

## Standing Committee on the Alberta Heritage Savings Trust Fund Act

10:04 a.m.

[Chairman: Mr. Ady]

MR. CHAIRMAN: I would like to call the meeting to order and welcome the Hon. Peter Elzinga, who has consented to come before the committee. We appreciate him being here and the people that are with him, and we'll invite him to introduce them when he gives his opening remarks.

It would be appropriate this morning to put questions to the minister on the Alberta Opportunity Company, which has received current funding from the Alberta heritage savings trust fund. Completed projects include Vencap Equities and Millar Western Pulp mill. It would seem that the bulk of the questions should centre around the project that continues to receive funding from the heritage fund.

Mr. Minister, we invite you to give some opening remarks if you choose, but prior to doing that, would you introduce the people with you so the committee will be familiar with them and their capacities.

MR. ELZINGA: Super. Well, thank you very much, Mr. Chairman and colleagues. Let me share with you what a delight it is to be here with you again. Following your instructions, let me introduce the four individuals I have here with me. To my immediate right is Mr. Roy Parker, the president and chief executive officer of the Alberta Opportunity Company. To his immediate right is Mr. Jim Anderson, who is going to be succeeding Mr. Parker at the beginning of next year. We also have Mr. Al McDonald, the deputy minister within our department, and Mr. Terry Eliuk, who is the chief financial officer within the department.

If you'll allow me, I'd like to take a moment to pay tribute firstly to Mr. Parker, who has contributed in a very substantial way to the Alberta Opportunity Company. We wish him well. We are still going to draw on his talents even though he is leaving his present position. He is going to serve on the board of the Alberta Opportunity Company for the next three years. We also wish Mr. Anderson well in assuming his new responsibilities. Mr. Anderson has been with the Alberta Opportunity Company in the vicinity of 20 years and has done an outstanding job in his contribution to this company and the development of the province of Alberta. I'd also pay tribute to our deputy and our chief financial officer, recognizing that we have gone through some trying times within our economy and within the department itself. I salute the outstanding work these individuals have done and, through them, individuals within our department as a whole.

Just to give you a few comments, Mr. Chairman and my colleagues, I'd indicate that in the year 1991-92 we saw no new projects through our department and the Heritage savings trust fund. The projects that are attributed to economic development are the ones you've highlighted, and they fall under the capital projects division in the Alberta investment division of the fund. I'll review these three projects very quickly, beginning with the capital projects division. Under this we have Vencap Equities Alberta Ltd. I'm sure all members are aware that Vencap received a \$200 million participating loan from the heritage fund in 1983-84. Vencap has recovered from its 1990-91 performance which saw the asset base drop, whereby in 1991-92 Vencap realized proceeds of some \$5.6 million on the sale of investments, earning total gains of some \$1.3 million from dispositions related to five companies. The largest gains to date were from the sale of Sherritt Gordon Limited and

Synerlogic Inc. The total net gain from Vencap's investment portfolio since 1982 is some \$15.2 million. Since March 31 of '91, Vencap's investment staff reviewed some 375 opportunities. During the year eight new companies were added to the portfolio, and secondary investments were made in another 17 companies. Since 1983 overall interest on loans paid to the province of Alberta is some \$57.7 million.

In my appearance before this committee previously, I noted that discussions were taking place with Vencap about how we could work together to further our mutual aims while ensuring an arm's-length relationship is maintained. Close consultation with Vencap regarding its strategic plan has occurred and will continue so that we can ensure its direction is consistent with the province's economic development policies.

Dealing specifically with the Alberta investment division, as members are aware, we have an investment in Millar Western Pulp Ltd. The Millar Western chemithermomechanical pulp plant was fully operational during 1991-92, and it has an annual capacity of some 240,000 tonnes of custom-made hardwood and softwood pulp.

Dealing with our other involvement through the Alberta investment division, we have the Alberta Opportunity Company. Dealing specifically with that, I should share with you that once again it has had a very active year. It received some 1,081 loan applications and many inquiries for venture funding and seed capital investments. The company reviewed these proposals carefully and made a total of some 322 loans and guarantees, four venture investments, and seven seed funding investments. This activity brought AOC's total portfolio as of March 31, 1992, to over 1,532 loans and guarantees, 31 venture investments, and 22 seed funding investments. The company was able to reduce its borrowing from the heritage fund during '91-92. The outstanding amount owed to the fund dropped from \$150.1 million as of April 1, '91, to a closing balance of \$141.8 million as of March 31, 1992.

Mr. Chairman, as I indicated in my opening remarks, there were no new projects attributable to our department during the '91-92 fiscal year. Instead we have concentrated on monitoring the projects we already have in place and providing guidance and a helping hand when needed to help the continued process of strengthening our Alberta economy.

With those few remarks I will put myself in the committee's hands and follow through, as we have done in other years. I will ask the officials present with me to also participate, if that's agreeable with yourself, sir. We look forward to responding to our colleagues' questions as they relate to the three areas under our jurisdiction.

MR. CHAIRMAN: Thank you for that overview.

Members of the committee who have questions? The Member for Westlock-Sturgeon.

MR. TAYLOR: May I pass this time and go down to the bottom of the list?

MR. CHAIRMAN: The Member for Bow Valley.

MR. MUSGROVE: Thank you, Mr. Chairman. Vencap investments was considered one of the best things since sliced bread when we first brought it in, yet there appeared to be some problems. I notice there are some changes being made, but could the minister tell us right now whether the vision of Vencap as it was and as it is today is keeping pace with what is happening with Vencap?

MR. ELZINGA: Mr. Chairman, in response to the hon. Member for Bow Valley, I should indicate to him that we believe it is. Vencap

has been very proactive in developing investment opportunities. As the hon. member is aware, Vencap has specific directions whereby they are not allowed to get involved in the oil or primary agricultural industries, and because of that, their investments are in other areas that will further diversify our economy. We believe they have accomplished that goal to a large degree.

MR. MUSGROVE: A supplementary, Mr. Chairman. I notice that the earnings increased to 5 and a half million dollars from \$700,000 the year before. Could that be directly related to discussions that took place over the last year on how Vencap should be changed somewhat to allow more profitable investment?

MR. ELZINGA: Vencap being a venture investment company is naturally going to go through some highs and lows as it relates to their investment portfolio. We are gratified to see that their investments have paid off to a greater degree than they had in the past because of the sales of some companies we mentioned earlier. We are having ongoing discussions with them, but we cannot take any credit for their involvements because, as we've indicated in the past, they are strictly arm's length. They are a private corporation that makes these decisions independently of government except for the specifications as outlined in the legislation.

MR. MUSGROVE: Thank you.

MR. CHAIRMAN: The Member for Stony Plain.

MR. WOLOSHYN: Thank you. I'd like to go to Millar Western for a moment or two, if we may. My understanding as of last January is that the pulp business is on a severe downturn to the extent that a large mill in Washington shut down. They attribute it basically to the lack of good pulp prices. Now, there's been some recovery since then. The question I have with respect to Millar Western is simply this. The heritage fund has \$120 million out of a \$200 million plant. What is the potential for a good return on the investment based on the company's performance, or are we looking at a write-down?

10:14

MR. ELZINGA: As I'm sure the hon. Member for Stony Plain is aware, Mr. Chairman, there is an interest of 10 percent charged on the funding that we have invested in Millar Western. I've been informed, too, that with the outlook as it relates to pulp prices, there is a considerable amount of modest optimism within the industry itself whereby pulp prices are increasing somewhat and are projected to increase to a greater degree in the future. Because of that, we feel very good about what is taking place in Millar Western.

MR. WOLOSHYN: I'm pleased to hear that, Mr. Chairman. Another one on Millar Western. They are being assessed a 10 percent cost on your investment in the company. Have they been able to pay that, or is the fund in a position of waiting for a positive cash flow to collect?

MR. ELZINGA: As it relates to the specifics, I'm unaware of any default, but I will follow through for the hon. member if he would like. I'm not aware of any default. I should indicate to him, too, as it relates to Millar Western that we are proud of the economic opportunities this company has presented to the local area and to all the province of Alberta whereby it employs between 140 and 170 Albertans, plus we're equally proud of the environmental technologies they employ. As I'm sure the hon. member is aware, the company has also developed new technology in producing chlorine-free pulp. This is one of the few countries in the world that

has this technology, and that makes its pulp particularly attractive to environmentally conscious individuals. We're delighted with that also.

MR. WOLOSHYN: In view of the potential of Millar Western becoming a very good investment, if you will, I notice that in some of the other heritage fund moneys given out, not directly involved with your department, there is provision made -- as in Nova, I believe -- to convert the loan into shares. If you look at initial investments, we'd be looking at a very substantial portion of it becoming Alberta owned. If in fact this is a good company, is consideration being given to leaving the investment there and getting a return on the company's activities on an ongoing basis?

MR. ELZINGA: I stand to be corrected, but I understand there are no provisions as it relates to an equity share that we could assume. But as I indicated earlier, there are provisions for us to receive interest on the loan plus, more importantly, the economic spin-off benefits that will accrue to all Albertans because of this investment.

MR. WOLOSHYN: Thank you very much.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Thank you, Mr. Chairman, and good morning to our guests. First of all, I'd like to focus my questions on the Alberta Opportunity Company. My first question is that I would ask that there be an update for the committee on the success or the status of the venture capital and equity activities of the Alberta Opportunity Company.

MR. ELZINGA: To the hon. Member for Ponoka-Rimbey and with your consent, Mr. Chairman, if it's agreeable, I would ask Mr. Parker if he'd kindly give an overview on that so we can rely on expertise directly associated with it.

MR. PARKER: It's certainly my pleasure. By way of background, the divisions were first established approximately five years ago. Since that time we have been involved in providing funding for early stage leading-edge technology-based businesses, some of them high-tech, some of them less than high-tech, but a new thrust in the industry they're in. As a result of this approach, we were the only people in the province doing this very early stage type of financing, which by its very nature is high risk. We've had a level of write-offs to date or certainly up to a couple of years ago that we felt could be improved upon, and we reorganized the two divisions, both the venture and the seed, into one division and are now operating as one division with people involved in both areas of operations.

As I've said, we've had a number of investments that have not been successful. However, on balance we have some of our portfolio that we're very positive about, and we expect that within the next two to three years and possibly sooner, depending on circumstances, these will be at a stage where we can divest ourselves of them with a profit. So we're still in the growing stage. We're unique in Alberta and to a great extent in Canada in very early stage financing, particularly seed capital. Studies have indicated that there are very few, if any, organizations across the country that will provide this very high-risk funding to get people who have developed new products and prototypes and so on to a market stage and then help them beyond.

MR. JONSON: Mr. Chairman, I'd like to go on. I expect that the Alberta Opportunity Company must be looking at the changing

scene, so to speak, in terms of the needs of small business across the province and must be engaging in some form of long-term planning, particularly at this time in history. Is the board and the administration of the Alberta Opportunity Company looking at new needs that might need to be met and could be met either through the existing mandate of AOC or through recommending to government that there be some changes? The sort of thing I'm thinking of here is that it seems there is a need for what might be called microloans or some form of the Calmeadow idea of providing loans to small community businesses. There's the whole community bond concept. There's a small loan program in Saskatchewan, I think, that has experienced some success.

Overall, Mr. Chairman, I'd like our guests to comment on what their future projections might be for the role of AOC.

MR. PARKER: Since our inception we have continually reviewed our operations. I might give you a little background on what's happened, certainly during my tenure as head of AOC.

Initially we reorganized our operation to provide what we thought was better and more realistic service to the business community. We expanded our area of financing from, at the very early stage, providing loans only to new businesses to the point where we began to provide for refinancing for business expansions. Then later on, in the '80s, we looked at business education as something necessary for many of the new entrepreneurs coming in and added a consulting division to provide expertise in areas like marketing and merchandising, building construction, computerization, and so on. These individuals, a very small group, work virtually exclusively with our clients so that we don't compete with private-sector consultants. These have been very well received by our customers.

Later we got into the venture funding and seed funding division. Approximately six years ago we started our conference division which provides Alberta with the annual entrepreneurs' conference, alternating between Calgary and Edmonton, which is recognized by people such as the Conference Board and *Report on Business* as one of the best conferences in Canada. Last year we started providing one-day or evening seminars in small communities around the province, letting people on the spot know what is available for them from both federal and provincial levels of government, as well as how to prepare themselves to apply for funding and assistance.

So this type of review has been ongoing. I believe that at the moment the community bond concept is under consideration, and if it becomes part of government policy, then we're certainly prepared to be involved in it. We've had our own kind of community bond program right from the beginning whereby we are prepared to provide funding for local development companies to establish facilities in small centres at a very reasonable and competitive rate of interest. We have not found a lot of interest in that from the communities even though we did promote it for a number of years, but we have done probably half a dozen deals over the past 10 to 15 years whereby this program was put into effect.

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As far as small loans to individuals, that's what we've been doing since day one. If it makes sense and if people can't get them from the private sector on reasonable terms and conditions, we will provide loans. We've provided them as low as \$900. They're few and far between because in most cases people can obtain their funding by way of a personal loan from the bank, up to \$5,000, with very little trouble, but we're prepared to do it if circumstances make it look reasonable.

MR. JONSON: A final supplementary, Mr. Chairman, relates to the item of interest rates. With the current structure or operating

guidelines for AOC do you feel that you're able to offer loans at competitive interest rates?

MR. PARKER: Very much so. We review our interest rate level monthly at our board meetings. We set a base rate, which usually is at or near bank prime. At the moment we're slightly below bank prime, about 1 percent. Our base rate is 6 and three-quarters percent. Bank prime at the moment is 7 and three-quarters percent. We think this is a very competitive rate. Most loans we make are at base plus 1 or base plus 2, but compared to what you can get in the rest of the world, that's a very good rate.

One of the things we've been faced with in the past two years when interest rates have been dropping has been that our portfolio has shrunk quite significantly because the banks have lowered their rates. Our Act restricts us in lowering rates just as it does in raising rates other than at the end of a term of the particular loan, if there's still some left to be placed over a further amortization period. So we have seen in the past two years what I would consider our strongest accounts being refinanced by the banks and taken out of our portfolio, leaving us with a portfolio that has a lesser level of strength within it than it had before. This is a kind of bittersweet situation for us. What we should do: if the banks will provide the funding, then we should not be involved. At the same time, we don't like to see our portfolio shrink and the strength of it decrease. As we likely will not see too much more in the way of decreases in interest rates in the foreseeable future, we expect this situation would stabilize.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. Greetings also. I notice a lack of the distaff side amongst your advisors, Mr. Minister. How you can get away with having all male advisors in this day and age I don't know. I just give you a gentle poke.

The first question I'd like to ask is on the Vencap royalties and setup. We have been examining and touring the medical research facilities, and we understand they are developing quite a few ideas that are patentable and salable. Has there been any meeting? Or maybe the minister thought of putting the Vencap people together with our medical research people to see whether they could do something together. They are into putting out new products, inventing new products; Vencap is into financing new products. There might be a happy marriage we could do there.

MR. ELZINGA: Mr. Chairman, I'm more than happy to take the suggestion of the hon. member. I should share with him that we have worked with some companies as it relates to the medical technologies that have been developed in the province of Alberta. We are working with companies in exporting them to other countries throughout the world because, as the hon. Member for Westlock-Sturgeon has indicated, we have made advances within this area that would benefit the population throughout the world. We are working with companies in exporting that so that we do have an economic base to work from as it relates to our medical industry. As to whether Vencap is doing that specifically, I understand they are doing some work with Technology, Research and Telecommunications in this area, but I will pursue it further with Vencap and get back to the hon. member.

MR. TAYLOR: Thank you. I was just bringing it up because sometimes you overlook a diamond in your own backyard.

The second question is with respect to Millar Western, the paper we have there. Is it negotiable or transferable? Do we have the right

to sell our interest to the public without any restrictions, or does Millar Western have a first refusal? In other words, are we allowed to trade the security we have in Millar Western without restriction?

MR. ELZINGA: I should point out to the hon. member that it is a loan that we have to Millar Western, and there is a repayment schedule outlined whereby the interest is at 10 percent. As I indicated earlier, there are certain stipulations in that whereby in the event they repay the loan sooner than the schedule calls for, there's also a penalty payable as it relates to the interest so that we will see a return to the heritage trust fund. I don't believe that there is any transferability in that agreement.

MR. TAYLOR: No restrictions, you mean?

MR. ELZINGA: Well, there is no opportunity for transferability as it relates to the loan.

MR. TAYLOR: Well, I would just make a point of information. You are in the process of selling paper with Mortgage and Housing. This is paper too; this is a loan. It's a mortgage, so it should be as signable and as salable in a package as that other is. That's just a comment.

The second question . . .

MR. CHAIRMAN: The third.

MR. TAYLOR: The third question. These Cardston people can count, can't they?

I'd like to build on the question of the Member for Ponoka-Rimbey, who's always to the point. Community bonds are something that are quite common throughout North America and western Europe now, and it has been mentioned here a couple of times, I think even in the throne speech. Could the minister tell us just why the foot-dragging or why so slow in getting something under way in community bonds?

MR. ELZINGA: Mr. Chairman, I'm more than happy to respond, recognizing, though, that this . . .

MR. CHAIRMAN: I know, but this is an inappropriate question, hon. member.

MR. TAYLOR: It's fairly long. They were asking if they are doing any design. I'm just directing it to the minister who's primarily responsible. If you don't like the word "foot-dragging," okay, but . . .

MR. CHAIRMAN: No, I don't like the indication that the minister is in some way responsible to this committee for community bonds when in actual fact we're dealing with the AOC and Vencap and Millar Western. I'm just questioning that the question is appropriate to come before this committee.

MR. TAYLOR: Oh, I think it is, because the Member for Ponoka-Rimbey already has. I'm just building on the question. In other words, if the minister doesn't want to answer, that's fine. That's okay. Can I have it on the record that the minister is refusing to answer?

MR. ELZINGA: Mr. Chairman, I'm more than happy to respond, but unlike the hon. member opposite, we do recognize the authority of the Chair. If the Chair wishes, I'm more than happy to, because

I can share with the hon. member that, as he is aware, we have done a considerable amount of work in conjunction with Shirley McClellan, who is the minister responsible for rural development, as it relates to the community bond aspect. Alberta Opportunity Company has given its inputs, as has ADC. There has been no foot-dragging. I find it very hypocritical of the hon. Member for Westlock-Sturgeon whereby he criticizes us for our development in a number of other industries. He's suggesting we further inject ourselves into the economy with this, which we are looking at, but in the same breath in the Legislature on regular occasions the hon. member says we should pull back from our involvement. Now he's saying that we should further inject ourselves. I just wish the Liberal Party would get their economic policies straight rather than trying to be on both sides of the fence.

10:34

MR. TAYLOR: That's a good answer, but it shows he is dragging his feet.

MR. CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman, and good morning to the group over there.

Concerning Vencap and trading on the stock market, I know that we can't jump in and make a bunch of money out of the stock, but just in watching it, the stock itself has been very stable and hasn't fluctuated very much. Relating to how we're doing in our books here and the stock, could you comment on that, please.

MR. ELZINGA: If the hon. member wouldn't mind, I'd refrain from getting directly involved as it relates to the fluctuation of the stock prices because it is a private company that is traded. Our involvement, as the hon. member is aware, too, was to further diversify our economy. There is an agreement put in place whereby the Alberta government shares 50 percent of their net profits in addition to a repayment schedule. We're happy with what Vencap has done. We see it as a very major tool for the further diversification of our province, and I think that has proven true. They've also suggested to me that they have to exercise certain caution because there are private-sector investments, and even though they are a venture company, they want to do their level best in trying to promote sound ventures. I think they have been successful in that even though -- again I come back to what I indicated earlier -- they are a venture company, so there naturally is going to be considerable risk. They're doing their level best to make sure that they are involved with the further diversification. Recognizing that there is risk, they want to see a return as it relates to employment and investment within the province.

MR. FISCHER: I was looking at the repayment schedule here in the annual report. Have we been keeping up with that? In the end if it hasn't been repaid . . . I notice there are 4 million convertible shares available. Could you comment on that, please.

MR. ELZINGA: Yes, they have met the obligations as per the agreement. They've met them totally. Plus I should share with the hon. member that there are ongoing discussions, because as the hon. member indicated, we have some convertibility as it relates to our option in having a number of shares issued to us. There is some concern by Vencap that there is too much of an overhang created because of that convertibility option. We are having discussions with them even to the extent of maybe receiving a greater payment back to the province than what is outlined in the schedule. Those discussions are ongoing. Our key goal is to make sure that it does

meet the needs of Albertans, and we are always open to reassessing it to make sure that it does meet that key goal.

MR. FISCHER: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Edmonton-Calder.

MS MJOLSNESS: Thank you, Mr. Chairman, and good morning. The mandate of Vencap, if I'm correct, is to enhance the economic diversification in Alberta. I know that the minister stated earlier that except for the fact that Vencap should not get into the oil sector or the agricultural sector, there are no other specific guidelines that I'm aware of. I noticed that in one of the recommendations made last year to the minister, it stated "that a review of the performance and mandate of Vencap Equities Ltd. be undertaken." I'm wondering if the minister could update us on the status of that review in relation to the mandate.

MR. ELZINGA: Mr. Chairman, to the hon. Member for Edmonton-Calder. As I briefly touched on with the hon. Member for Wainwright, we are having ongoing discussions with them as a follow-through to the recommendations that this committee has made so that we can make sure that they are meeting the needs of today as it relates to the further diversification of our province and to also meet the needs of our own government's philosophy and policy as it relates to economic diversification. The discussions are taking longer than what we had hoped.

I stand to be corrected, but there was also a recommendation, I believe, from this committee whereby there should be a greater repayment to the province. I should share with the hon. member that part of the difficulty is -- and I shouldn't use the word "difficulty" -- part of the ongoing discussions is that we've always believed that we had to live up to the obligations even though we had signed them some years ago. We don't believe in retroactively changing the rules after one has participated, so any changes that are made have to be done by mutual consent because they are a private corporation. We are working with them so that they do meet the needs, as the hon. member has suggested.

MS MJOLSNESS: Thank you. We're all familiar, I think, with Vencap's investment into Western Sizzlin, which is an American-based restaurant chain. I believe this particular restaurant is competing with Alberta-based food outlets, and many of them are hurting these days. I'm wondering if the minister could just share with us Vencap's rationale for giving money to this particular restaurant.

MR. ELZINGA: I should indicate to the hon. Member for Edmonton-Calder as I did in the Legislative Assembly when her colleague, the Member for Edmonton-Centre I believe it was -- I guess we're not allowed to use names -- Rev. Roberts, asked that very question. I responded at that time, and I'm more than happy to refer her to *Hansard* where I did respond. Let me further elaborate to indicate, too, that as I've said on a consistent basis, Vencap is an independent organization. We do not have any direct influence as it relates to their investments other than is outlined in the authority in which they were established. They make these decisions totally independent of the government other than from a philosophical point of view as to what it will contribute to the economic well-being. We are having discussions with Vencap with the possibility of altering that to a minor degree, but again it has to be done on a mutual consent basis because they are totally independent.

MS MJOLSNESS: Okay. But it is true, though, that you work with them in perhaps redefining their mandate, and I'm wondering if in doing that you would consider making part of the mandate their focus on investing in Alberta-based companies. I mean, that could be part of the mandate if you were to work with them in that direction.

MR. ELZINGA: You're absolutely right, hon. member. As it relates to having discussions with them I'm more than happy to bring your recommendation to their attention, more than happy to.

MR. CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. I welcome the minister and his staff. Possibly we may not see the minister before us again, but I hope that's not the case. I hope we'll have an opportunity to see him before this committee another time.

I also want to talk briefly about the mandate of Vencap. I note the company was to invest in high potential growth companies, which, in fact, was going to help to develop, to diversify the province and help the province's economic development. It may be a leading question, but I'm asking the minister: are you satisfied that Vencap since 1983 has fulfilled the mandate that it was given?

MR. ELZINGA: The short answer is yes.

MR. EWASIUK: If you look at the financial statements, it appears to me at least in my calculations that the best we've done is probably about 3 to 4 percent per annum. Again, does the minister feel that that is a good return on a \$200 million investment?

MR. ELZINGA: Well, Mr. Chairman, I think one has to take into account the purpose of Vencap in that they are a venture funding company and that there is considerable risk involved when you are involved with venture funding. In recognizing that, we're delighted that there has been a return rather than an overall loss, and I think that speaks volumes of their involvement whereby there has been a return rather than an overall loss. I do recognize and the hon. member has justifiably pointed out that the return has been small, but one also has to look at the return as it relates to employment opportunities, the further development of the province, the diversification of the products that they have been involved in. When I indicated to the hon. member that my short answer was yes, that's not to say that we don't see areas where there could be improvements. Again, it has to be done on a mutual basis because they are an independent company, and I believe that overall they have performed their role very well.

10:44

MR. EWASIUK: Maybe again, Mr. Chairman, this question will be somewhat similar to the one from Edmonton-Calder. I think there is some degree of concern about Vencap and its investment portfolios and the way it's been conducted. I'm referring to recommendations of last year: "that a review of the performance and mandate" be carried out in light of, I believe, constructive criticism, I would suggest. Again, I guess the minister may have responded to that. Perhaps he may want to add more to that comment?

MR. ELZINGA: Just to reinforce what I indicated to the hon. member's colleague from Edmonton-Calder and to the Member for Wainwright: that we are having ongoing discussions with Vencap as it relates to their own strategic plan and their own policy as it relates to the development of our province; to reinforce with the hon. member that it is an independent organization, a private corporation

that has a loan from the heritage trust fund and they make their own decisions, but we do have ongoing dialogue with them.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I'd like to explore a little further the community bonds or the micro micro. I'm just doing so along the same line that the Member for Ponoka-Rimbey cast and the micro micro or the microinvestments that AOC I think should be taking a look at. I know the designated driver for the Klein campaign has given me a lecture about what we should be doing and where to spend money, but the point is that the community bond is a partnership of the provincial government, people in the community, and the private sector. We're talking very small amounts. Probably you lose more in your accounting than we're talking about going into a community bond. So what I'm looking at, too, is wondering whether you have looked at just the guarantees, not even the money, of a portion of a community investment, small investment.

MR. ELZINGA: Mr. Chairman, yes, we are looking at guaranteeing a certain percentage of the community bonds, and we're asking also for the community and the groups that are looking at involving themselves in it to also assume a portion of it. That is under active consideration. Yes, sir.

MR. TAYLOR: The second part to that is: is there -- maybe anybody could answer it there, I think -- in the AOC or Vencap any sort of an ongoing process to try to work with our native populations, our aboriginal people, in developments in Alberta, or do we stay strictly away from it and leave it to the federal area? Do we work in there at all?

MR. ELZINGA: We work very closely with our native population both within our department and more directly so with Mr. Fowler, who has responsibilities, but we are involved in some economic development projects with the native population. They have also accessed our BIAC funding, business initiatives for small communities. We do work very closely with them. In fact, we have an individual designated within our department. Forgive me for bridging it, because it doesn't relate to the discussion before us, but we are working with them, as I'm sure the Alberta Opportunity Company does.

MR. TAYLOR: I see. Maybe because I didn't ask the question well enough I'm going to have to throw away a third one here. When you say "native population" are we talking about both Metis and treaty? Both? We are.

MR. ELZINGA: Yes.

MR. TAYLOR: Okay.

MR. CHAIRMAN: Thank you.

MR. EWASIUK: Mr. Chairman, just a couple of questions came to mind, again in the same line that I was going on before. I may be corrected, but my calculations suggest that Vencap Equities Alberta Ltd. has in trust some amount, \$100 million, which you sort of have available to you. My question then, Mr. Minister, would be: would you consider requesting that Vencap then repay the loan to the heritage trust fund in light of this fund sitting there? It's been there

for quite a long time. I don't think it's generating the kind of interest it should be. Why not return that money back to the heritage trust fund?

MR. ELZINGA: I should point out to the hon. member that we touched upon not this specific question but the overall direction somewhat earlier, whereby we had reached an agreement with them some years ago. If there were to be any changes to that agreement, it would require the mutual consent of both parties, because we cannot just in a retroactive way alter the agreement that was established some years ago. I stand to be corrected by your committee, but I think you had also suggested that in the past in one of your recommendations, whereby we do ask for a certain portion of the money that they do have sitting there receiving interest to be returned. We're more than happy to pursue those discussions with Vencap, but I want to stress, because I don't wish to mislead the hon. member, that it would require the consent of Vencap, which is a private organization, before any changes could take place. We are more than happy to have that ongoing dialogue with them.

MR. EWASIUK: Okay, Mr. Chairman. My final question then. Now, I believe that Vencap is an animal created as a result of the Vencap Equities Alberta Act. In light of the questions today and the response the minister has given to us, is the minister contemplating any changes to this Act, to be introduced presumably in the fall or spring sitting, relative to the questions being asked today?

MR. ELZINGA: As the hon. member probably is aware too, notice was given in the earlier session to propose some amendments to the Vencap legislation. Because of the ongoing dialogue with Vencap, that has been held in abeyance, but it is our plan once there is agreement reached with both parties to introduce that legislation and proceed with it.

MR. EWASIUK: Can we expect it this fall or this spring?

MR. ELZINGA: That was our hope. It was our hope to do it in the spring session past, but we hadn't reached a conclusion to our discussions. Forgive me; I can't give the hon. member a definite time frame because the dialogue is ongoing. Once the dialogue is completed and there is agreement reached, we hope to proceed with it.

MR. CHAIRMAN: Thank you. That concludes the list of questions from the committee. We appreciate the minister and his colleagues appearing before our committee and the information that they've given to the heritage fund committee.

The minister has a comment?

MR. ELZINGA: One closing comment, sir, again to indicate my appreciation to our officials and, more importantly, to yourself, sir, and members of the committee. As the hon. Member for Edmonton-Beverly indicated, this will probably be my last time before this committee. I thank you and I salute you for the work that you are doing as it relates to our heritage trust fund. We deeply appreciate the recommendations on an ongoing basis. Thank you again for having me here today.

MR. CHAIRMAN: Thank you. I'm sure the committee wishes you well in your future endeavours, Mr. Minister.

We'd entertain a motion for adjournment from the Member for Lacombe. All in favour? The meeting stands adjourned until 2 this

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afternoon, when the Hon. John Gogo will appear before the committee to discuss the heritage scholarship fund.

[The committee adjourned at 10:52 a.m.]

