8:30 a.m. **Wednesday, June 5, 1991**

[Chairman: Mr. Pashak]

MR. CHAIRMAN: I'd like to call this morning's meeting of Public Accounts to order. Before I introduce the minister, we have a few items of business. First of all, we have to approve the minutes of the May 15, 1991, meeting. Those minutes have been distributed. Would anyone care to move? Mrs. Black. Are you agreed that we adopt the minutes as distributed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Is there any business arising from those minutes that anyone wants to discuss? Okay.

I'd like to welcome again Andrew Wingate, who is the senior assistant Auditor General. Also from the Auditor General's department is Michael Morgan, the assistant auditor. With that I'd like to welcome the Hon. Fred Stewart, the Minister of Technology, Research and Telecommunications, say good morning to him and to members of his department, and invite him to introduce his department staff and make any opening comments he'd care to make.

MR. STEWART: Thank you very much, Mr. Chairman. It's a pleasure to be here on my first opportunity to appear before this particular committee. We do have quite an array of people with us today. I would like to introduce them. On my right is Mr. Tom McLaren, the assistant deputy minister of Technology, Research and Telecommunications; on my left is Mr. Don Keech, the executive director of finance; next to him we have Dr. Bob Green, who is vice-president, operations of the Alberta Research Council; then at the far left is Mr. Peter Senchuk, the president and CEO of Access Network. Behind me – and I'm just not sure in what order they may be – are Dr. Kowashima, the general manager of educational programming and administration for Access; Mr. Dave Muylle, the controller of Access; Mrs. Pauline Ma, the director of budget; and Mr. Tony Myers, director of communications in TRT.

Mr. Chairman, I would like to make a few comments by way of opening remarks for a couple of reasons. One is that I think it's important for members of the committee to have a bit of background as to the general strategy of our department in respect to advanced technologies. That way they will have a better idea as to how the particular expenditures we are considering here today fit in with that particular strategy. As well, our budget is a bit unusual from other departments. Number one is that we are a very small department, and that reflects itself in different ways in the estimates. As well, we're pretty well project oriented. I mean, a number of opportunities for furthering, for example, our infrastructural support and other areas of expenditure within the department vary considerably from one year to the next. So it's not program oriented; it's more on a project type of basis. Therefore, you will see fluctuations within our budget from year to year. I think it's important to put that into context.

In addition to that, I will attempt to describe the spending of the ministry and to provide the reasons for the variances which have occurred during the fiscal year under consideration. Of course I would also be pleased to respond to questions the committee may have on the ministry expenditures covered in the public accounts records. As you know, Mr. Chairman, I was appointed Minister of Technology, Research and Telecommunications one month into the year of 1989-90. It was the beginning, quite frankly, of a very challenging, dynamic time, and I've enjoyed the experience very, very much.

Mr. Chairman, it was not long after becoming minister in 1989 that I had a chance for the first time to really look at the incredible science and technology community in this province that has been built on the inspiration and innovation and perspiration of thousands of intelligent, hardworking, dedicated, and committed Albertans. I believe the government has obviously played a very, very important role in laying a solid foundation for the advanced technologies in this province. There's no doubt that diversification is happening in Alberta. The advanced technologies are contributing considerably to that success. No longer are we dependent totally on oil and gas and agriculture, and as a result today we have much more stable economic growth within the province.

The science and technology leaders of the decade gone by realized very early that success in Alberta would come from innovation and development of value-added goods which found their roots in the science and technology community. That's why our Premier as part of that diversification strategy established the science and technology department to support the advanced technology community and the industry so closely linked to it. That's why the government has consistently been a leader in Canada in terms of its support given to science and technology research and development, contributing the highest per capita in Canada for scientific activities. That's why we built an infrastructure that provides expertise in lasers, expertise in chip design and fabrication, expertise in telecommunications, expertise in the advanced industrial materials, and expertise in medical research. Alberta's science technology leaders of the past decade knew full well that those who grabbed hold of that challenge and those who did in fact take the risks and sought to improve their sector's competitive position, those who brought together industry, government, and education, would build the momentum needed to compete in the present decade. That's why for the past two years I have felt privileged to be a part of Alberta's science and technology community, and it's because we have worked together as a community and dedicated ourselves and brought together the talent, skills, and abilities of others to build a stronger future for Alberta.

If we are to realize that future, quite frankly the debate has to shift. It has to move from its current focus on how we distribute wealth which supports our society and our universal government programs to one on how we create that wealth. Creating wealth seems to be left to the skills and ingenuity and risk-taking of a few, while many find ways to spend moneys. I'm not downplaying the importance of looking to that expenditure side in assessing the priorities of expenditures and meeting social needs and having sound financial responsibility in the expenditure of public funds, nor is the government, but the fiscal management of this government is second to none anywhere. However, unless we manage our resources in a way to ensure steady, stable growth, our people programs and our services for people are in jeopardy.

So I say that technology is the future, and I base that not only on belief but on fact. In 1989 the annual growth rate of Canadian technology was more than 16 percent. In that same year the gross domestic product grew by only 7.8 percent. So technology-intensive products grew in effect at twice the rate of the GDP. In 1989, the year under review here, technology export sales grew at the rate of 11.6 percent while Canadian exports grew at the rate of 1.4 percent. So there can be no doubt that technology is a wealth generator and a key to our economic prosperity and the diversification of our economy.

Traditional commodity markets are stagnant and offer only limited potential for economic growth. All industrial countries have recognized the importance of high-technology industries to the health of their economies, and this government has recognized that importance as well.

If industry in Alberta is to be a competitor in the world marketplace, it will have to have the support of government, support that is subject to careful review and based on a defined strategy. We do have in Alberta a solid, advanced technology strategy. The strategy is based on a larger vision outlined by the Premier in 1986: a diversified economy on advanced technology, forestry, tourism, and our traditional industries of agriculture and energy. We have a strategy and we have a plan. I intend to just briefly outline that to you. Our mandate of the department, to start off with, is to diversify the economy through advanced technology, technology applied to existing industry, our traditional industry, as well as new industry. You will see our strategy directly reflected in the public accounts. The strategy basically is firstly to develop the infrastructure to support basic and applied research and development; secondly, to commercialize those results which have potential; thirdly, to import and attract technology that has a use here in Alberta; and fourthly, to build a science and technology culture, a culture that respects innovation, a culture that accepts risk as a necessary step on the road to success.

You know, we've had our successes in building that culture. Albertans know that the private sector is a key to wealth creation. Albertans know that research and development is the basis of innovation and that innovation to technological development. Albertans know that well-managed and properly marketed companies result in commercial success, profit, and thereby wealth creation.

8:40

Now, the way we promote diversification in the province through the development of a technology is pretty straightforward. Firstly, we use advanced technology to increase competitiveness in our traditional industries, and we also look to the advanced technology as an expanded area of economic growth to expand our base into the high-tech areas, not just in any area but in those that are strategically defined, those on which we have strength, so there is a solid foundation upon which that new sector may develop. Albertans know the importance of objective expertise and careful review which precedes private-sector support. Albertans know that we must diversify our economy and work closely with small business to do that. Even with our support for small businesses, I sense that Albertans want us to be even more open than we already are and to be more scrupulous than we have been. We must do a better job in communicating the strategies in order to reach our goals and with the review process we undertake before determining the nature of the assistance we provide.

We accept that challenge, and in that regard you should be aware that we employ a peer review process, providing us with outside expertise as a component of both our individual situations and our postproject evaluation process. I think it's worth mentioning that in the 1989-90 annual report the Auditor General made a specific recommendation to the department with respect to the review and monitoring procedures. Recommendation 39 is set forth in the Auditor's report, and it reads:

> It is recommended that the Department of Technology, Research and Telecommunications define its objectives and responsibilities for monitoring the activities and ongoing status of the organizations and projects to which it provides assistance. It should then improve the systems and procedures it uses to monitor those activities.

In a management letter to the deputy minister at the conclusion of the audit, it was recommended that the department expand its procedures manual to provide guidance to the staff in the conduct of the funding proposal evaluations and to ensure that all staff use a computer system when evaluating proposals. Mr. Chairman, I'm pleased to report that the Auditor General's remarks have been seriously considered and directly acted upon. External peer review and evaluation are now part of the management process. The department's procedure manual has in fact been expanded to provide guidance to the staff on the conduct of funding proposal evaluations. In addition, staff have the use of the department's computer system to assist in the evaluation of those proposals.

With regard to recommendation 39, the department has again taken action. A formal auditing policy has been established and documented and specific responsibilities to individual decisions have been assigned. So we do have a review strategy and monitoring system which have been subjected to the Auditor General's scrutiny, and we have responded specifically to his recommendations. We thank him and his staff for their review, their expertise, and their recommendations.

In looking ahead, some have suggested that we discontinue R and D support as being too risky. I can tell you that it didn't take Japan and Germany that long to develop that that was not the best way to go, and they have done quite the opposite and developed a technological base. It's certainly not bothering other countries as well, as we see them realizing that technology is critical to their ability to compete in a new and competitive world. Yes, we've had some disappointments and, yes, we've made some mistakes, but I would hold out our record against any place in the world. For example, just look at the corporate rate of success in European high-technology companies, which we understand to be in the neighbourhood of 50 percent.

So while others will stress the failures for whatever reason, I will talk about the success of high technology in Alberta because it is real, and the world is beginning to realize that. I'd just cite quickly one example, which is part of the accounts before us today: Intera Technologies Ltd. It is a made-in-Alberta advanced technology company. It was the first in the world to develop synthetic aperture radar systems for commercial use. The systems are used by Canada for eye surveillance and terrain data collection, and new research into land use and in forestry and environmental applications is now under way. We provided the company with a $10 million loan guarantee to help it purchase capital equipment so it could service a $58 million contract it had received. Intera was to have paid back the bank loan in five years. In March of 1990 the loan was paid in full and the loan guarantee was released. Now Intera is a leader in space sensors that will provide data on, for example, diseased and dried out forests, flood areas, potential oil spills, and even the moisture content within crops. That's not the kind of story you hear much about. It's not the kind of story that makes the front pages of the newspaper. As the minister of culture often says, you don't see too many stories about aircraft landing safely. Intera, however, is a success, and it is a credit to Alberta and to the advanced technology community in Alberta and, I believe, to the foresight of government in helping create wealth at home. So that's just one example.

Also, despite reports to the contrary, providing direct financial assistance is only one and, quite frankly, in our area, not the most significant area in which we assist. It's only one way this government and this department have of supporting the develop-

ment of advanced technology in Alberta. Where the financial support is provided, it's done not to get a stake in the commercial viability of a particular company but to zero in on the research capability or to assist in moving the technology from the lab into the marketplace. Particularly with respect to smaller companies, that's important. But our other ways of assistance include technology transfer from international sources to Alberta companies, support for basic research and development, building that science and technology culture to which I referred, building and developing infrastructural support such as the Alberta Telecommunications Research Centre, the Laser Institute, the Alberta Microelectronic Centre, helping small business acquire technology expertise and market their innovative ideas, and lastly, matching Alberta companies with other funding sources such as the Alberta Opportunity Company, western economic diversification, and Vencap.

A short example. Global Laser Systems developed a device that measures the alignment of car bodies. The laser-based, computer-assisted device was developed in Alberta by Albertans, and now it will be marketed worldwide. It was developed here because of our infrastructure which supports business small and large. One of our infrastructural partners, the Laser Institute, helped GLS by firstly doing a feasibility study, then developing a prototype, and then eventually giving up one of its employees actually to work full-time in the private sector for the company. The Alberta Research Council helped out as well with patent searches. When the second prototype needed to be manufactured, the Research Council led Global Laser Systems to the National Research Council's industrial research assistance program, IRAP. That's what infrastructure really is all about. It's helping Alberta's innovators and entrepreneurs in small business build their ideas into real and marketable products. As a matter of fact, small business is our specialty. Of the 119 projects we've funded between 1986 and 1991, 80 percent went to small business enterprises and ventures. The combination of funding and infrastructure work hand in hand to help those businesses compete in the international markets. That strategy is well thought out, it's deliberately implemented, and it's decidedly an asset to our diversification efforts.

As to our infrastructure of applied research institutes and centres, the Laser Institute is the first centre in Canada oriented towards the application of laser technology and dedicated to helping industry develop cost-effective laser systems. The Alberta Microelectronic Centre assists Alberta's rapidly growing electronics industry with the application and implementation of microelectronics technology. LSI Logic works closely with the Alberta Microelectronic Centre in developing custom-made microchips for use in a variety of products. The Alberta Telecommunications Research Centre is a model infrastructure partner that's working closely and has close linkages with business, with government, and with universities on joint research and development projects.

8:50

As an aside, Mr. Chairman, it should be noted that the Telecommunications Research Centre celebrates its fifth anniversary this week.

Sherritt Gordon is becoming a world leader in the development of advanced industrial materials, another strategic area of importance for us. The Westaim project is a $140 million initiative involving Sherritt and the federal and provincial governments, and half of that money has been put up by Sherritt Gordon. Westaim will conduct market-driven, industry-led research and development, and the goal is to research and produce metals and alloys and polymers and composites for this generation and the next.

Mr. Chairman, there are many challenges ahead, ones that we must accept and win if Alberta is to compete in a new and challenging world. We accept the challenge knowing that in 1992 Europe will come together to compete as it has never competed before. We accept the challenge knowing that we are facing the global competition that's not duplicated in the history of our world and knowing that Alberta, if it is to survive in an economic sense, must meet that challenge head on.

We meet that challenge head on through technology transfer. Technology transfer is not just some magic wand that we use to bring technology to Alberta; it's a planned approach and an integral part of our strategy, and through it the government builds pathways and opens some doors to other areas in the world. Through technology transfer we facilitate technology research exchanges and joint research ventures between various companies here and abroad. That's why we signed memoranda of understanding with Belgium and Hungary in 1990. We set up opportunities, brought together Alberta and European companies and researchers and institutions. When people get together with mutual interests, then things happen. That pathway approach is now working. Doors are opening, and we saw significant, tangible evidence of that in Belgium last April and saw it again last week when a delegation from Belgium visited in Edmonton and in Calgary.

So how do we meet the challenge of global competition and prepare others to meet it? It starts with letting Albertans know what is happening and what is about to happen. In our department we refer to this as building an awareness.

MR. CHAIRMAN: Sorry; I hesitate to interrupt you, but we only have an hour and a half committee meeting. I'm sure the members of the committee find your remarks extremely interesting, but . . .

MR. STEWART: Well, I think it's important to put the thing into context, and that's why I wanted to do this. Let me just take a moment about the awareness, because I really feel that is one of our major thrusts. Then I will move to the discussion of the actual variances within the budget.

The building awareness involves building a science and technology culture. It involves building a consensus of commitment and pride of ownership and a confidence in the future. We're doing that as never before. We've attempted during this last year to do a number of things that will help build that awareness. Our Science City campaign is telling Albertans simply one story, and that is that indeed advanced technology is building in this province; we have over 1,000 companies employing directly 50,000 Albertans and a substantial number more on an indirect basis. That in itself, Science City, constitutes indirect support.

We've got a number of activities that address it through Science City. We established the first-ever Alberta science and technology awards recognizing innovators or achievers in the whole area of science and technology, recognizing entrepreneurs and investors. We celebrated for the first time a science technology week last year, and we intend to keep that up. We have done a number of things with respect to the schools. We have participated in the school science fairs. We've developed a kit for grade 7 classes and their teachers across the province. The Alberta Research Council has taken an initiative in having teachers attend at Alberta Research Council for the summers and then go back to the classrooms. We work with ECAT,

Edmonton Council for Advanced Technology, in the private sector to sponsor the leadership awards, as I mentioned. We invited the national forum, only the second forum of advisory councils in science technology, to come and hosted them in Alberta last year. So we've developed a number of things that we hope will in a very slow way but a positive way encourage more younger people to consider science and technology careers, because that is absolutely critical to success and meeting the challenge that's ahead.

That brings me to the final point that I wanted to mention, support for technology. Research obviously has long been the basis. That's the solid pillar of the advanced technology diversification strategy, and it's an essential part of the healthy economy. We've moved from oil sands recovery and the areas of our traditional industries into many areas right up to things such as I mentioned, the radar sensing and more. That has involved innovation, and it provides job opportunities and, of course, increases our standard of living. Environmental applications and productive innovation with respect to environmental equipment and technologies is really critical for the future as well.

Now, let me just look at the details, then, of our public accounts statement. In this regard the accounts statement 3.22.1 shows the department was provided an original budget in the 1989-90 fiscal year of $60.628 million, with a total authorization of $64.238 million and a total expenditure of $63.154 million. A total of $3.610 million in special warrants as outlined in statement 8.2 of the public accounts was approved for the year.

Specifically a breakdown of that: operating grants for General Systems Research was $2.3 million; independent private-sector assessment of projects and closing fees for the GSR sale were $500,000. The funding for the National Forum of Science and Technology Advisory Councils was $90,000, and the funding for Access Network for the purchase of a transmitter tower and equipment for the relocation of CKUA FM constituted $720,000. That particular item was an opportunity that suddenly became available when the former CKO ceased operations. That's why obviously it wasn't part and parcel of the estimates in the first instance. So that covers the special warrants for the year and describes the uses to which those funds were put. All, of course, through our normal process have previously been made public.

With respect to loans and loan guarantees, the department in 1989-90 provided only two loans. One was to General Systems Research for $1.5 million, and the other was to Myrias corporation for $3.5 million. In addition to the two loans, Mr. Chairman, four loan guarantees were provided, and they are reported under statement 8.5: $5 million was for the Centre for Frontier Engineering Research pursuant to a September 1988 tripartite agreement between C-FER as it is known, the federal government, and the province. These funds were announced in December 1989 in a news release. Five hundred thousand was provided to GSR to provide ongoing funding while management consulting studies were carried out to provide recommendations on our restructuring of GSR. Two point five million is identified as a loan guarantee to Peat Marwick Thorne Inc. in its position as the receiver/manager of GSR. The guarantee was provided to secure a revolving loan not to exceed $2.5 million. Peat Marwick Thorne was appointed as the receiver/ manager of GSR in January 1990, and the guarantee was used to secure receiver certificates used in the normal course of a receivership. To date no funds have been paid under the guarantee, and none are expected to be paid.

Tomo Technology Inc. received a loan guarantee for $250,000 . . .

9:00

MS M. LAING: Mr. Chairman, on a point of order. I would suggest that we are here to ask the minister questions and ask him for the information that we want and that he doesn't preprogram what goes on in this committee. The mandate of this committee is to question the minister, and with all due respect it is now almost 35 minutes into the hour and a half. If people in the back row think it's great to listen, then perhaps their questions should be left until last.

MR. CARDINAL: Mr. Chairman?

MR. CHAIRMAN: I recognize Mr. Cardinal.

MR. CARDINAL: Do you want to put that to a vote? I think the minister's doing a super job of explaining what was expended during that fiscal year.

MR. CHAIRMAN: Thank you for your point.
Mr. Paszkowski.

MR. PASZKOWSKI: I really feel the minister is saving us time, because he's answering a lot of questions that we were going to be asking anyhow.

MR. SIGURDSON: Mr. Chairman, it's normally customary for the minister to respond to questions after the committee members have put them, after they've been read out, so that the minister knows that they're coming. We're still waiting for an opportunity to put some questions to the minister, and we're now down to 55 minutes left of that committee meeting.

MR. CHAIRMAN: Perhaps I could just ask the minister how much longer he would like to take.

MR. STEWART: When you've got numbers that are grouped together, it's important to segregate them and show what they're for. So I dealt with, firstly, the special warrants, what special warrants there were this year, what sort of guarantees were granted this year, what sort of loans. I felt that the very important purpose of me being here was to describe those in more detail.

MR. CHAIRMAN: If I may just make a statement, I think that's very valuable information. I think the minister has anticipated many of the questions that the members usually put to a minister when he appears before the committee. My question just really is very simple. Do you anticipate spending much more time completing your remarks? If not, I'd suggest that you just proceed, and we'll get into questions as soon as possible then.

MR. STEWART: Mr. Chairman, I was just mentioning at the time of the interjection that Tomo Technology, for example, shows in here as a loan guarantee for $250,000, but I think it's important to know that the guarantee was provided earlier on. They were matching funding by the private sector, and then the guarantee was subsequently paid right down. At least $229,000 has been recovered to date from the orderly wind up of that particular company. I know that sometimes members opposite and media like to say that there's $250,000 gone, totally lost, and they don't look at the recovery side. That's just one example why I felt that it was important to point that out.

I'll leave it to questions with respect to the Alberta Research Council and their fiscal year, because I think it's important for that to be on the record. Dr. Bob Green is here to respond to questions in that regard.

I did indicate – and I think it's important from the standpoint of Access – the $720,000 special warrant for the transmitter purchase. The circumstances with respect to that coming forth by virtue of the opportunity of CKO I think is an important factor to note.

With that, Mr. Chairman, I'd be pleased to answer the questions and hear the comments of the members of the committee.

MR. CHAIRMAN: I'd like to thank the minister for his comprehensive assessment of the role that his department plays in the future of technological developments in Alberta. I think he did anticipate many of the questions that are normally put to him by members of the committee.

Ms Laing.

MS M. LAING: Thank you, Mr. Chairman. I would just say that with respect to these members, perhaps the minister would have allowed us to put our questions.

Anyway, I would refer to page 7.39 of the public accounts and ask the minister if he could explain $226 million depreciation in AGT.

MR. STEWART: I'm sorry; what page was that?

MS M. LAING: 7.39 of the big public accounts book.

MR. CHAIRMAN: This is the first time the minister's been before the Public Accounts Committee. I'm sure that he understands the procedure, but normally what we do, hon. minister, is that each member is recognized in turn. They're permitted, really, three questions. They may not all be related to each other. I usually ask the members to identify a reference page either in the Auditor General's report or in the public accounts themselves just so that we can have some focus to the discussion. Although we can't keep completely away from policy issues, we do try to keep the questioning to questions about actual expenditures or comments made by the Auditor General.

With that, Ms Laing, your question is based on . . .

MS M. LAING: On 7.39. It's at the top of the page under Operating Expenses. There is Operating Revenues, and then Operating Expenses is the second main title, and under that, Depreciation, $226,290,000.

MR. STEWART: This is, of course, part of the Alberta Government Telephones Commission's statement. A depreciation expense is an annual occurrence where you write down fixed assets that are purchased and you're allowed to – in fact, good business practice is to depreciate those over a period of time, which recognizes the true fact that fixed assets do depreciate and should be taken into account. Even under income tax they're allowed to charge off certain portions of depreciation against income tax in usual corporate procedure. Of course, Alberta Government Telephones does not pay tax, but good accounting practice would dictate that you make allowance for depreciation on a yearly basis.

I'd just like to ask a question, I guess, on procedure, Mr. Chairman, in this regard. Alberta Government Telephones are not part of the departmental estimates in the public accounts. Their annual report's here, and I certainly have no problems answering questions on AGT's statements if that's appropriate. On other areas of AGT I have no problem in answering questions either.

MR. CHAIRMAN: I'm not just quite clear here. This statement that we're just looking at is part of the public accounts?

MR. STEWART: It's not part of the departmental accounts.

MR. CHAIRMAN: It's not part of your department, or it wasn't then?

MR. STEWART: No. It was never a part of the votes when we brought our estimates forward. Alberta Research Council is vote 3, Access Network is vote 4, vote 1 is basically administration matters, and vote 2 is funding matters within the department. Those constituted the estimates that I bring forward each year. Alberta Government Telephones Commission was responsible to the Legislature through the minister but not through the department. But as I say, I've got no problem. I don't want to make a big issue of it. I'll be glad to answer any questions I possibly can, and if I can't answer them, we'll try and get the answers.

MR. CHAIRMAN: Thank you very much, hon. minister.

A supplementary.

MS M. LAING: Okay. Twenty-five percent of an operating expense seems a lot for depreciation.

The second question is at the bottom of that page under Retained Earnings, End of Year: $229,130,000. I'm wondering what happened to that at the time of the privatization of AGT?

MR. STEWART: Well, at all times the retained earnings of the company were ploughed back in as working capital for AGT in order to assist AGT in keeping up with technology. In addition to their retained earnings, of course, they had to come to the government on a regular basis asking for more money by way of loans or guarantees in order to again keep up with the tremendous capital investment that's required. One of the reasons for privatization was that we felt that the intense amount of capital investment that was required should come from private risk-takers rather than taxpayers.

9:10

MS M. LAING: Mr. Chairman, my third question is in regard to page 7.44. I know you don't like me doing this, but anyway in the statements made on page 106 of the Auditor General's report, the Auditor General outlines a strong statement about the deplorable state of monitoring that this department was guilty of. In that context I also look at the statement on page 7.44, which states that there were financial write-offs retroactively, that there were new accounting procedures. I understand the Canadian Institute of Chartered Accountants is looking into the statements that are coming out of this department. Now, I'm wondering how congruent the statements that we have will be with what will come forward in a year. Like, what kind of confidence can we place? Why new accounting procedures? What will they mean when we're always getting statements that are saying things have to be written off retroactively? Perhaps the minister could explain what is going on in the area of accounting, in the accounting procedures, and whether we should have any confidence in them at all.

MR. STEWART: Well, I'll have to put it this way: the Auditor General is the accountant in this respect.

MR. CHAIRMAN: Okay.
Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman, and I'd like to thank the minister for the insight that he's provided into the working of his department and the information that was provided. It's actually answered some of the questions that I originally was going to be asking. Contrary to the other member's opinion and views, I think the time was very well spent.

MR. CHAIRMAN: I don't want to perpetuate that debate any longer. Let's get on with the questions.

MR. PASZKOWSKI: My first question basically is again referring to page 106, and that is that the Auditor General has made some recommendations that the department

> define its objectives and responsibilities for monitoring the activities and ongoing status of the organizations and projects to which it provides assistance.

Has the department attempted to more carefully define its objectives with respect to the investments it's now involved in?

MR. STEWART: I'm sorry?

MR. CHAIRMAN: Do you want to repeat your question, Mr. Paszkowski?

MR. PASZKOWSKI: All of it? Basically, has the department attempted to more carefully define its objectives with respect to the investments it's now involved in?

MR. STEWART: Well, Mr. Chairman, in a way I attempted to address that in the comments that I made earlier. I'm looking at audit recommendation 39. In response to the Auditor General's management letter to our deputy minister on April 6, I believe it was, the deputy minister responded to the recommendations on April 18, indicating that certain actions would be taken as far as monitoring is concerned. They would establish and document a formal monitoring policy and assign specific responsibilities to individual divisions within the department, and secondly, the project management data base – I referred to that system in my comments – was now complete. We advised them that it was now complete and functional, and it was to be used as a basis for monitoring the projects to which the department provides assistance. The formal policies and procedures have been established, and the systems procedures used in monitoring the activities and ongoing status of the organizations and projects as well receiving assistance have been improved. That was the response to the Auditor General. The Auditor General's staff has worked closely with our staff in trying to finalize those sorts of processes, and I believe that's satisfactory and meets the expectations of the Auditor General.

MR. CHAIRMAN: Do you have a supplementary?

MR. PASZKOWSKI: Yes, I do. The Auditor General also recommended that the department "improve the systems and procedures it uses to monitor those activities" after objectives and responsibilities were more clearly defined. Have the monitoring systems been improved?

MR. STEWART: Yes. I think there's no doubt about that, and I believe the recognition from the Auditor General, that in fact it now meets the concerns of the Auditor General that were first indicated, is evidence of that.

MR. PASZKOWSKI: My third question. The Auditor General comments that a computer-based data system was being developed. Has this system made it in the monitoring and funding of projects?

MR. STEWART: Yes again, Mr. Chairman. I believe the system that I've just described fully meets the needs of the department from the standpoint of that monitoring procedure and process.

MR. CHAIRMAN: Mr. Lund.

MR. LUND: Thank you, Mr. Chairman, and welcome back. I hope and trust that our government's investment in your trip to Australia will bear fruit. I want to say good morning to the minister and his entourage and thank him for the very useful overview of the department. It certainly put a lot of things in context. But it was fairly rapid, and I know you touched on special warrants. They, of course, are always of great interest and concern to us. On page 3.115 of the public accounts, in vote 4 we've got the $720,000 special warrant there. Just very briefly, could you tell us again what that money was used for?

MR. STEWART: Well, the $3.8 million that is indicated there in vote 2 – that is, a total of the $2.3 million and the $1.5 million – was funding in respect to General Systems Research. Of that, $2.3 million was allotted in grants for the commercialization of advanced technology. The $1.5 million was to GSR in the form of a loan, and the $2.3 million was in the form of a grant; that totaled the $3.8 million. Now, of that, $500,000 was not expended, as is indicated in the last column.

MR. LUND: Well, Mr. Chairman, I guess I was specifically talking about vote 4; it was $720,000. I didn't hear that mentioned in the first round.

MR. STEWART: The $720,000 is in relation to Access. It was a special warrant in respect to the purchase of a transmitter for CKUA FM. That came about because of an opportunity when CKO ceased operations and the equipment and the transmitter became available. It was an opportunity for us to get that transmitter, which was our long-range plan in any event for Access, and it was an opportunity to capitalize on. That's why it went forward by way of special warrant.

MR. LUND: I guess that's the sort of thing that causes me some concern. Are you telling us, then, that there was really no way that you had any indication and could possibly budget for this expenditure?

MR. STEWART: Mr. Senchuk may want to add to my comments, but I'd just say that I think it was the intention of Access to do a transmitter in due course. It had to be done, but we didn't anticipate it in that particular budgetary year. It was only because of the CKO opportunity that it was proceeded with in that year.

MR. SENCHUK: Excuse me. Yes, Mr. Minister. The facility that came available was an opportunity for the corporation, as

we were in need of moving to another tower facility with a CKUA transmitter. The lease was nearing its expiry, and a better tower transmitting facility was required. Also, we had a licence but were unable up to that time to make arrangements for an adequate tower to transmit Access Network television's service from as well. So it was an advantage of an opportunity.

MR. CHAIRMAN: Mr. Sigurdson.

MR. SIGURDSON: Thank you. Mr. Minister, if I could direct your attention, please, to page 2.14 of the public accounts book and specifically look at schedule 2.5. It's the area of Other Loans and Advances. I'm wondering, sir: of the $190 million of loans, loan guarantees, and advances, how much did the Department of Technology, Research and Telecommunications hand out, and if you could identify those companies that received loans, loan guarantees, or advances, please.

9:20

MR. STEWART: Yes. There are about six or seven in that schedule: Myrias Research Corporation, Chembiomed, General Systems Research, Dial-Guard, General Systems Research under Guarantees Implemented, and Tomo Technology.

MR. SIGURDSON: Thank you. Of the $94 million loss, can you tell me how much of that $94 million is due to the department?

MR. STEWART: I would believe it's just the General Systems Research and the Tomo Technology, Tomo Technology having recovered, though, a portion, $229,000 of the $250,000.

MR. SIGURDSON: Myrias isn't included in that?

MR. STEWART: General Systems Research and Tomo Technology are the only ones in that $91.3 million. Myrias is not in that year.

MR. SIGURDSON: Well, I guess that's my third question.

MR. CHAIRMAN: One was a clarification question.

MR. SIGURDSON: Then I do have one other question, if I might. On page 2.34, schedule 2.15, we have the write-down in 1990 of long-term investments of $34.475 million. I'm wondering if . . . Are you there, sir?

MR. STEWART: We can't find it, Mr. Chairman. I'm advised that that applies to Treasury, so we can't give you an answer to your question.

MR. SIGURDSON: On the breakdown of long-term investments?

MR. STEWART: It's under the Provincial Treasurer's jurisdiction.

MR. CHAIRMAN: Mr. Severtson.

MR. SEVERTSON: Thank you, Mr. Chairman. My question is on 3.116, vote 2, pertaining to Financing of Technology and Research Projects. Under that vote there was no estimate made for advanced materials and processing, but there's an expenditure of $3.4 million incurred. Can you outline how these funds were used?

MR. STEWART: The $3.3 million was for General Systems Research. That was supported by a special warrant. The remaining $116,000 was to provide financial support to four private companies in assisting them to commercialize their technologies in the advanced materials end of it and processing sector.

MR. CHAIRMAN: Supplementary.

MR. SEVERTSON: Yeah. Why was there no budgetary allotment for that area of expenditure? Did you not foresee that coming?

MR. STEWART: Well, the funding to General Systems Research was certainly unforeseen to be included in the budget at the time, and that's the major portion of it.

MR. CHAIRMAN: Final supplementary.

MR. SEVERTSON: That's fine, thanks.

MR. CHAIRMAN: Thank you.
Mrs. Laing.

MRS. B. LAING: Thank you, Mr. Chairman. I also would like to welcome the minister and his staff and thank him for the overview of information that he gave to us.

On page 3.114 of the public accounts, $10.6 million was listed as a voted nonbudgetary disbursement. Can the minister outline the necessity for recording an expenditure this way?

MR. STEWART: The $10.6 million was for asset-transforming transactions. They resulted in the acquisition of assets and do not therefore affect the surplus or deficit position directly. They do require, obviously, a cash outlay, but it just represents the conversion of one asset, cash, for another asset, which may be shares or a loan, so in some other form. That's basically the explanation of the $10.6 million.

MRS. B. LAING: Thank you. Further, the $1.5 million amount obtained under special warrant: was this also a nonbudgetary expenditure?

MR. STEWART: That is again in connection with General Systems Research. The funding was in the form of a loan and therefore falls into the general description that I mentioned earlier.

MRS. B. LAING: Okay. Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.
Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. Welcome back also. I'd like to welcome the minister. I for one certainly enjoyed the explanation that he went through this morning. It certainly answered the majority of the questions I had. However, I have one or two. I hope that if I'm entering into an area that needs to go directly to AGT and possibly if he can't answer it, maybe the Auditor General's representative would, as they prepared the financial statements. My question pertains to note 4 of the

consolidated statements of the AGT Commission on page 7.39 and then on page 7.43, Building Cable Write-off. This was "as a result of a change in business and marketing policy." There was an $11 million write-off. I'm wondering: why would there be a write-off for customers' cables, or what is a building cable write-off?

MR. STEWART: I may have to get some help on that one. I know that there was a change in policy. AGT used to pay all of the costs with respect to cable within buildings. Subsequent to that they sort of took their cable up to the exterior boundary of a building, and all costs in connection with that were the responsibility of the builder or developer at that point in time. Now, a write-off of existing cables: whether those cables are within buildings, become part and parcel of a building. Therefore, they can't claim ownership of it any longer and you can't really view it as an asset of AGT any longer. I presume that is the reason for the write-off of that particular asset, but I could check into that, hon. member, and verify that answer.

MRS. BLACK: Okay. Well, as a supplementary, if you could check into that, I'm wondering if there's a contrast somewhere between the Uncollectible Operating Revenues on the same statement, that are a negative revenue of $15,857,000. The previous year it was $11 million. I'm wondering what the Uncollectible Operating Revenues on page 7.39 might be.

MR. STEWART: It would appear to me – and again I will verify this – the usual sort of uncollectible accounts receivable, but I'll verify that.

MRS. BLACK: So it's just called a funny name then?

MR. STEWART: Yeah, it is. It's not the usual type of – bad debts I guess is what you might more likely see it as.

MRS. BLACK: The last question I have, Mr. Chairman, is a general question. I was delighted to hear the minister say that you've developed a system that monitors and controls activities within the department, and I'm wondering if you've had the chance to read the entire Auditor General's report, which makes mention of the problem of systems control throughout almost every department. My question is a general one. Would you be able to lend your system to the other departments within government so that it wouldn't show up year after year that there needs to be more systems control available within government?

MR. STEWART: Hopefully, we're improving every step of the way.

9:30

MR. CHAIRMAN: Okay. That's a nice political answer.
Mr. Gibeault.

MR. GIBEAULT: Thank you, Mr. Chairman. If we might turn to page 3.116 in the public accounts book, which is the Technology, Research and Telecommunications Statement of Expenditure by Element, and if we look at vote 1.0.1, Minister's Office, we see that the minister has overexpended his own office budget by almost 50 percent. I wonder, in the climate of government restraint and how we're often told that we have to make tough choices and tighten our belts, how does the minister justify that gross overexpenditure of his own office budget?

MR. STEWART: Mr. Chairman, there are probably three elements by way of explanation in that overexpenditure: $86,000 approximately of that was to make up for salaries and benefits that were underbudgeted in the previous year, funds reallocated from investment development and promotion; secondly, $24,600 was additional travel costs to cover for anticipated ministerial travel, and that pretty well related, I think, to matters related to AGT and the change in jurisdiction and the travel that was required between Ottawa and Edmonton. There was no out of country travel in that. The other was for adjustments that were made across the government to MLA salaries and associated benefits; therefore, being an MLA as well, it was included in there.

MR. GIBEAULT: Hopefully you can do a better budget job next time around.

Maybe a supplementary question here. In vote 1.0.9, the Premier's Council on Science and Technology, an expenditure of some $72,000, which was, as we can see there, not included in the estimates and, therefore, not approved by the Legislature. I'd like to ask what value we received for that expenditure that was not approved by the Legislature.

MR. STEWART: Yes. The council on science and technology got into full gear subsequently, and there was funding through a special warrant. Six thousand of that was for computer purchases to start up the Premier's council, and $65,500 was expenses incurred with respect to the national forum. The National Forum of Science and Technology Advisory Councils from across Canada came to Edmonton in 1990 as the second annual such forum, and it brought people who are involved in the science and technology community all across Canada to Alberta.

MR. GIBEAULT: If we might then turn to page 2.14, again, the Other Loans and Advances schedule which we had some discussion of earlier. I'm just wondering, of all those millions of dollars that were lost here with GSR and these other loans and advances and so on, can the minister give us any idea, the taxpayers of the province: is any of that money going to be recovered, or are all those millions of dollars lost forever to the taxpayer?

MR. STEWART: I mentioned Tomo Technology. That was recovered to the extent of $229,000 of the $257,000. In General Systems Research, as you know, there was a sale of the assets through the receiver which netted I believe 1.6. In addition to that, however, there is a royalty arrangement with the purchaser of General Systems Research that will be predicated upon the sale of subsequent machines which are now ordered and under construction by the new GSR Technologies Inc.

MR. CHAIRMAN: Mr. Cardinal.

MR. CARDINAL: Thank you. On page 3.117, statement 3.22.4, Payments from Government of Canada, the Patent Act showed a payment of $2.3 million. Could the minister explain the nature of this payment?

MR. STEWART: That particular item evolves from revenues received from the federal government under its patents Act known as Bill C-22. $2.3 million of those payments come to us. We in turn established the medical innovation program as part and parcel of the medical research foundation to give a market-

ing thrust to the medical research foundation, so they would have some funds available for pursuing the commercialization of technologies that would flow from the medical research foundation. In other words, it came to us, and we moved it out through our budget to the medical research foundation. It is thereby under the administration of the trustees of the medical research foundation.

MR. CARDINAL: I see that the amount noted for 1990 is almost exactly the same as 1989 is. Is there any factor that keeps these amounts constant, or will they vary with inflation?

MR. STEWART: Under the agreement with the federal government the amount that comes is based on population. So it's a flat figure that comes to us over a four-year period of an original agreement, and it works out to about $2.3 million per year.

MR. CARDINAL: Okay. Also, under Investment Income under Other Revenue the amount of $159,821 is noted. What is the nature of this income?

MR. STEWART: Twenty thousand six hundred of that was from Circa Telecommunications: a repayment of a repayable grant. That came out of our technology commercialization fund, and it was paid back upon the success of their technology. So that's the bulk of it. I think there was a sale of some surplus department furnishings that netted a small amount, but essentially the bulk of it is with respect to the repayment from Circa Telecommunications.

MR. CHAIRMAN: Mr. Clegg.

MR. CLEGG: Thank you, Mr. Chairman. We hear a lot about loan guarantees, so I have a question. Page 8.13 in public accounts shows a guarantee made by the Crown to various corporations. Under the responsibility of this department it shows a total of $8.5 million as listed. Can the minister comment as to the status of those corporations since they have been awarded government loan guarantees?

MR. STEWART: Are you talking about General Systems Research?

Oh yeah, General Systems Research. There were four there that were involved with guarantees that I mentioned in my opening comments. One, the Centre for Frontier Engineering Research, was for $5 million. That was part of that agreement that I mentioned earlier, the tripartite agreement between the federal government, the province, and C-FER. That particular guarantee was provided in December of '89 to get a more favourable interest rate as guarantees are often used on their long-term financing. They have an $18 million research centre here in Edmonton, the Research Park.

General Systems Research: there was a $500,000 guarantee there, and that was to provide for some ongoing funding while the management consulting studies were being carried out to provide recommendations relative to the reorganization and restructuring of General Systems Research. That guarantee was provided in July of '89.

There was a $2.5 million guarantee. Now, the guarantee is reported, perhaps in error, under the name of Peat Marwick Thorne. It was actually to the Bank of Nova Scotia on behalf of Peat Marwick Thorne. The guarantee was provided to secure a revolving loan of $2.5 million. Peat Marwick was appointed, as you know, as the receiver/manager of General Systems Research in January of 1990, and the guarantee was used to secure the receiver certificates that were used in the normal course of the receivership. To date no funds have been paid under that guarantee.

The last one I mentioned earlier: Tomo Technology. I gave you the information with respect to that. That was a $250,000 guarantee.

9:40

MR. CLEGG: Thank you, Mr. Minister. What percentage of these guarantees have been returned to the government?

MR. STEWART: About 25 percent it would work out to, and that, basically, is the figure from Tomo Technology.

MR. CLEGG: Thank you. My final supplementary is: given that the Auditor General referred to the process used by the department to evaluate funding proposals on page 107 of his report, can the minister provide the guidelines under which guarantees such as these are authorized by the department?

MR. STEWART: Well, first off, the guarantees are approved within our own department by our management committee. Then they come before the minister in meeting with the management committee. They're also approved by Treasury, and then they're authorized, in the final analysis, by a cabinet committee.

MR. CHAIRMAN: Mr. Thurber.

MR. THURBER: Thank you, Mr. Chairman. Mr. Minister, welcome. I'd like to follow up just a little bit on what the previous member was asking you questions on. To be specific, with General Systems Research, could you outline the total amount of the loan guarantees? I didn't get that quite clear when you were answering Mr. Clegg.

MR. STEWART: The total loan guarantees extended to General Systems Research were $8.8 million. That's the overall figure: $8.8 million.

MR. THURBER: The payments noted on page 8.13 amount to some $9,394,000-odd. How much of that is still an indebtedness to the government on behalf of that company?

MR. STEWART: The $8.8 million was owed to the Hongkong Bank, and that's where the guarantee was granted. There was a small balance of $528,000 owing to the Alberta Treasury Branches. Then there were additional loans to the company of approximately $4 million which, if you add that to the total of the other two, would bring you up to $13.4 million. In addition to that, the government invested an additional $17.5 million in preferred and common shares of General Systems Research, $15 million of that in preferred and 2 and a half million dollars in common. I think that's the total breakdown of everything in respect to General Systems Research.

MR. THURBER: Okay. Would you have any idea of the dollar figure that the government has received back in total since our involvement with this particular company?

MR. STEWART: Initially, after the receivership and the sale by the receiver, approximately $1.6 million. Then there is a royalty

arrangement which is predicated upon the sale of the laser textile machine that had been developed by them. As those are sold and delivered, then there will be further moneys forthcoming from General Systems Research. It's difficult to quantify the amount of that that will be forthcoming.

MR. CHAIRMAN: Thank you.
Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. I, too, enjoyed the minister's opening comments, especially when he said that they only made two loans and those were to GSR and Myrias. Two out of two, I think, went bad. It works out to a 100 percent failure rate for that year. That's quite an achievement.

I'd like to turn the minister's attention, please, to page 7.42 in the public accounts book which deals with the AGT Commission. In particular, I'd like to draw the minister's attention to note 2. It talks about consolidation. There's a section in there that talks about NovAtel, that talks about a variety of others as well that have been consolidated, but in it it says, "NovAtel Communications Ltd. . . . has not been consolidated." My first question to the minister is: I would like to know what the revenues, expenses, liabilities, assets, and losses for NovAtel were for that year.

MR. STEWART: Well, as part of the accounting practices which are reviewed by the Auditor General, the financial statements of AGT Commission and its subsidiaries have always been consolidated as far as I'm aware. The Auditor General reviews those individually but they are then compiled as a consolidated statement and presented in that fashion, which apparently is the appropriate way in which that is done.

MR. BRUSEKER: It's not been consolidated. Well, okay then.

The AGT Commission in that year offered a $300 million loan guarantee to NovAtel which subsequently was bumped up to $525 million. I'd like to know when and why that occurred.

MR. STEWART: The bulk of the guarantees that are in relation to NovAtel, currently about $340 million, are all in relation to the systems financing. They are not loans given or provided for assistance in the operation of NovAtel. You'll recall the news release that we put out at the time of the $525 million of guarantees. Three hundred and forty million dollars of that – or was that $430 million? Maybe I've got my figures wrong. Four hundred and thirty million was to finance systems purchases. All of NovAtel's competitors in the area of systems sales in cellular have a similar sort of program. If you look at Motorola or any of the other Japanese companies that are involved in sales in the United States, all have that sort of a facility made available. So these were ones that replaced the types of guarantees that were in existence for many years when NovAtel was under AGT Commission, and what we did was replace those once NovAtel came back to us. But the constant references to $525 million of guarantees being for NovAtel's assistance in supporting them in a financial way are not correct; $430 million of that is for the other.

MR. MOORE: On a point of order, Mr. Chairman.

MR. CHAIRMAN: A point of order.

MR. MOORE: We're getting into the present situation, and that'll come up when the minister again comes before us for this particular year. We're up into this area, and we're actually relating to the year ended March 31, 1990.

MR. CHAIRMAN: Yes, thank you, hon. member. I usually give the minister some leeway if there's something that comes out of that financial year that moves into the present year. I usually leave it up to the minister's discretion to respond to the member who's asked the question. I think that it did come out of – your question was very much related, I thought, to what was in the accounts. In any event . . .

MR. BRUSEKER: My final supplementary. Just turning the page to 7.44, I'm looking at note 6, and again this deals with NovAtel. Just below where the numbers are there's a short paragraph, and it says that certain related assets were purchased for 42 and a half million dollars. Then there's a phrase that I'm really curious about: "additional consideration payable by the Commission in the event it sells NovAtel shares . . . for a premium." Now, the book value here is just under $107 million. We know now that NovAtel was sold for $159 million. My question is: what "additional consideration payable" occurred or was considered under this phrase here?

MR. STEWART: That was set up – there was potential, obviously, for a privatization of AGT and indeed NovAtel, and there was a potential for NovAtel to be part of the AGT privatization. An option, of course, was to do something separately with NovAtel or AGT. The commission on its own volition decided they would establish a share structure within the company at that time. None of those shares were in fact issued. There was a creation of authorized shares to . . .

MR. CHAIRMAN: Does that complete the minister's answer?
Mr. Jonson.

9:50

MR. JONSON: Yes, Mr. Chairman. I'd like to ask a couple of questions with respect to what might be a trend with respect to the Alberta Research Council. I'd like to refer you to the section which deals with special considerations or special revenue provisions. It's on 6.154. It seems that this is a kind of unusual provision: special purpose revenue. Could we have an explanation of why this section is in there?

MR. STEWART: Yes, Mr. Chairman, there were several special funding allocations provided to the Research Council actually over the past several years for specific initiatives such as providing the capital equipment for the Electronics Test Centre and also providing funds with respect to what has turned out to be a very successful joint research venture program with private-sector companies and also capital equipment for the new facilities in Devon with respect to coal research as well as in Mill Woods. There's also some funds utilized to provide industrial information services for the electronics industry in Alberta. Then lastly and probably most importantly, the costs or funding used for the Research Council's biotechnology pilot plant that's located out in Mill Woods, to bring it up to industrial standards.

These funds are separate from the Research Council's ordinary operating grant. They are kept separate because the Auditor General requires some sort of separate accounting in respect of those funds.

MR. JONSON: Mr. Chairman, just to follow up on that. As the minister has mentioned, there is the regular operating grant

which I assume is planned and budgeted for. What is the mechanism for the granting of the special revenue allocations? I don't recall this coming up before in a statement. What is the mechanism? How is this approval granted and this set up?

MR. STEWART: Well, maybe Dr. Green could respond to that.

DR. GREEN: Thank you, Mr. Minister. These funds are provided through two different mechanisms. One, they are special items identified during the regular budget process, but they are above and in addition to the base operating grant. At the time they're approved they have a projected finite life, so they're separately identified that way; they're not add-ons to the regular operating grant. Secondly, one or two may have been approved as special warrants during a particular fiscal year.

MR. JONSON: Well, sorry to sort of pursue it, but I'd like to use my final supplementary again to just ask about this. It would seem to me that the items that are there and as they've been further explained by the minister are within the overall mandate of the Research Council and therefore should be planned for to be handled within their regular operating grant. Am I missing something here in terms of the uniqueness or what's special about these particular items? What's unique or special that requires this provision?

DR. GREEN: Of those listed in the special purpose funds, the Electronics Industry Information Centre was a test project with a finite, three-year life. Funds were provided for that. It was found to be not viable as a separate entity. The ongoing service is now rolled into those provided under the Research Council's regular operating grant. In the same manner, the Electronics Test Centre. There's an initial high cost when the centre is started. Once it is running and in operation, the special allocation is no longer needed, and the costs are taken care of out of the Research Council's regular operating grant.

Setup costs for Mill Woods and Devon: those are capital equipment costs. Again it's a significant, one-time expenditure above and beyond the regular operating cost of running the Research Council, and the biotechnology pilot plant upgrade falls in the same category.

MR. CHAIRMAN: Well, we're almost at the end of our time. I'd like to thank the minister and his guests for appearing before the committee this morning. I think the minister was subjected to unusually vigorous questioning, but I'm sure that all members of the committee appreciated the information that he was able to provide us today. Thank you again.

The date of our next meeting is June 12, at which time we'll have the Hon. Dick Fowler, Solicitor General, appear before the committee.

I'd now recognize Mr. Moore.

MR. MOORE: Thanks, Mr. Chairman. We certainly appreciated the overview of the minister and the fact that every member had the opportunity to have their concerns addressed this morning within the time limit.

I move that we adjourn.

MR. CHAIRMAN: A motion to adjourn. Are you agreed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: We're adjourned.

[The committee adjourned at 9:57 a.m.]