suggested that the investment would be in high technology enterprises, and he also indicated that the corporation would not invest in conventional oil or gas exploration development, real estate development, et cetera. Yet when you look at the financial report of Vencap, it says in terms of their investment guidelines that

Vencap is interested in all areas of legitimate endeavour excluding only conventional oil and gas exploration and development.

Yet I understand, and looking at the list of companies, one of those companies is an oil company; another is a real estate com-

pany. Has there been a change in the mandate of Vencap, or how could you explain that apparent contradiction?

MR. SHABEN: Mr. Chairman, I'm not aware of any investments in oil and gas exploration and development. There is an investment in manufacturing of oil well drilling equipment, but I'm not aware of the company being involved in the oil and gas business or in the real estate business.

MR. PASHAK: A supplementary. To the minister's knowledge, is he aware of Vencap providing capital either directly or indirectly at any point in time to any of the Principal Group companies?

MR. SHABEN: Vencap? No, I'm not aware of any investment, Mr. Pashak.

MR. PASHAK: Final supplementary, Mr. Chairman, to the minister. Given the fact that there's so much public money invested in Vencap -- and I would gather that if a major bank were putting up \$200 million in loan capital to a company, they'd either have direct membership on the board of whatever company they were providing that loan to, or at least they'd have some kind of interlocking directorship so that they'd have at least a pulse on the operation of that company -- why is it that the government has never insisted that they have at least a director on the board of Vencap to ensure that the public interest is at least protected, given the relatively large amount of capitalization that's provided by the government?

MR. SHABEN: Mr. Chairman, that was a matter of considerable debate when the discussion was going on as to how we could best assist in providing financing for the growth and change of this province. So ultimately, the decision was made, Mr. Pashak, that with this particular vehicle, we wanted it to be arm's length in fact. So after the original structure was determined and the Act was in place, we simply have not been involved, in order that it was clearly arm's length from government. And I can assure the hon. member that in my period and responsibilities in this portfolio I as the representative of the government don't have anything to say with respect to any of the investments that are made or any influence on the appointment of the board of directors. That is consistent with the decision that was made in 1983 when we established Vencap, and the entire objective was that it be arm's length from government, which it has in fact been. Now, criticism of the way the corporation functions can be made by anyone, including myself or yourself, but the intention of the government was to have it at arm's length, and that's what we have achieved.

MR. PIQUETTE: The minister indicated that he was not aware of any real estate investment Vencap was involved with. How does he explain the investment in terms of Relax Development Corporation Ltd., which is in the motel business, and also the Churchill Corporation, which is an investment and holding company in a lot of real estate developments, if the mandate was to stay away from real estate developments and such?

MR. SHABEN: Mr. Chairman, the answer stands. To my knowledge, Vencap has not gotten involved in real estate ventures for the sake of real estate ventures. If they're incidental -- in the case of the hotel business the hotel rooms have real estate under and around them, but it's a hotel business as opposed to a

real estate business. Similarly with Churchill: their primary activities are in high tech and a number of other areas. So, Mr. Chairman, I'm still not aware of any case where that is the case with Vencap investments, but I'd be happy to liaise with the chairman of the board, Mr. Carlson, to find out. I'd be happy to do that.

MR. PIQUETTE: Okay; perhaps some of these questions could be brought up with the Crown corporation. Perhaps they're playing a very fine line between the mandate and so on.

My last supplementary relates to AOC. Over the years we've talked about the need for AOC to get involved in venture capital as well for the smaller business. Vencap is for the large companies and large investments. Now, I noticed that we're still looking only at 1987-88. We've only spent \$3.013 million out of the \$46 million loaned out as venture capital. Do you feel that is a good enough performance in terms of using AOC in that type of equity basis?

MR. SHABEN: Mr. Chairman, to the end of the fiscal year we're dealing with -- and I think that represents about 15 months of activity by AOC -- 14 venture investments totaling \$11 million in commitments I think is a laudatory performance by a company stepping straight into the venture capital business. It is really a tough business. It's different than lending, has a different set of thinking processes, and the due diligence required on projects is different. Frankly, I think it's quite remarkable: 14 investment decisions during that period of time.

I can't respond in any other way, because looking at the performance of venture capital companies across North America, the performance of AOC in its early term is very, very good. Now, I'm always waiting to see how well AOC does in the longer term, Mr. Piquette, but their performance has been very good.

MR. PIQUETTE: Okay. Perhaps we are doing quite well in that area, but my last supplementary is that when I've talked to small businesspeople who have been in contact with AOC -- is AOC making that information available, that that is a possibility in terms of going equity, if that's the approach? I'm just wondering about the advertising of that program within the small business sector, whether they're now aware of AOC in the last year being involved with that kind of equity financing.

MR. SHABEN: I'll make a preliminary response, and Mr. Parker might like to add. I think generally there is a higher level of awareness that AOC is a provider of either debt or equity or guarantees. Generally, people are well aware of AOC because of its history, some 14 or 15 years of providing support to small business, and there is pretty good knowledge.

With respect to people that are turned down, Mr. Piquette, one of the things one finds is that the percentage of acceptable proposals -- that is, where the customer, as a result of the business activities, would be able to repay the obligation -- is quite a small percentage of those that come to the door. Because many people who are seeking financial support, their business concept or their plan simply won't work, and that's a judgment that people like Mr. Parker's staff and the board have to make every two weeks. Those are tough judgments, and I would suspect that sometimes they err on the side of turning down someone who could make it. At the same time, they err quite a few times in providing funds to those who can't make it. So it's that kind of

a situation.

Mr. Parker?

MR. PARKER: I'd like to add a couple of comments. In your previous question you mentioned \$3 million. That would be the funds in venture capital of the commitments we had invested, because when you make an agreement either to make a loan or to make an investment, then there are certain things that have to fall into place before you can advance the funds. In the case of investments we quite often have milestones that they have to meet prior to our advancing more than a certain amount of money. And obviously, there are legal things that have to be drawn together in order to get your shares, common or preferred, your participating debenture, or whatever. At any one time we will have probably from \$12 million to \$25 million in undisbursed funds, whether they be loans or investments that are in the process of being completed prior to disbursement.

The second point relates to your most recent question about providing equity capital to small businesses around the province, and it relates to what Mr. Speaker was saying earlier. One of the things we have said we should not do is provide equity investments to businesses competing with other Alberta businesses, because then you're giving a most unfair advantage. It's nonrepayable funds that are going to hardware store A in competition with hardware store B, and it really would be unfair to take the taxpayers' money and give it to the competition. So what we do is look at businesses that are not competitive in

equity, have a significant chance for dramatic growth, and are leading-edge technology.

MR. PIQUETTE: So it's very sensitive when you have to make these decisions.

MR. CHAIRMAN: There being no more questions at this time, I want to again thank the minister and Mr. Parker and Mr. Roth for appearing before the committee this afternoon. I think we've had a very healthy exchange of questions and ideas, and we do appreciate your patience. I have to just make one note. I'm very impressed with your knowledge of pulp mills, and I'm anticipating that you'll have another career after this, somewhere down the road. Thank you again.

MR. SHABEN: Thank you to the members of the committee.

MR. CHAIRMAN: There's a motion by the Member for Lacombe that we now stand adjourned.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Thank you.

[The committee adjourned at 3:34 p.m.]

