

[Chairman: Mr. Pashak]

[8:30 a.m.]

MR. CHAIRMAN: I'd like to call this Wednesday, May 2, meeting of the Standing Committee on Public Accounts to order.

The first item of business on the agenda is to approve the minutes of the April 25, 1990, committee meeting. Do I have a motion? So moved.

Any business or discussion arising from the minutes as distributed? Those in favour of adopting the minutes, then, as distributed? Agreed? It's agreed.

We have with us the Auditor General and his associate, Mr. Wingate, this morning again. Our guest this morning is the Hon. Peter Elzinga, Minister of Economic Development and Trade. I'd like to say welcome to you this morning, Mr. Elzinga, and I'd invite you to make any statements you might like to make and introduce the people from your department that are with you this morning.

MR. ELZINGA: Thank you very much, Mr. Chairman, and as has been the case in the past, I appreciate very much the opportunity to appear before yourself and the membership of the Public Accounts Committee. We do have a number of individuals with us, and as I have done in the past, too, if it's agreeable, I'm going to ask them to participate in a full and meaningful way so that we can make sure those questions put to us by our colleagues will have a thorough answer. Those questions we do have some difficulty with as it relates to details we'll get back to you on an individual basis so you will have answers to them.

But let me take this opportunity at the outset, sir, to introduce who I have with me. I'll begin with our new deputy minister, Mr. Al McDonald, who's on my immediate left. As you know, he has had a distinguished career within our government and within the private sector, and we're delighted that he has accepted the new challenges of being our deputy minister within the Department of Economic Development and Trade. Also with us is Mr. Roy Parker, the president and chief executive officer of the Alberta Opportunity Company. He has been here with me before, and again we're going to rely on his wisdom and counsel as we go through the discussions as they relate specifically to the Alberta Opportunity Company. I'm delighted, too, that we have our assistant deputy minister with us, Mr. Ron Blake. During the interim period Mr. Ron Blake served as our acting deputy minister and did a fine, fine job, and is doing an outstanding job in the department with his specific responsibilities. We have our director of finance, Mr. Terry Eliuk, who has a good grasp of all the financial matters within our department, and joining with him also is my executive assistant, Mr. Jim Armet.

I have a few brief comments, and I will be fairly brief so that I can deal with the issues individuals like yourselves will put to us. As I've indicated in many public forums, I have found so often those of us in public life can go on for a period of time and not necessarily deal with the issues that are uppermost in your minds. So I'm going to be fairly brief in my comments so that we can do our best in responding to the concerns you might have.

We're proud of the work that we have done within our department in achieving greater diversification within the province of Alberta, and we're also proud of the role we are playing in a partnership role with the private sector in making sure that we are ready for the changing global trading environ-

ment. Just to deal with some aspects of our department, too, in recognizing that we are a trading province, we're delighted that Alberta has broken all existing trade records by exporting close to \$14 billion worth of goods in 1988, which accounted for some 20 percent of Alberta's GDP. As you are aware, too, during the fiscal year '88-89 we saw the Canada/U.S. free trade agreement come into force, and we are working closely, too, with the private sector in other provinces in attempting to bring down the barriers that we do have as it relates to interprovincial trade. It's a question a number of you have put to me in the past.

As it relates to our department, just a few specifics there too. We are injecting greater internal efficiencies. If you look at our expenditures over the last number of years, there has been a decrease. Just a couple of specific items. The travel expenditures: the actual expenditures reduced some 3.5 percent from '87-88. Our hosting expenditures: there have been actual reductions there, some 23.5 percent from '87-88. Our total departmental spending was reduced 17.5 percent from the amount spent in '87-88.

Dealing with the small business and industry division, we have worked very actively with the small business community. Just to highlight a few achievements, we have provided business counseling services to more than 35,000 clients. We've initiated a toll-free business line service which has handled over 6,500 calls in eight months. We undertook some 23 projects through the management assistance program serving some 615 businesses. We held 24 quality assurance seminars, and this program has now reached some 300 firms and organizations across the province since its inception in September of 1988. We've been involved with our export loan guarantee program, and we just recently announced the further extension of that so we are ready to pursue actively export opportunities for our small business and business community.

Dealing specifically, too, with our trade and investment division, I would like to highlight a few of the achievements in that area, because here again we have worked very closely with the private business community. One of those ways is the Let's Talk Trade seminars that we have had throughout the province whereby we are identifying trade opportunities that will arise from the Canada/U.S. free trade agreement. We have not put all our eggs into one basket. As I've indicated to members previously, we recognize that the U.S. is our closest trading partner and our opportunity for greatest access, but we're also working very closely to make sure we do take advantage of the opportunities that are in the Pacific Rim. Also, we see that there are opportunities for trade and investment in the European Economic Community, especially as 1992 comes closer. We have had a number of exchange visits. We do host on a regular basis incoming delegations from other countries, and do work, again, with the private business sector in co-ordinating missions to other countries. We've participated in 13 trade shows in Canada and abroad, involving some 140 Alberta companies. We've conducted a series of 18 seminars on incorporating trade shows and selling into export marketing strategies, in conjunction with chambers of commerce and industry associations, of which some 254 companies participated. We continue to offer advice and counsel, and - forgive me for stressing it, but I feel it is so essential - we do so in a partnership role with the private business sector because they are the spark plug of economic growth within the province.

Just briefly, too, as it relates to our policy and planning division. We rely on them very heavily, and they have been instrumental, too, in putting together and in negotiating the

implementation of the western trade barrier reduction agreement on government procurement. They've also supported the work of the Committee of Ministers on Internal Trade which is pursuing opportunities for the reduction and elimination of trade barriers, as I mentioned earlier, within Canada. We've worked with other provinces and undertaken specific projects, which I'm sure you'll have questions on.

There are two areas I'd like to briefly mention prior to closing. One is our Alberta Agency for International Development. There have been questions put on that before. Under the public accounts that we're looking at today, you will see that some \$3,335,884 has been used for matching project funds, with which we have supported some 235 projects in 58 less developed countries. Just a brief mention of the Alberta Opportunity Company. In 1988-89 the Alberta Opportunity Company approved some 347 new loans, guarantees, and venture investments totaling some \$34.5 million: \$13.2 million for the manufacturing sector and \$21.3 million for the service sector. Of the total of \$34.5 million authorized in '88-89, \$3 million went towards the establishment of new business, \$25.6 million was involved in expanding existing businesses, and \$5.9 million was directed towards purchasing existing businesses. During '88-89 these approvals enabled the creation of some 554 jobs in the province. From its inception to March 31, 1989, AOC has provided approximately some 5,000 loans to Alberta businesses, totaling some \$522 million.

With those comments, sir, I will put myself in your hands, and as I indicated earlier, too, if we don't have the specifics that are requested of us here, we will get back to the individual members in written form so you do have thorough answers to the questions that are put.

**MR. CHAIRMAN:** Thank you very much, hon. minister, for your opening statement and for that last generous offer to get back to members if you don't have information at your fingertips.

I'd just like to say - I think the minister has been here before; he's familiar with our procedures. I'll try to encourage the members of the committee to either keep to the Auditor General's report as it applies to your department or to indicate actual lines in the public accounts themselves, which should help in terms of providing answers.

So with that I'd to recognize our first person to indicate a question, Ms Laing.

**MS M. LAING:** Thank you. I'm interested in your commitment to diversification and helping Alberta business, and I'm looking at 3.39 in public accounts. My first question is in regard to votes 2.4.2, 2.4.4, and 2.4.5, which indicate that although a significant amount was estimated to be spent, significantly less was. The small business equity corporations program was estimated \$2.7 million. In fact, only \$1.5 million was expended. It's similar for the other two votes. I'm wondering what the explanation is for that.

**MR. ELZINGA:** Forgive me, hon. member. What page are you . . .

**MS M. LAING:** Three point three nine, and I'm looking under vote 2.4.

**MR. ELZINGA:** Yes, I have found it, and thank you very much, hon. member. What I'm going to do is ask our assistant

deputy minister, Mr. Ron Blake, to give you a detailed answer in regard to that, if that's agreeable.

**MS M. LAING:** Sure.

**MR. BLAKE:** On the small business equity corporations program, the funding that is budgeted at the beginning of the year is premised on the number of the applications that we have in with the particular businesses, the equity corporations themselves, and the funds are provided as the 30 percent incentive. What we've found over the years is that the firms that have these applications in are not necessarily the swiftest in processing their paperwork and completing their particular investment in order to have the funds and claim the actual incentive.

**MS M. LAING:** Okay. The concern I have is that I hear from small businesses who have applied for funds and do not get them. I guess my question is: are people turned down, or do those that apply get the money even though . . . I mean, you're suggesting delays, and would that mean, then, that they would get them in the subsequent year?

**MR. BLAKE:** If the request for the funds is directed to a small business equity corporation and those funds are being managed by that corporation, they, like others in the investment field, would look at the quality of the investment in their determination whether they would wish to commit. So there are occasions when you will have an applicant or a small business seeking funding that may not necessarily get it from the SBEC corporation if they approach it. This also holds true for other types of firms in the venture supply field.

**MS M. LAING:** Okay. So I guess, then, in that context I would put a question to the minister about the \$4 million loan that was made to Mr. Pocklington, which seems to not be recovered. I guess I'm wondering what steps the minister took to ensure that Mr. Pocklington, one, would be able to repay the loan and, secondly, would spend the loan for the reasons for which he was given the loan.

**MR. ELZINGA:** That's very well put, hon. member, and I should share with you that the actual administration of the loans, once they have been granted, falls under the Treasury Department. We do the processing - and it's much the same with our loan guarantees: once they have been processed and granted, Treasury Department does the actual administration and follow-up in the event that any follow-up is required.

When the loan was offered to Gainers, it was done so on the basis of a number of reasons, one being that we wanted to have a world-class food processing industry within the province of Alberta. Secondly, we wanted, and that continues to be part of our thrust, to ensure employment opportunities within the city of Edmonton. I know there is unanimous agreement amongst all members to ensure that there are employment opportunities within the city. It's coincidental - and I say that with all sincerity. I recognize that the opposition likes to tie the name Mr. Pocklington to this issue, but it is coincidental that he was the individual involved at that time with Gainers, because we did offer support to all individuals within the meat packing industry, and I can go through a long list. The reasoning behind the support was as I indicated, plus there was a commitment as it related to southern Alberta, plus to upgrade the facility in

Edmonton, and that was only done to a minor role. That is why we proceeded to act the way we did.

MR. CHAIRMAN: Thank you.

Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. My questions really relate to the Alberta Opportunity Company. I guess in reviewing the financial statements and the comment made by the Auditor General that the statements could be a little more detailed insofar as giving information, I was wondering – and I'm thinking of note 5 and note 10 to the financial statements – what the general policy is for Alberta Opportunity for establishing the provision for losses each year.

MR. ELZINGA: With your consent, we'll turn this over to Mr. Parker.

MR. PARKER: I'd be more than pleased to advise you. In the lending end of our operation, which, as you're likely aware, is the largest by a wide margin of what we do, twice a year we go through each of our accounts to determine if they're in trouble or if there's a sign of trouble on the horizon. At that time we, with a committee of management, set up an allowance for bad debts so that in the event they do collapse, which may or may not happen, this allowance will already have been put in place. In situations where the accounts are in liquidation, then we will write off what we consider a reasonable amount so that whatever we recover will cover the balance of it. This, as I say, is done twice a year. It is then taken forward to the audit and budget committee of our board of directors, which again reviews those individual accounts which have been designated, and that, ultimately, is then reviewed and approved by our board.

In the case of our venture capital and our seed capital, which isn't the case in this particular year under review but will be in next year's situation, what we do with venture capital is: any company that has failed or is about to fail, we will write that total amount off, because it's basically equity or quasi-equity. Then the balance of the accounts, those that are performing satisfactorily and doing very well, we provide a general allowance of 25 percent, because venture capital is a very high-risk area of financing, and seed capital, which is at a much earlier stage, is even higher.

Our policy for that, while it doesn't relate to your question because it wasn't in effect then, is a 50 percent allowance of everything that we put out – that's an allowance, not a write-off – because we want to err on the side of conservatism in our financial statements rather than have the potential of surprises for things which may come to pass in the future.

MRS. BLACK: I know back in the late '70s and the early '80s there was a lot of mismatching of loans because of interest rate shifts that had dramatic changes throughout the economy, where loans were out at 10 percent and all of a sudden interest rates hit 17 percent. Are we watching right now the increase in interest rates that we've experienced in the last six months? Are we confident that we won't go through another mismatch like occurred back in the early '80s with our provisions?

MR. PARKER: Well, I think you're talking about two different things: the interest rate cost of funds versus cost of lending, which is the mismatch area, I think, as well as what we've already discussed, the allowance for bad debts. But in the

matching of funds, historically what we have done is to have a five year . . . Well, up until 1981 our amortization period and the term of the loan were one and the same, and our debentures were sold at a five-year rate. At that time, when interest rates started to go up, we shifted then to a five-year term maximum and five-year term on our debentures, so that in a period of three months, when we may approve \$15 million in loans and borrow money at X percent, that money would be on a five-year term from the heritage trust fund and we would lend it on a five-year term, albeit maybe a 10- or 12-year amortization.

What we have done in the past two years is to go to an eight-year term as far as the interest rates go with Treasury, that more closely matches the ultimate term of the loan, although not the amortization period. Like our average loan, we'll make it for a five-year term, and then there'll be a second three-year term when it's renewed. So the total on average is 8 years, and we're getting our money on an eight-year basis now from the heritage trust fund.

MR. CHAIRMAN: Final supplementary.

MRS. BLACK: He mentioned on the venture capital side of things, and it is mentioned in the financial statements, that there's a 25 percent provision for loss. How does that compare to other venture capitalizing firms? Is that a standard that's used in the first year or two of operation?

MR. PARKER: That's a more conservative approach. Most venture capital firms are private and we don't know what they do. But certainly my recollection, and I can't be categorically sure of this, is that in Vencap's case I think their allowance is about 15 percent to 17 percent. But again, we have been dealing at an earlier stage in the development of businesses in venture capital than Vencap has historically. They have started to get into this earlier stage more recently, but we're trying to do it on a realistic and conservative basis so, as I said before, there are no surprises.

MR. CHAIRMAN: Thank you very much.

Mr. Hawkesworth.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to welcome the minister and his staff this morning. I appreciated the opening comments in the overview of the department. There's certainly lots here to question the minister and his staff about. I'd like to sort of ask some questions around the loans in the guarantee programs administered by Economic Development and Trade, and in particular I'm interested in the export program. If you'd like to just turn to page 1.20 in the public accounts – and it also appears as another schedule on page 2.36 of the public accounts as well – the export program under the General Revenue Fund is \$34,307,000. Under the consolidated financial statements it looks to me as \$20,692,000. So a considerable amount of money has been earmarked for this program.

I'd like to ask the minister: how do members of the Assembly get a list of the companies that receive assistance from his department under that program?

MR. ELZINGA: As the hon. member is aware, there is some hesitancy as it relates to releasing the specific companies that do access, though we do indicate some of them. There is commercial confidentiality involved with this whereby some of this

information could be available to competing firms, and since it is a program expenditure, it is listed as a program expenditure. It's interesting to note, too, as it relates to this program, that there is a fee charged. I recognize that I'm not speaking directly to the public accounts that are before us, but we have just altered the program somewhat so that there will be greater access to this program. But there has been a hesitancy to making those specific names available publicly because of the commercial confidentiality aspect of it.

MR. HAWKESWORTH: Mr. Chairman, perhaps I could have the minister turn to page 3.39 in the public accounts. Let me just read you the names of some companies that appear there on that page: Daishowa Canada Company Ltd.; Procter & Gamble Cellulose Ltd., \$2 million; XL Food Systems Ltd., \$1.5 million; EDO Canada Limited, \$2 million and some; Glacier Ammonia. Gainers appears there; Western Aerospace Technology; Northern Steel. On the next page there's another three or four: Pyramet Industries, Ringo Manufacturing, Peigan Crafts, Nanton Spring Water Company, all of which have received assistance under a different program in his department. Why is it, then, that commercial confidentiality is not a relevant factor in these companies yet it is when it comes to the export loan guarantee program? I don't buy the minister's argument, and wonder why he doesn't make all these expenditures public in the public accounts.

MR. ELZINGA: I recognize the concern that is being expressed by the hon. member, but there is a difference in the programs under which the two categories fall. As I indicated to the hon. member earlier, the export loan guarantee program is program specific: these are either loans or loan guarantees done on an ad hoc basis to ensure that we do have further diversification within the province. There are certain stipulations, too, which we abide by, whereby this information is made through public accounts plus through orders in council, which are published on Thursday, in the event that we do offer specific support. There is some difference.

I respect what the hon. member is saying, but we do have a difference in opinion. The specifics, as they relate to a number of these agreements, too, some of it because of the commercial confidentiality nature of it, we keep to ourselves. We do recognize that it is public funds that we are dealing with, and we try to exercise proper stewardship. But at the same time, we want to make sure we do not put at a disadvantage some of these companies that are accessing these programs so that they can continue to be competitive on a world-scale basis.

MR. HAWKESWORTH: Well, Mr. Chairman, some people in the business community think it's an unfair advantage if you can get financing from the provincial government and it doesn't put them at a competitive disadvantage. Quite the contrary; it may well put them at a competitive advantage. Presumably, the public should have some right to know whether these loans are made on a stewardly basis or whether they're subject to who knows what behind closed doors. The element of secrecy involved in preventing this information from coming out just adds to that perception: that if you can get into the export loan guarantee program you've got a competitive advantage over your competitors, and that's the reason for the secrecy and not anything to do with commercial confidentiality.

So I'd like to ask the minister if he's prepared to change that policy in order to ensure that those companies that do receive support from the provincial government, regardless of which

program and which vote, be made public for the public accounts and for the people of Alberta to review.

MR. CHAIRMAN: Hon. minister, I think we're beginning to get into policy issues that are probably more properly debated in the Assembly itself, but if you wish to go ahead and answer the member's question, that's . . .

MR. ELZINGA: I'm happy to, Mr. Chairman, and thank you for that advice. I should point out to the hon. member – and I'll deal specifically with the export loan guarantee program, because that appears what he's centring on, that there is universal participation in this program. Any company that is presently involved with the exportation of goods produced within the province of Alberta for exportation outside of this province can access this program. There is no limitation as to who can access it; it's universally applied. So to suggest that there is a competitive aspect there is not factual on the hon. member's part in that everybody can access this. There is not a limited involvement by our government or by companies that can access it. Any company that is involved in the exportation of goods from the province of Alberta and has orders to substantiate that can participate in this program. That's why the program was brought about, so that we could encourage the exportation of goods produced within the province of Alberta, recognizing that we are a trading province.

MR. CHAIRMAN: Mr. Severtson.

MR. SEVERTSON: Thank you, Mr. Chairman. My question is on page 3.39 under 2.4.4, Small Business Incubators. You estimated a million dollars under that program and only spent about 29 percent, or \$290,000. Was that because you overestimated, or did the program not go over as well, or do feel it's not needed?

MR. ELZINGA: With your consent, hon. member, I'll again rely on the assistant deputy minister who administers the program so that he can give you a detailed answer, and will refer that to Mr. Blake.

MR. BLAKE: Thank you, Mr. Minister. Hon. member, the program is structured to – I guess it was based on 16 communities that we had recognized at the beginning of the program who had indicated that they were wishing to participate in the program. What we've found over the period that the program was introduced was that there was a program also introduced by the federal government, the Community Futures program, which offered up funding to create employment opportunities in these communities. A number of the communities that had indicated they were going to participate in the incubator program elected to participate in Community Futures. So the end result was that we did not have as many communities participate in the incubator program as a program for assisting small businesses to come together and work in a common facility.

MR. SEVERTSON: Okay. On the same page, in 2.4.6, Native Venture Capital Corporation, I see there's been \$2 million expended into that program. Do you have any record or progress report on how successful that program is?

MR. BLAKE: Mr. Chairman, Mr. Minister, and hon. member, no, I have not. I'll have to get back to you on that after having had some discussion with the corporation itself. The \$2 million

indicated here were part of the commitment that was made in the establishing of that particular corporation at the outset, and the company had to match private-sector dollars. As they moved along with their program approximately a year ago – well, I guess that's '88-89 – they came forward and asked for the additional \$2 million, which was to be matched by the private sector, so the commitment was actually into the funds of the corporation. I haven't seen the financial statement of the information relative to their investment of that particular year to indicate the success, but certainly that's one we could get back to the member with.

MR. SEVERTSON: Yeah, I'd appreciate that. My final question. On 2.4.2, Market Development Assistance, again this one is not fully utilized. I believe that's probably where a lot of companies need assistance. Is it that there needs to be more information sent out to businesses to help with market development, or do you feel it's doing the job as it was set out to do?

MR. ELZINGA: In response to my colleague – and let me reinforce what Mr. Blake indicated too – if you'll allow me just to come back to the native venture capital fund and your question on that. Mr. Blake and I will get you a specific answer so that you can recognize some of the benefits that do flow through to our native community in trying to create more sustainable employment and development for them. As it relates to your question dealing with market development assistance, I should share with the hon. member that we view these as a very positive aspect of the work that we are involved with as a department, in that they have had a dramatic effect in increasing the amount of companies that export from the province of Alberta. Just to cite a few figures for the hon. member, Alberta businesses exporting their products were approximately 800 in 1986, and they increased to over 1,400 in 1989. The market development assistance program provides assistance to Alberta companies to travel and to gain greater access to markets other than our own. I should share with the hon. member that it is something that we assess on an ongoing basis to make sure that we are receiving benefits for the dollars that we do invest. If the hon. member has any thoughts as to how we can increase the efficiencies, we're open to his thoughts on that also.

MR. CHAIRMAN: Mr. Chumir.

MR. CHUMIR: Thank you. I would like to direct my questions to the issue of the Gainers Properties Inc. dealings and, in particular, the \$58,872,000 loan guarantee set out on page 1.20. I assume this is the responsibility of Economic Development and Trade. As you well know, there is a great deal of public concern about this loan. Even Mr. Pocklington himself has expressed some doubt as to why the guarantee was given – 1.20, and it's under the heading Bank and Credit Union Loans, about the fifth line down.

MR. CHAIRMAN: Hon. minister, I guess there is a question here as to whether or not that falls under your area of responsibility or the Treasurer's. It's not in the section of the public accounts that deals with your ministry, but is there . . .

MR. ELZINGA: I have no hesitation. I'll do my utmost to respond to the hon. member. If we do intrude in areas . . . As I indicated in my opening comments, the actual administration after it has been accessed falls under the Provincial Treasurer,

but I'll do my level best to respond. I'm in the hands of the chairman and the committee.

MR. CHUMIR: Well, I'm concerned about the accessing aspect of it. Of course, the press release of March 3, 1988, was under the hand of the then minister, Mr. Shaben, and that press release indicated that the loan guarantee of \$55 million and the \$12 million loan commitment were being given for improvements to the existing Edmonton plant and for a new hog plant. Subsequent information which has come out since that time and comments of the various ministers have indicated that in fact the \$55 million loan guarantee was primarily to take out the existing bank credit, and the \$6 million of loans that were given ostensibly for a new plant were used for general corporate purposes. I'm wondering whether the minister and his staff would be able to confirm that the \$55 million loan guarantee in fact was basically to take out the existing bank line from I believe it was Lloyds Bank at that point of time and what the amount of that line of credit was and why this was the case, why it was granted.

MR. ELZINGA: As the chairman so appropriately pointed out, this falls directly under the Provincial Treasurer. But I should indicate to the hon. member that the loan and the loan guarantee were offered for multi purposes, purposes that the hon. member has indicated plus for ongoing operations at the Gainers facility. There was some upgrading of the facilities in Edmonton, albeit very modest, but there was some upgrading. The plans also were for a southern Alberta plant. But that is what prompted the action of the Provincial Treasurer; in that the terms were not being lived up to our satisfaction, we did proceed to act on the loan guarantee and the loan. But as the chairman so appropriately put it, I think those would best be addressed by the Provincial Treasurer, because the actual administration, as I indicated in my opening comments, falls to the Provincial Treasurer, sir.

MR. CHUMIR: Could I just get a clarification as to what the difference is between access and administration? I would have thought that access would be the granting, the negotiation of the particular facility and that administration would be the handling of it after that took place. Perhaps we could get a clarification of what the . . .

MR. CHAIRMAN: Maybe this question . . . I don't want to put the Auditor General on the spot, but perhaps this is a clarification that the Auditor General could provide.

MR. SALMON: Oh, I'm quite happy for the minister to just straighten it out.

MR. ELZINGA: Mr. Chairman, I'm happy to do my level best to respond if the hon. member could again just put to me what he is seeking clarification on.

MR. CHUMIR: How much was the problem loan at Lloyds Bank at the point of time at which the \$55 million guarantee was granted, and why were we agreeing to take over the problems of Lloyds Bank?

MR. ELZINGA: Well, again I'd have to defer that specific question to the Provincial Treasurer because that's under whom it would directly fall.

MR. CHAIRMAN: If I may just intervene for a moment, I thought the understanding that we were trying to clarify is the extent to which your ministry's responsibility sort of begins and ends and where it then becomes a matter for the Treasurer. In effect, to what extent is the Ministry of Economic Development and Trade involved in the granting of the loan in the first place?

MR. ELZINGA: Mr. Chairman, that's what I thought the original question was too, but he altered it in his second part. If that is it, I am more than happy to attempt to clarify that if that is the desire of the chairman and the committee.

MR. CHAIRMAN: For the sake of all members, I think they'd be interested in that clarification. Then we can return to the hon. member after we have that clarification.

MR. ELZINGA: Well, as the hon. members are aware, we do have quite a wide range of programs as it relates to loans and loan guarantees. Various departments are involved in them, right from student loans to business loans and loan guarantees. A number of departments are involved, and there is a considerable amount of interplay as it relates to putting together these packages and the responsibilities of the specific departments. But once they have been approved and put into place, the overall administration and the policing of the loans and the loan guarantees fall directly to the department of Treasury, because they have the proper mechanisms within their department, where a number of other departments do not.

MR. CHUMIR: Well, then presumably the minister's department approved this. There was a press release from Mr. Shaben saying "We've approved a \$55 million loan guarantee." I'm asking: what were you approving, in the sense of how much was the Lloyds Bank loan you were taking out at that particular point of time, and why did you do it?

MR. ELZINGA: The reason is – and I'm happy to repeat it for the hon. member for I don't know how many times – for a multipurpose reason. Number one, we wanted to make sure that we had world-class food processing facilities within the province of Alberta, and we involved ourselves with a number of those companies involved in the food processing sector within the province of Alberta. Number two, we wanted to make sure that we did have meaningful employment within the city of Edmonton for the number of people that were employed at the Gainers plant. Number three, there were specific conditions, which have been highlighted before, and the hon. member himself indicated them. Within those conditions was also the provision for ongoing operating capital, plus there was to be the upgrading of the Edmonton plant and the establishment of an additional plant in southern Alberta. When we saw these things not coming together the way we felt they should, it was at that time that we acted.

MR. PAYNE: A point of order, Mr. Chairman.

MR. CHAIRMAN: Point of order.

MR. PAYNE: I don't want to appear unreasonable, Mr. Chairman, but I am anxious to participate today, and I believe that is the fifth or sixth supplemental question. I appreciate that some have sought clarification, but no matter which way you slice it, the hon. Member for Calgary-Buffalo is occupying a

great deal of time, and I'd like to suggest that I have a legitimate point of order.

MR. CHUMIR: It's all the same. It's still the first question.

MR. CHAIRMAN: There have been clearly at least two questions. If the hon. member could present one final succinct question on this matter.

MR. CHUMIR: I can't ask them if I'm not entitled to. I'd asked in my first question: what was the amount of the bank loan that they were taking over from Lloyds? I mean, I asked that in my first question. I've asked it three times as repetitions.

MR. ELZINGA: Then let me answer the hon. member again. I hope he will put that question to the Provincial Treasurer, from whom the answer should be requested.

MR. CHUMIR: I'm sorry, Mr. Chairman, but I find that quite unacceptable in light of the fact that the minister's department approved the loan. They had to know what they were approving. However, I guess we're not going to get any further on that one.

Now, in light of the fact that Mr. Pocklington himself has said that this financing facility was somewhat questionable, in light of the state of the company at that point of time, why would the government and the minister's department approve this type of support for Mr. Pocklington's problem company without taking out a full indemnity and guarantee with respect to Mr. Pocklington's other assets, in the same way as my bank asks of me when my company gets a banking facility? Why would this not be done? What is the policy and procedure of the government when large sums of public money are committed?

MR. CHAIRMAN: Again, are we in a realm that is properly that of the Treasurer's, or . . .

MR. ELZINGA: I'm afraid it is, but I should indicate to the hon. member that, in fairness, if he wishes to use half a quotation from an individual, he should use a complete quotation, whereby the individual also indicated that the properties were worth \$150 million to \$170 million, which is in contradiction to what he indicated earlier. I just indicate that to share with the committee the contradictions that surround this issue. I come back to what I indicated earlier, notwithstanding the fact that there are certain principles involved with Gainers. We involve ourselves in all sectors of the food processing industry to make sure – and I'm happy to repeat it for the hon. member; it seems I have to repeat it a number of times so that we get our message home, and I'm happy to do so – that we do have proper outlets for our primary producers within this province plus to ensure jobs for Albertans. We are going to continue to involve ourselves so that we do continue with that strong economic thrust within this province.

MR. CHAIRMAN: Thank you. Clearly we're into a political debate.

Mr. Cardinal.

MR. CARDINAL: Thank you. My question to the minister. Public accounts, page 3.39, vote 3.1.2, Daishowa Canada: \$8.5 million was expended for the Daishowa Canada Ltd. project in Peace River. Could the minister provide an explanation of what this expenditure was for?

MR. ELZINGA: I'm happy to expand somewhat for the hon. member, and I thank him for his concern in this area. The \$8.5 million expenditure was part of our government's commitment to infrastructure costs for Daishowa. This was one component of it. As the hon. member is probably aware, there are components, too, under the transportation department. We had committed, as part of our involvement in the infrastructure costs, to provide up to \$74.7 million in road and rail infrastructure that would service the Daishowa pulp mill being built in Peace River, and this \$8.5 million represents the second funding installment in the long term of this project. I stand to be corrected, and I'll defer to my officials. I think our commitment was somewhere in the vicinity of \$19 million in total, which is a \$27 million total commitment through our department, of which this \$8.5 million was a part.

MR. CARDINAL: My second question or supplement is to the Auditor General. In the annual report on page 35 . . .

MR. CHAIRMAN: Hon. member, today's session is with the Minister of Economic Development and Trade.

MR. CARDINAL: Okay. I'll direct it to the minister.

MR. CHAIRMAN: If you require some clarification, perhaps, from the Auditor General, that would be fine.

MR. CARDINAL: Sure. There's no problem. It's still in the annual report of the Auditor General, on page 35, 2.9.2, Alberta Intermodal Services Ltd. The Auditor's observations:

[The] 1987-88 annual report . . . described the difficulties experienced when a new computer system acquired by the Company was modified and implemented.

The Auditor recommended that

in future, the Company exercise better management control when developing and implementing new computer systems.

Implementation of the system was completed in late 1988 and the Company's General Manager and Chief Executive Officer has confirmed that my recommendation will be complied with when systems development work is next undertaken.

My question is: has the systems work been carried out, and if not, when will it be done?

MR. ELZINGA: Thank you, Mr. Cardinal and Mr. Chairman. I'll ask Mr. Blake, who serves on this board with myself, to respond to the hon. member. It dealt with management changes, and I'm sure if the Auditor General has any counsel for us, we're always open to it too. But if I could ask Mr. Blake to start.

MR. BLAKE: Mr. Chairman, hon. member, the concerns that the Auditor General has identified have been taken care of, and the system is working very well right now. In fact, the company is able to use some of the spare time on that system to attract additional business into the company, so the board and the company at this point in time are quite pleased with it. I think the other interpretation here is that if there are future improvements in the program as the company grows, then certainly the concerns of the Auditor General have been noted not only by the company but by the board, and they will be implemented.

MR. CARDINAL: Thank you.

MR. CHAIRMAN: Supplementary? No?

Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. Good morning, gentlemen. It's nice to see you here this morning and ready to, hopefully, give us some good answers.

My questions stem from 1.20 in the public accounts book. That particular page lists a number of debentures and loans and loan guarantees which the province holds. My question is really a very broad one, not dealing with any specific company. My first question simply is: how would a company find itself added to that list? Is it added there as a result of requests on behalf of the company for assistance from the government, or does the government look to go and purchase shares or loans? How is it that companies get assistance from the government and would find themselves on that page?

MR. ELZINGA: In a broad sense the initial contact is usually at the instigation of the company itself. Just to clarify that somewhat, it varies, too, with whether the company is an Alberta-based company or a company outside of Alberta. If the chairman will allow me, I'm going to expand a wee bit. What we do is our level best to encourage companies to settle within our province. Now, I've met with a number of them over the period of the year that I've been in this portfolio, whereby if we do sense that a company is looking at western Canada or at Canada generally for expansion purposes, once being made aware of that, we will approach the company. I have on a number of cases approached companies and asked if I could sit down with them and explore the possibility of them expanding to the province of Alberta. In most cases, though, it is companies coming to us directly to seek financial support, recognizing that they've got some peculiar circumstances so that they do require this support.

But on occasion, if we feel it is beneficial to the further diversification and the expansion of our Alberta economy, we will approach companies that are presently outside of Alberta to locate here and examine alternatives as to how we can be supportive of them. The majority of times it's just through information flow rather than any specific loan or loan guarantee that we do have or any equity position that we do take. But in specific cases, if it is deemed advisable by the superb financial people we do have within government, then we will offer specific incentives.

MR. BRUSEKER: Okay. My supplemental to that deals with the quantity and, if I can describe it this way, the quality of investment. Throughout the public accounts we see that we have class A, class B, and class X shares. So my question is: how is it determined how to assist those companies that require or request that assistance?

MR. ELZINGA: Again we have a number of ways that we do examine that. We do receive specific requests from companies. If you are talking specifically about financial support, we do quite often refer them to both the Alberta Opportunity Company or to Vencap. It is our preference that they involve themselves with private-sector financial institutions. But as the hon. member is aware, we went through some difficult times for a period between '86 and '89. Because of that, we were probably more interventionist than what we had been in the past or than what we will be in the future, because we viewed it as our role to be a little more interventionist when we did go through those economic difficulties within this province, again



ensuring the survival of these businesses and the survival of employment opportunities for Albertans.

MR. BRUSEKER: Okay. My final question, then, relates now to the same concept, and I use Nanton Water as an example. We had \$800,000 of shares in Nanton Water. When the loan is made or the investment is made, is there initially right from the outset a plan at some future date – two, three, five years hence – to be divested of that investment, whether it's a loan, a loan guarantee, or preferred shares? Is that a plan right from the beginning?

MR. ELZINGA: Again it varies with the involvement and with the various companies, but that is our desire. It varies as to the specific circumstances, as to what the specific circumstances are with the individual company we are dealing with.

MR. CHAIRMAN: Mr. Payne.

MR. PAYNE: Thank you, Mr. Chairman. I did have a question or two with respect to the public accounts, but before I raise those, I wonder if I could just add a supplemental question to the questions raised by the Member for Athabasca-Lac La Biche. It has to do with Alberta Intermodal. As I understand it, the Auditor General had expressed two years ago concerns over the inadequacies of management controls, particularly when they relate to computer systems development. As I understand the Auditor General's audit observation in his current annual report, these concerns have been addressed. Obviously, we're encouraged that that in fact has happened, but I wasn't clear on how that had been achieved. I wonder if the minister or his officials could clarify how the commitment to better management control will be delivered. Will it mean better people, will it mean more people, or will it mean simply better management procedures?

MR. ELZINGA: If it's agreeable, Mr. Payne – and I also seek the counsel of the Auditor General as to what took place there – I don't have that information at my fingertips, but I'll get it back to you, sir. There was a change in management that I think contributed to that. I will endeavour in written form to get back to you on that, if that's agreeable.

MR. PAYNE: Thank you.

Mr. Chairman, I wonder if I could ask a question with respect to page 3.39 in public accounts, the statements of expenditure by element. I was interested in the minister's opening comments and his, I think, quite appropriate positive comments about the trade and investment development division. I'd like to assure the minister and his officials that I have absolutely no concerns about the trade and investment development division's good work, and I share the minister's positive description of the Let's Talk Trade seminars and so on.

But I do have a concern in the budgeting area. It seems to me that we should expect of our officials a reasonable level of competence when it comes to estimating the expenditures contemplated for the ensuing year. When I look at the Trade and Investment Development division, I'd like to refer to two votes, 2.2.1, which is Administrative Support . . . I'm always uneasy when the Administrative Support area is the one that seems to get out of whack, and the whack in this case contemplated an estimate of roughly \$560,000, and that was virtually doubled on the expense side of the ledger. The same kind of budgeting competence shows up in Trade Show Promotion, item

2.2.5. Here again \$315,000 was estimated, and more than double was spent. You know, that might prompt a cynic to say, "These fellows were trained in Ottawa," but I'm sure that there are more rational explanations for the budgeting problems, and I know I speak for the members of the committee when we have welcomed clarification of what happened in that particular division's budgeting area.

MR. ELZINGA: Again, I'll get back to the hon. member with further clarification. Part of the reason being is we have placed a greater emphasis on trade during that period of time. I'm not sure myself how great a role the negotiations, as they related to the Canada/U.S. agreement, played in this, and I'm assuming that they played a fairly substantial role in that during that time period. I'm going on an assumption, and please don't hold me to it, but I will get back to the hon. member. I thank him for pointing out that very serious discrepancy, because as he pointed out in vote 2.2.1, it's just about a doubling of what was originally estimated. I'm assuming that it's because of the serious negotiations that did take place with the U.S./Canada trade agreement, but I'll get back to the hon. member on that also.

MR. PAYNE: Well, that's entirely satisfactory, Mr. Chairman, because I certainly do recognize that midbudget year emphases can change but will await with interest the explanation.

MR. CHAIRMAN: Final supplementary?

MR. PAYNE: No, that's fine.

MR. HAWKESWORTH: Just a point of order here. Mr. Chairman, when the minister gives an undertaking to get back to an individual member – I mean, all of us are interested in the answer – is it understood that the reply will be circulated to all members of the committee?

MR. CHAIRMAN: That's generally what has occurred in the past.

MR. ELZINGA: To date I've got three questions that I've indicated I would get back to. I'm more than happy to send them to the Chairman for his distribution, if that's agreeable.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: That's agreeable. Thank you very much for that.

MR. ELZINGA: I should indicate, too, that if one examines the overall allocation of funding – I appreciate the hon. member pointing out those two discrepancies, but when you put it all into a package, you'll find that it all does balance out fairly well in the overall estimates. But I will get back. Just for my own clarification, Mr. Chairman, we're going to get back on the Native Venture Capital – we'll work through yourself – plus AIS and the Auditor General's concern and the reason for the increase in the dollars within these two specific votes, 2.2.1 and 2.2.5.

MR. CHAIRMAN: Mr. Bradley.

MR. BRADLEY: Thank you, Mr. Chairman. I'd like also to express my compliments to the minister on his opening remarks and bringing his officials with him today. I wanted to ask some



questions regarding International Assistance programs which are on page 3.39, specifically vote 4 of the public accounts. International Assistance program is something that has been well received by Albertans over a number of years, and there have always been requests for us to increase our support in this area. I wonder if the minister might give us an overview in terms of this program, how we compare in terms of other provinces with this type of assistance, and might be able to also give us further information on the types of projects which are funded by this program and the areas where this funding goes in terms of the Third World countries, the majority of where this assistance is provided.

MR. ELZINGA: Thank you very much, Mr. Bradley and Mr. Chairman. Again, if I go on too long, Mr. Chairman, just cut me off, but because there have been a number of questions raised by a number of members in the Legislative Assembly on this issue, if you don't mind, I'll go into it in a bit of detail. As hon. members are aware, there have been some reductions in this program over the last number of years. This past budgetary year – and again, forgive me for referring to something outside of what we're presently discussing – we maintained our commitment to it without further reductions. Notwithstanding that, there have been some reductions. We continue to be the top province as it relates to support.

Just to share some figures with the hon. member, during the fiscal year that we are discussing, financial assistance went to some 235 international development projects which were located in 58 less developed countries. These projects were carried out in co-operation with some 75 nongovernmental organizations. I should indicate to hon. members also that I will be meeting with these nongovernmental organizations within the next couple of weeks so that again we can receive their feedback as to how best we can serve them and their areas of involvement. But to give you some information, too, as it relates to specific project expenditures – and these are dollars in a broad sense – in Africa we expended some \$846,000; in Asia, \$1.217 million; in Latin America and the Caribbean we spent again in excess of a million dollars; then in excess of \$100,000 in some other countries throughout the global community.

In addition to that, though, we do provide consultative services to a number of international development agencies. The individual we have responsible in our department, Mr. Ray Verge, is highly respected and works very closely with a number of the nongovernmental organizations in flowing the funds through to them. We are very supportive, recognizing that there had been some budgetary decreases, but we continue to be the top province as it relates to our financial commitment to this worthy cause.

MR. BRADLEY: Thank you. Mr. Chairman, I'd like to now turn to page 3.38, again under vote 4. There's a special warrant there for \$250,000. Could the minister advise as to what was the necessity for this special warrant and where those funds were expended?

MR. ELZINGA: Forgive me; what page is that again, hon. member?

MR. BRADLEY: Page 3.38, and it's under vote 4, International Assistance: a special warrant for \$250,000.

MR. ELZINGA: Right. That was because of the hurricanes, my officials have shared with me. You're referring to the funds

to provide relief assistance to victims of natural disasters in Jamaica, Bangladesh, Sudan, Nepal, and Nicaragua. That was because of acts of God. We felt we should participate to a greater degree in offering assistance to these individuals within these countries.

MR. BRADLEY: Thank you. Mr. Chairman, one final question I wanted to ask was in terms of this program. We notice the federal government program CIDA has a provision that in terms of the assistance provided, the sourcing of the manpower and goods and services must come from Canada. Is there a similar provision with regards to our international assistance that the sourcing of manpower and the sourcing of goods and services would come from Alberta in terms of the assistance we provide?

MR. ELZINGA: We have a differential as to the level of support, and admittedly we have received some criticism because of that. We offer greater support to those Alberta-based nongovernmental organizations than we do to a national-based organization, because we feel that we should match those dollars that are raised within the province to a greater degree than what are raised on a national or international basis.

Just as it relates to CIDA, we do work very closely with CIDA officials. Plus the comments that I have received from the nongovernmental organizations are of appreciation in that because of our program they feel they can have greater access to CIDA involvement, and because of that we're going to continue on with this support. As I indicated to the hon. member, too, I look forward to receiving input from the nongovernmental organizations over the course of the next couple of weeks. Forgive me; I can't recall the exact date, but I am meeting with them, I believe, on some upcoming Friday over a period of time to have lunch and receive their input as to how we can better increase efficiencies dealing with this program and their needs.

MR. BRADLEY: Well, Mr. Chairman, my question was in regards to sourcing of manpower and goods and services. Is there a policy under this program that requires, in terms of our assistance, that we would provide that assistance on the basis that there's a sourcing of goods and services and manpower from Alberta?

MR. ELZINGA: Not to my knowledge, but I will clarify that through the hon. Chairman again as it relates to the sourcing. To my knowledge, no. But I'll clarify that for the hon. member.

MR. CHAIRMAN: Mrs. Osterman.

MRS. OSTERMAN: Thank you, Mr. Chairman, and good morning to the gentlemen across the way. Just to say briefly before I sound somewhat critical, the small businesspeople in the Three Hills constituency are very grateful to the department of economic development for the kind of context they have had, always very positive and very helpful. It's always good to know that no one in government has led anybody in a small business or somebody that's attempting to start a small business too far down the road. It's always been very realistic intervention and advice, and that's very much appreciated.

Mr. Chairman, I wanted to briefly look at 3.39, looking at the category of Financing – Economic Development Projects. I basically wanted to, first of all, start with a bottom line, because this is the time of year, I guess, that I think a lot about econom-

ics and farming in particular. We'd hate to think that we had budgeted certain amounts for our crop year in terms of expenses and then had a percentage as much as this has deviated from what was estimated to what was expended, and with that I wanted a brief explanation of what I gather is a bigger picture. It says, "Less: capitalized as a voted non-budgetary disbursement." Could the minister or one of his officials explain why the bottom line is so completely out of whack and what that particular category that I just mentioned means?

MR. ELZINGA: I will seek some counsel from my officials, but I would offer this suggestion to the hon. member too: that on an ongoing basis we have to meet certain requests and certain items that come forward to us that we can't project during the period that we put together the estimates. I'm trying to think if I can use a specific example within this. I'll give it some thought, and I'll ask Mr. Eliuk if he has some explanations to help the hon. member.

MR. ELIUK: Mr. Chairman, the capitalized nonvoted budgetary disbursements relate to expenditures in which the government takes an equity position. It may consist of a purchase of preferred shares or common shares, or it may be a situation where a loan has been provided. So those particular transactions are capitalized in the government's financial statements.

MRS. OSTERMAN: So basically you're telling me that I would have to ask a question about every single either grant, loan, or equity position to find out what had occurred in the expenditure in each case here, because it could have been any number of things that occurred. It could have been a grant; it could have been a loan; it could have been taking an equity position.

MR. ELZINGA: If the hon. member looks to the column that she's referring to, the one that jumps out at us is Daishowa, whereby we did not estimate the \$8.5 million because we didn't foresee that there would be that involvement at that time when we were putting together the estimates. So that accounts for the greatest discrepancy. I don't think - I'd be interested, and I'm in the hands of the committee for their advice and counsel too - we should exempt ourselves from participation simply because we don't have it in the estimates if we feel it will be a project that will be viable and of benefit to the province, recognizing that it is going to alter our estimates. But it is very difficult to project something like this into the future.

MRS. OSTERMAN: Well, I guess I can appreciate that, but it sort of begs the question: how much tolerance do you believe you have, then, in any particular budget area of a department? Because I suppose if the big picture says, well, this particular category in our department can over, say, three years meet a certain budgetary requirement, and we will allow sort of an ebb and flow in that period of time, in the end there has to be a bottom line which is met. This is not a demand driven program that is like what we have in some cases legislated in a mandatory way, that you have to deliver certain services to people because legislation says you must, and if you don't have the money, you go for a special warrant. I guess I was interested in what the approach was, and I agree with the minister. There are going to be special cases where the economic gain, obviously, in the minds of the people assessing it - they believe it to be a good investment. But in the end there has still overall got to be a

bottom line that's adhered to, and I wondered what approach was made there.

MR. ELZINGA: The hon. member is exactly right. As she has indicated, too, in putting her concern, there was a special warrant as it related to this, so we were reacting to circumstances to make sure that this project did proceed. But we agree with the hon. member. If she examines our estimates this coming year that we just presented by way of budget, she will find that we have been very responsible as it relates to our bottom line in making sure that we do our level best, especially as it relates to this department, in making sure that we reduce our budgetary deficit. But we respect very much what she is saying as it relates to the bottom line.

MRS. OSTERMAN: Thank you.

MR. CHAIRMAN: Okay. Thank you.  
Mr. Lund.

MR. LUND: Thank you, Mr. Chairman. Good morning, gentlemen. I, too, want to echo the sentiment that I really appreciate the minister's opening remarks and appreciate the difficulty that you and your department have, particularly in tough economic times, in assisting our diversification to work. I do have some questions on page 3.39, vote 3, Financing - Economic Development Projects. I'm looking specifically at 3.3.7, 3.3.8, and 3.3.11. When we look at these companies, we look at the ones around them. I can easily identify with all but those three that I mentioned. I would like to know who they are and what the loans were for.

MR. ELZINGA: Could the hon. member share with me - I got the 3.3.11. What one . . .

UNIDENTIFIED SPEAKER: Seven and eight.

MR. ELZINGA: Seven and eight; 3.3.7, 3.3.8, 3.3.11.

MR. LUND: EDO Canada Limited, Glacier Ammonia Ltd., and Northern Steel Inc.

MR. ELZINGA: EDO Canada Limited, 3.3.7, received \$1.96 million of an authorized \$6.7 million equity investment and a \$2.9 million research and development grant to develop an advanced ceramic products manufacturing facility in Calgary. I should share with the hon. member, too, that I had some months ago the opportunity to go to that company, and they are performing a very valuable service. They're presently producing fuel tanks for some aircraft, and there also has been an approach to us to examine the possibility of divesting ourselves from this company, whereby some private-sector companies are examining the possibility of buying our share. This was a very worthwhile investment in that area.

Glacier Ammonia, 3.3.8, received \$2.4 million of an authorized \$4 million equity investment to help finance the construction of a transloading facility. This involvement - and I go from what has been relayed to me because my history in this department is fairly short. But this was done because there are - and we examine it on a regional basis - certain regional needs within our province whereby there are specific difficulties as they relate to employment opportunities. Because of that we did involve ourselves with Glacier Ammonia, recognizing that there are

certain regional constraints in certain parts of the province, and because of that we exercised greater latitude.

Dealing with the funding for Northern Steel, the \$1 million expended for Northern Steel was advanced for the purpose of assisting with its working capital and bonding requirements. It has been indicated to me that there are certain expertises that this company can offer that other Alberta companies do not have, and because of that we involved ourselves too.

MR. LUND: Thanks. Mr. Chairman, where is Glacier Ammonia located and Northern Steel? I'll get in the other supplementary right now. Are both Glacier Ammonia and Northern Steel still in operation?

MR. ELZINGA: Northern Steel is located on the outskirts of the city of Edmonton on 34th Street and Highway 16, and it is still in operation. Glacier Ammonia was located in Pincher Creek, and this plant has closed, and they're presently seeking a buyer.

MR. LUND: Thanks.

MR. CHAIRMAN: Ms Calahasen.

MS CALAHASEN: Thank you very much, Mr. Chairman. I, too, I guess wanted to sort of commend the minister and his staff in terms of trying to ensure that we do get the kind of initiatives we need in the area, particularly when we're looking at economic development in our present state in terms of the economic state.

The question that I have is relative to, I guess, 3.39 when we're looking at business and development and when we're talking about a number of the different areas, particularly when I'm referring, I guess, to small business. When I look at what's happening in terms of what's being given to small business and what's being expended, and particularly when I look at things like Policy Development, 2.3.3, on page 3.39, that particular one, the expenditures that have been given as \$1,355,086 – or \$1 billion; I can't remember – I don't really know why there would be such an expenditure when there is a certain estimate that has been brought forward. What does this development unit do?

MR. ELZINGA: I indicated in a brief way – and forgive me for being so brief, too, hon. member, in my opening comments as they related to Policy Development, because it plays a very valuable role in helping us to work in conjunction and partnership with the private sector as to how best we can have a climate that is conducive to investment within the province of Alberta. There are some specific areas, and if the hon. member will allow me, I'll go into that. We have the policy development mandate broken into three broad policy areas: one being industrial policy and evaluation; the other economic diversification; and thirdly, trade and investment policy. We are very involved in all those three sectors.

The industrial policy and evaluation assesses individual sectors within the Alberta economy, identifying their economic prospects. The second area I talked of, economic diversification, co-ordinates and helps us with the development of policies related to federal and regional economic development initiatives, basically with a thrust to help us to further diversify the economic climate within the province. In the third area, trade and investment policy, we attempt to identify international and interprovincial barriers to trade and to develop consensus within

Canada, within Alberta as to how we can reduce those barriers, again, so that we can create a climate that is conducive to investment within our own province.

MS CALAHASEN: Thank you, Mr. Chairman. I will stop at this point.

MR. CHAIRMAN: Time, I think, for one succinct question from Mr. Shrake.

MR. SHRAKE: Oh, thank you, there. First off, I want to thank the minister and the department for some of the projects that are taking place in Calgary and some of the economic development that's taking place there. Most of the economic development taking place there has been in the constituency of Calgary-Millican. Too bad they wasted some of that money in Edmonton on some of these bad projects when there are so many good things happening down in Calgary. Maybe I'll take that into account for the future there.

But I do have a couple of questions. One is on page 3.36, vote 6. Now, I notice your 1988 estimate is \$51,800,000 and unexpended is \$5 million, roughly 10 percent. The '89 estimate is \$48 million and unexpended is \$4.9 million; that's roughly about 10 percent. I just wondered: why does the department have a roughly 10 percent unexpended amount? Do they just overbudget or underspend or is there some great wondrous saving there that they somehow came about?

MR. ELZINGA: I think what we'll do is . . . I believe that applies to the Alberta Opportunity Company.

MR. PARKER: I think I have the answer for you on this. Each year we anticipate what the grant to support small business will be, and in previous years it has been based on the amount of our portfolio outstanding at March 31. Now, when you make this estimate, you're going to make an estimate of what the results will be at that particular time. But when the actual year-end financial statements are prepared, you get a different number because it depends on the amount that's been disbursed and so on in the intervening times, which can't be done with complete accuracy. So that's my understanding of the situation. It does vary from year to year.

MR. CHAIRMAN: Did you have a further supplemental, Mr. Shrake?

MR. SHRAKE: Just following along that same vein, on page 3.39, statement 3.8.3. We're into two series here. Vote 2.4.1: you've got an estimate of \$2.3 million; you only spent \$600,000. Then on 2.4.2, Market Development Assistance, you budgeted \$668,000; you only spent \$264,000. Dropping down to 2.4.4, Small Business Incubators program, \$1 million, and so on.

MR. CHAIRMAN: That doesn't quite fit the guidelines of being succinct.

MR. SHRAKE: But going through, actually, I guess it would be 1, 2, 4, and 5: very heavy estimates and the very small amounts that were spent. Because surely we had enough businesses in Calgary who would have applied for all that if they had known it was available. Any explanation of why those four were underspent? There's pretty massive budgeting and very small expenditures.

MR. CHAIRMAN: I think he understands the question, hon. member.

MR. ELZINGA: I appreciate very much the concern, and it follows up a bit from what Mrs. Osterman had raised with us. Part of our difficulty is assessing who is going to actually take advantage of the programs that we do offer. I will offer the hon. member an associated example such as our interest shielding program. I again recognize it doesn't relate directly, but I'm using it as an example. It's impossible for us to project exactly what interest rates will be or the level of participation by the private business community in these programs. We make them available to the private business sector. We're not sure of the number of companies that are going to access them at the time that we do offer these estimates because there are so many variables involved.

The question is legitimate. I hope there is some sympathy by the hon. member, too, as it relates to our explanation, because it is impossible to forecast exactly, recognizing that there is a changing economic climate always within this province. We do come forward with our best forecast, recognizing that there is going to be some considerable differential at times.

MR. CHAIRMAN: Hon. minister, I'd like to thank you and your staff on behalf of our committee for appearing here this morning and to say how much we appreciated your sincere effort to enlighten members with respect to the operations of your ministry during that fiscal year that's under review.

I'd like to indicate to members that the minister that will be appearing before the committee one week hence will be the Hon. Norm Weiss, Minister of Career Development and Employment. That meeting will be at the usual time, 8:30, Wednesday, May 9, here in the Chamber.

I'd now recognize Mr. Moore.

MR. MOORE: I move that we adjourn.

MR. CHAIRMAN: Mr. Moore moves adjournment. All those in favour?

HON. MEMBERS: Agreed.

[The committee adjourned at 9:59 a.m.]