

8:31 a.m.

Wednesday, June 24, 1992

[Chairman: Mr. Pashak]

MR. CHAIRMAN: Okay; let's call this meeting of the Public Accounts Committee to order. We have with us the Hon. Jim Horsman, the Minister of Federal and Intergovernmental Affairs. I'd like to also welcome the Auditor General, Mr. Salmon.

We have a couple of items of routine. First of all, we have to approve the committee meeting minutes for June 17. They've been circulated. Is there a motion to adopt the minutes as circulated? Moved by Mr. Moore that we adopt those minutes. Any discussion about the minutes? Any corrections, errors, omissions? Hearing none, then, are you in favour of adopting the minutes as circulated? Agreed.

Well, as I say, I'd like to welcome the minister and invite him to make any opening statement that he'd care to make and introduce the members of his department that he's brought with him.

MR. HORSMAN: Thank you, Mr. Chairman, members of the Public Accounts Committee. First of all, I'd like to introduce my staff members who are with me. On my immediate left is Oryssia Lennie, the deputy minister of the department. Next is Charles Hitschfeld; he's responsible for administration in the department. Next to him is Marilyn Johnston, who works closely with Charles in the administration; Wayne Clifford, the assistant deputy minister responsible for the international division; and Greg Hansen, my executive assistant.

I think you're probably all aware of my role as Minister of Federal and Intergovernmental Affairs, but I'll just quickly outline what we are involved with. We are responsible for our relations as a province with other provinces, the federal government, and any foreign government operations that we have relations with. In that respect, I'm responsible for the overall operation of Alberta's foreign offices. We also co-ordinate Alberta's special relationships which we have in Asia and Russia. The relationships in Asia are with Heilongjiang in the People's Republic of China; Hokkaido, a prefecture in Japan; and Kangwon province in Korea.

As chairman of the international trade negotiations task force of the cabinet, I'm also responsible for co-ordinating Alberta's efforts with respect to negotiating the Canada/U.S. free trade agreement and related matters thereto, the North American free trade agreement negotiations, and the current Uruguay round of the GATT discussions on multilateral trade negotiations.

Finally, I'm also the minister responsible for constitutional affairs.

The period in question in the public accounts, 1990-91, was a very active year in terms of interprovincial, intergovernmental, and international issues. I must also underline the fact that during that period of time I was Acting Premier for approximately four months due to the Premier's illness and undertook a number of functions on behalf of the government in that capacity, including representing Alberta at the Premiers' Conference in Winnipeg in August.

The GATT negotiations were then and still continue to be very involved and have a major impact, obviously, on the future of Alberta's international trade, and that required travel by myself, and on one occasion accompanied by my colleague the Minister of Agriculture, to Geneva at the invitation of and in co-operation with the federal government to put forward the views of Alberta relative to those negotiations. It also required trips to Ottawa to meet with the committee which has been established with all governments in Canada represented under the then chairmanship of the minister of trade, John Crosbie, latterly of course under the

chairmanship of Michael Wilson. We meet on a regular basis. Each province has assigned a minister responsible for international trade negotiations, and those meetings are of course very important in developing the Canadian negotiating position with respect to all international trade relations.

Just as a comment I'd point out that that type of process came about as a result of discussions which occurred in Halifax in the fall of 1985, when our Premier attended his first First Ministers' Conference and was successful in obtaining a political accord which would involve the provinces in a very significant way in the international trade negotiation process. I'm not saying that it's been a perfect process, but it's one that has substantially increased the involvement of provinces in terms of setting international trade negotiation objectives, and all provinces are involved in that. Those meetings usually take place — as a matter of fact, I think they've all taken place in Ottawa, requiring a number of trips there.

In addition, the Canada/U.S. free trade agreement has required me to speak on a number of occasions internationally, attend briefings, and participate in some of the discussions relative to settling disputes which have occurred under the free trade agreement, particularly with reference to such things as pork and other matters which impact on Alberta. Those required additional meetings in Ottawa, Washington, D.C., and New York.

In addition, during this same period we began our involvement with the Pacific Northwest Economic Region, which involves Alberta's membership along with British Columbia and five American states: Montana, Idaho, Oregon, Washington, and Alaska. All members will be aware that this Assembly unanimously passed a resolution supporting our membership in that organization and will be aware that representation from Alberta is on a nonpartisan basis, with two members of the government, the Leader of the Opposition as a member, as well as Mr. Bruseker, who is here this morning and has participated in those meetings relative to the activities we're undertaking there.

Something that perhaps isn't terribly well known, but I am the honorary director for Canada on the State Legislative Leaders Foundation. That gives me an opportunity of working and meeting with legislators at the state level in the U.S. to discuss matters of interest and concern relative to common issues. I'm the only Canadian on that particular organization, but there is representation there as well from the United Kingdom, France, Germany, Japan, and I think recently Taiwan has been involved as well. I attend meetings of that organization once or twice a year. I can't attend all of them; it's just impossible to do.

In addition, because of my work with the National Conference of State Legislatures, I was invited during this period to address the executive council of the NCSL, as they call it, in Nashville. That gave them an insight from an Alberta perspective, at any rate, into the constitutional situation which prevailed in those days within Canada.

I am also the co-chairman of the Alberta/Montana Boundary Advisory Commission, which was established by another vote of this Legislature some years ago and is co-chaired on the Montana side by the governor of Montana. That meets on an annual basis, alternating meetings between Alberta and Montana. During the course of those discussions we've developed a number of interesting activities between that state and our province which are quite unique and have resulted in some steps being taken which have substantially decreased costs to Alberta shippers, particularly with regard to highway transportation.

8:41

During the same period of time we celebrated the 10th anniversary of our twinning relationship with Hokkaido in Japan.

Governor Yokomichi of Japan, accompanied by his wife and about 400 additional Japanese visitors, attended a twinning relationship in Alberta. We had a return visit of a smaller number of Albertans to Hokkaido to celebrate that 10th anniversary. That's been a very significant relationship. Perhaps of all of the twinning relationships we have, that has been one of the most significant in terms of international trade, investment, tourism, and other related activities including scientific and medical research, recreational and sporting exchanges, and the twinning of a number of communities within Alberta with communities in Hokkaido prefecture.

That period of time that we're considering today also saw the constitutional discussions relating to Meech Lake involving Ottawa meetings. One will recall two years ago in June the performance that went on in the Conference Centre in Ottawa when they tried, unsuccessfully in the end, to resolve the differences associated with the Meech Lake accord. That was followed up in the fall of that year with the establishment of the Constitutional Reform Task Force, which the Premier asked me to chair. Many of the expenditures which are related to the special warrant which was obtained are directly related to that particular involvement. That task force was of course, as members will be aware, subsequently converted into the Select Special Committee on Constitutional Reform. That began its activities under my chairmanship late in March, at the end of this fiscal period under consideration.

Members will note that there are some unexpended items relating to the special warrant which was obtained, and most of those are associated with the conversion of the task force into a select special committee and subsequently the assumption by the Legislature of expenses relating to that activity rather than it being related directly to my department. So that in part accounts for the unexpended portion of the special warrant which we had obtained.

That's an overview of the activities of the department during that particular period. Of course, there are a number of questions that have been submitted, which I will try to respond to. I should say in response to concerns that have been expressed, not just within the Assembly but by the public in general, that we prepared and circulated a new publication which is a report on the activities of the foreign offices. We have in that document, which all members have received, a summary of the general activity statistics for the period from April 1990 to February 1991 for each foreign office. That indicates, for the benefit of the members and for the public in Alberta, the activities that took place in each of the foreign offices relative to companies that were assisted, inquiries that were dealt with with respect to tourism, immigration, investment, and general comments. It also points out the number of Alberta promotions that took place abroad with respect to trade fairs, cultural events, investment seminars, and other more general matters. So that particular document was an effort to educate members of the Assembly and Alberta relative to the activities that have been undertaken by our foreign office. They are very extensive. They're very busy places indeed.

Having said that, I'd be pleased now to answer any questions.

MR. CHAIRMAN: Thank you very much for that statement, hon. minister. If it's acceptable to the minister and to members of the committee, I may allow a little more tolerance in terms of getting into policy type issues this morning, primarily because the Auditor General expresses no reservations in his report and it is a relatively small budget compared to other budgets. Would that be acceptable to you, minister, if members wanted to ask questions that are not . . .

MR. HORSMAN: I'll be happy to do that.

With reference to the size of my budget, I just point out by way of comparison that the Department of Health spends more in each

calendar day than the Department of Federal and Intergovernmental Affairs spends in a year. It's not a large expenditure on behalf of government, but it's an important department because we do have a co-ordinating role. I just wanted to put that in context relative to the nature of our expenditure.

May I just add one small point? I do want to take this opportunity to compliment my deputy and the administrative staff for having received a clean bill of health from the Auditor General with no recommendations for any improvement. We've had those recommendations in the past from the Auditor General, and we've attended to them and cleared them to his satisfaction. I really want to compliment my staff for that activity. [some applause]

MR. CHAIRMAN: Well, it certainly received the acknowledgement of some members.

Mr. Lund.

MR. LUND: Thank you, Mr. Chairman. Good morning, ladies and gentlemen. It's good to see the Auditor General here again this morning.

On page 8.8 of the public accounts document there's a reference made under Federal and Intergovernmental Affairs to do with the unexpected increased cost of operating the Alberta foreign offices owing to local market adjustments and currency fluctuations.

Could you expand on exactly what this is all about, \$1.1 million here in the special warrants? To help us understand, it might be good to have a bit of an overview. Since the chairman allowed us to go into a bit of policy, maybe we could have a little overview of exactly how these foreign offices work and how this special warrant would be necessary.

MR. HORSMAN: Well, that's a dilemma for us each year. We have to deal with it because of these factors, because local market conditions refer to the salaries paid to locally engaged staff. As the economic situation in each of the international office locations is quite different, we've chosen to tie Alberta to the classifications and pay scales of the Canadian government offices in each location where we have an office. The Canadian government has in place a formal methodology to determine fair compensation, taking into account inflation, the ease of hiring and retaining staff, their local budget, and the increases provided by other embassies and consulates. Tying into the Canadian system eliminates the need to develop and manage our own system of compensation, and it's fair because we are part of the overall Canadian operation. In the variety of cities in which Alberta has relatively few staff, little compensation expertise, we therefore rely on what the federal government has done.

8:51

Let me give you a specific example. The inflation rate in Hong Kong in 1990 ran at 17 percent. The Canadian commission provided increases of 17 percent to their staff, and we followed with the same percentage increase. In the past several years salary increases provided by Canada have been somewhat higher in London, New York, and Hong Kong and lower in Tokyo than in Alberta. In the last year awards have been lower in London than in Alberta. All in all, the system requires limited administrative apparatus because of that and provides fairness to its staff, ensuring that salaries we pay are neither excessive nor behind.

Currency fluctuation is another matter which causes the department some difficulty each year. For the 1990-91 fiscal year we prepared the budget in the summer of '89 using the then-current exchange rate. Some 18 months later we found ourselves in circumstances in which the cost of buying the foreign currency

had increased substantially, and the size of the local budget and that of the whole department was insufficient to absorb those extra costs. An example is in order. Once again in the London office we budgeted at the rate of \$1.83 Canadian per pound sterling, but the rate at the beginning of the year was \$2.01 and averaged \$2.15 during the year. This had an impact on the London budget at 17 percent in Canadian dollar terms. I just point those types of things out in terms of our inability to forecast precisely what those expenditures may be. Does that answer your question?

MR. LUND: Well, partly. Under the process we get two supplementaries, so my first supplementary is along the same line. On page 3.66 in vote 1 of the public accounts I notice that a special warrant of over \$550,000 was required for Supplies and Services. Is that related to the problem you just described? The first explanation seemed to be more on the wages part, but I was wondering if this was part of it.

MR. HORSMAN: Yes, that was part of the special warrant. It also included funds for the evacuation of students from China in June of the preceding year. You remember that incident that occurred there. It also included the cost of hosting the Western Premiers' Conference for the Senate Reform Task Force. Those were additional items which were included there.

Members will recall that in August of 1988 in Saskatoon, the Premiers unanimously requested Alberta to head the discussions with other governments on the subject of Senate reform, and I along with others traveled. That is accounted for in that particular matter as well.

MR. LUND: One more supplementary. Of course, special warrants are a big concern of all of us. We notice looking back into the 1989-90 public accounts that there was \$2.6 million budgeted for Supplies and Services and then a special warrant of some \$558,000. In 1990-91, the one we're looking at, again we see the \$2.6 million for Supplies and Services, but the special warrants increased to \$1.1 million. I have a little concern that there seems to be the underestimation in those two years. Of course, we can't look into what happened last year in our discussion today, but are there steps being taken for things like supplies and services so that we won't have to have those kinds of special warrants?

MR. HORSMAN: Well, we try each year to anticipate what might be coming at us, but it's extremely difficult. We try and account for predictable functions which would be carried out during the forthcoming year, but so many things crop up during the year that the department cannot fund them out of our appropriation. We're very tightly budgeted. The items for which additional funding was required in 1990-91 just could not be foreseen in the summer of 1989 when the budget was being prepared. Certainly such things as the constitutional discussions which occurred and the expenditures related to that week in Ottawa, for example, in June of 1990, two years ago, are just things that can't be foreseen. We couldn't foresee either, for example, that I would assume expenditures on behalf of the Premier's office relating to that period of time when the Premier was ill and unable to attend to his responsibilities, necessitating me, for example, to go to Winnipeg as Acting Premier and attend the Premiers' Conference in August of that year. These are the types of things that occur. While we try to predict, we can't do it with certainty, particularly with reference to intergovernmental conferences and functions. That's the best explanation I can give you.

MR. LUND: Thank you.

MR. CHAIRMAN: Mr. Musgrove.

MR. MUSGROVE: Thank you, Mr. Chairman. On page 3.66, in salaries and wages, vote 1, I notice that there was a million dollars more in 1990-91 than in the previous year. Could the minister explain this increase?

MR. HORSMAN: The actual amount of the authorized increase was \$641,000 including the special warrants. The actual amount expended was \$445,000 over the previous year. Salary increases in the fiscal year in question were in the 5 percent range, and those in the foreign offices were generally higher due to higher inflationary levels. I touched on that in one of my previous answers. I think really that was covered by what I talked about earlier relative to those unexpected and unanticipated changes.

MR. MUSGROVE: Mr. Chairman, I see in the accounts that there was \$500 million that remained in that account at the end of the year. Is that because someone was not replaced in a position, or was there some reason for that?

MR. HORSMAN: It's \$500,000. You said \$500 million, with respect. We don't handle that kind of money in my department.

In any event, what happened there is that staff for research on the constitutional hearings were not hired during the fiscal year as anticipated. That then moved into the next fiscal year, and as you know, it moved out of expenditure by my department into expenditure by the Legislative Assembly, so that accounts for that difference.

MR. MUSGROVE: I notice with that unexpended \$500,000 there still was a special warrant for \$173,000. That must have been in anticipation of that being carried on.

MR. HORSMAN: Well, that forecast was done in November of '90 as a base for the special warrant request. At that time there was some uncertainty as to the dimension of the constitutional hearings that would be held in 1991, and we took a cautious approach in developing the year-end forecast. That really accounts for that. You see, when the budget was prepared in 1989 for this fiscal year, we had no ability to anticipate what would be taking place relative to the Constitution and the types of hearings that would go on in the fall of '90 following the collapse of the Meech Lake accord. We can't anticipate those things, and that's why it makes it very difficult to budget with any degree of accuracy in those areas.

9:01

MR. CHAIRMAN: A final supplementary, Mr. Musgrove?

MR. HORSMAN: I think that was the second supplementary.

MR. CHAIRMAN: He's finished, I think.
Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. I'd like to go back to the Alberta offices, because they are the biggest line item in the department here, on line 1.0.4. The minister has produced a booklet that talks about the differences between the offices, and you mentioned some of the reasons for differences in prices this year due to different inflation factors. I'm wondering why the offices have different staff complements. Why are some offices

larger in terms of personnel? I'm not talking about costs now, but of course that's related. Why are some offices larger than others?

MR. HORSMAN: Well, it relates to the functions that are performed in those offices. For example, the offices are usually staffed by an agent general, depending upon the activities they undertake. The agent general is an employee of Federal and Intergovernmental Affairs, but the other employees are from other departments of government - Economic Development and Trade, tourism, Agriculture, Career Development and Employment - and it depends on what happens in those various departments.

If you look at the report, it shows you that in London, which handles not only United Kingdom issues but relates to what's taking place in the European Community and on the continent, it's a much larger staff than one has, for example, in Korea, where our operation is very small, consisting of a director of that office who operates under the authority of the Japan office, which is located in Tokyo. So it depends upon the nature of the activity that's taking place. In Hong Kong, for example, Career Development and Employment, because of immigration and investment requests for Alberta, are much greater than one finds in Europe. We don't have the same type of request coming in from Europeans for immigration or investment, entrepreneurial immigration, into Canada as you do in Asia. When I was Minister of Advanced Education and Manpower, going back a number of years, we had a separate office in London to attract immigrants to Canada. Well, that pool of immigration by and large dried up, and therefore the immigration is now coming from Asia. So that's the nature of the offices, and it's that they perform quite different functions.

MR. BRUSEKER: Thank you. My first supplementary then. The offices do take a big chunk of money. I think the minister referred to companies that have been assisted, trade shows that have been presented, and so forth, and I'm wondering: is there not a way that could be initiated to do a follow-up after a trade show is held to see how effective these offices are? Could there not be a follow-up to go back to the companies that have participated and say, "What difference has this trade show made on your business dealings with Alberta?" so that we get some kind of a measure of the effectiveness or the value of the \$5 million expenditure?

MR. HORSMAN: It's always difficult to know whether or not the activity of a foreign office has precisely and factually been the sole cause of an investment in Alberta or the sale of a specific commodity. Obviously, the offices play the role of being a facilitator or catalyst in sales or investment efforts and help smooth the road for Alberta businesspeople, but it's only one part of a continuum of steps required to close business contracts or to effect sales. It can include the office every step of the way towards that contract or deal that may be arrived at. Sometimes, in addition, the office is available for businesspeople to use as their centre of operations when they are abroad. That's a very common usage of the offices in London particularly, Hong Kong, Japan. They use it for meetings, messages, telephones, telexes, as their contact points, and for advice on business customs that are, particularly in Asia, much different than we find in Europe or in North America.

As far as follow-up is concerned, we do try to follow up with contacts on behalf of businesses. When Albertans return home, they use our offices again as contact points. We also provide assistance particularly in overcoming language barriers. We involve checking up on competitors in the marketplace and follow-up on previously established contacts. But it is hard to do this

cost/benefit analysis that everybody wants to ask for. Just as an example, the investment of \$800 million in Alberta by Li Ka-shing was certainly brought about as a result of a wide variety of contacts, but the foreign office in Hong Kong was very instrumental in interesting him in this province. I can just point out as well as another example how it impacts on marketing efforts in key sectors such as agriculture. For example, Alberta beef sales to Japan more than doubled in the six-year period up to the end of 1991 and continue to grow.

These are all things that are happening, but to say that they were solely the responsibility of our foreign office would be overstating the case, because you can't say that. It may take a lot of work on other activities which don't come to fruition, that perhaps could be counted as unsuccessful activities, to either attract investment or to have sales of Alberta commodities take place in foreign markets. So it's very hard to quantify, but we do follow up with those people who use the offices. I do. I have received correspondence from them relative to how they feel the offices have been working, and we've had exceptionally good comments back to us.

MR. BRUSEKER: Thank you. My final supplementary. The minister did talk about the Pacific Northwest Economic Region and the logical grouping there. I'm wondering: has the government or your department given any consideration to perhaps operating or considering meeting with those other groups and having umbrella offices? Instead of Alberta offices, have umbrella offices that might serve all of those seven participants internationally, and maybe all jurisdictions could have some cost savings there.

MR. HORSMAN: We have taken a look, and we are in the process now of examining whether or not we can share offices with other provinces in Canada, but we haven't advanced that idea so far in the Pacific Northwest Economic Region. It is certainly something, though, as you are aware from your participation in that region, that we can build towards, but we have chosen six particular areas to involve ourselves in together. Until we've made successes in those areas and until we know we're succeeding in the six areas we've now chosen, I'm reluctant to add to the list of things we should be doing together. It certainly is something that would merit discussion, because if we are going to promote the region internationally, to work together would make good sense.

9:11

MR. CHAIRMAN: Mr. Drobot.

MR. DROBOT: Thank you, Mr. Chairman. On page 3.66, vote 1, there exists the heading Grants. Could the minister comment on the purpose these grants serve and what types of groups receive these grants?

MR. HORSMAN: Yes, okay. We have issued 12 grants. The majority of those relate to the promotion of Canadian studies programs at various institutions in the United Kingdom, the United States, Korea, and Hong Kong. For example, a grant of \$8,000 was given to the Association for Canadian Studies in Washington, D.C., which has been very successful in increasing the profile of Canada in the U.S. A similar amount was presented to the Foundation for Canadian Studies in the United Kingdom. We've been supporting that for a considerable number of years. We've provided a grant of the same amount to Yon Sei University in Seoul, Korea, as a fifth year of support for their Canadian studies

program. That has involved reciprocal conferences at the University of Alberta and Yon Sei University in Korea for four years. They're not large, but they are significant.

Just as a matter of interest, members of the committee may not realize that Canadian studies is the fastest growing program in the United States of America. At the most recent meeting – they hold meetings every two years – which took place in Boston and at which I was a guest speaker at the breakfast Alberta sponsored, they had almost 1,000 delegates registered from across the United States. I don't think most Canadians know how intensely Canada is being studied in the United States of America. That's just one example of the type of grants we issue.

A grant of \$75,000 was presented to the Western Centre for Economic Research and a grant of \$143,800 was provided to the Canadian Intergovernmental Conference Secretariat, an agency for both the federal and provincial governments which, as such, is jointly funded by the provinces and the federal government. The size of the grant is based on the population of each province, and that varies each year because it depends on how many intergovernmental conferences are held. That's another unpredictable amount we can't really estimate with accuracy. We don't know how many first ministers' conferences may be held during a year. The size of our grant fluctuates according to those types of meetings.

MR. DROBOT: Supplementary, Mr. Chairman. Under the category Grants, we also see that a special warrant totaling \$23,800 was necessary. Could the minister elaborate on why this was necessary?

MR. HORSMAN: That really relates back to my previous answer. I think that specific amount related to the constitutional change issue. We didn't request funds for the grant because we hadn't decided to fund the research on the economic implications for Alberta on constitutional change. That related specifically to that grant. When we decided to make that grant, obviously we did so. That was to the centre for economic research at the University of Alberta. They've received that grant that was related to constitutional matters.

MR. DROBOT: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mrs. Laing.

MRS. B. LAING: Thank you, Mr. Chairman, and good morning to the minister and his staff. I'd like to congratulate you on the fine work you've done in representing all of us in the constitutional proceedings.

On page 3.67, vote 1.0.1, it appears the actual expended amount for Administrative Support exceeded its estimate by nearly \$75,000. Could the minister explain this, please?

MR. HORSMAN: Yes. Let me just get that information for you. That element included all the administrative support functions as well as the deputy minister's office and communications. That was overspent by that amount primarily due to the difficulties in implementing the department office automation plan. Extra manpower provided technical support to staff during an unforeseen equipment conversion. We went through a major installation of equipment, computers and all those good things everybody knows how to work but myself. That's really how that particular item occurred.

MRS. B. LAING: Okay; thank you.

The budgeted amount for Administrative Support is \$55,000 less than the previous year, and then the cost actually increased by \$20,000, which is a sort of anomaly. I wonder what the explanation would be there.

MR. HORSMAN: Well, this is a relatively small amount obviously, but there are ongoing efforts by the department to minimize administrative costs, and we are striving to maintain our dollars on the operational side of the department. This really is one of the difficult things to explain, but it's the type of thing that occurs. I can't say much more than that, however.

MRS. B. LAING: Okay.

My last supplemental. In the last two years the actual expenditure for Administrative Support has exceeded its estimate. In light of this, will the minister budget accordingly next year to prevent an overexpenditure again?

MR. HORSMAN: Well, we indeed have budgeted for an increase in that area of about 3.8 percent, so hopefully we will be able to live within that particular allocation relative to the current budget.

MR. CHAIRMAN: Mr. Clegg.

MR. CLEGG: Thank you, Mr. Chairman. I want to thank the minister for his in-depth remarks at the opening. It was very interesting to hear that his department in total would in fact run our health care for only one day. I've never compared it with his department, but I've certainly compared it with rec and parks, and if we don't do something about the health care costs in Canada, we won't have one, so we've got to look at that. But I don't want to get into the Health budget this morning.

MR. HORSMAN: Please don't.

MR. CLEGG: However, on page 3.67, vote 1.0.5 – again, I know the minister has said it in his opening remarks and in some of the other questions. The budget for Conferences and Missions was \$494,000, and over \$850,000 was in fact spent. Are these expenditures – and I know he mentioned this too – for unforeseen conferences and missions, or is there any other reason for this overexpenditure?

MR. HORSMAN: Well, the element Conferences and Missions is where we charged almost \$300,000 of the grants provided in '90-91, as well as expenditures incurred in the round table and discussion paper which we produced for Albertans related to the Constitutional Reform Task Force, Alberta in a New Canada – that was \$230,000 – and the extra costs associated with the Meech Lake negotiations of \$80,000. So that's really what took place with regard to that particular expenditure.

9:21

MR. CLEGG: Well, thank you, Mr. Minister. Could the minister indicate who participates in these conferences and missions? Is it just yourself and departmental staff, or is there anyone else involved?

MR. HORSMAN: Well, it obviously relates to myself, the Premier, other ministers who may attend these conferences – for example, the Western Premiers' Conferences: other ministers may attend depending upon the nature of the discussions – departmental staff, sometimes members of the Legislature, and whoever else goes to the conferences. Now, we do retain advisors. For

example, Dr. Peter Meekison is our constitutional advisor and would accompany us, although he's not formally a member of the department, as an advisor. With regard to the Pacific Northwest Economic Region, it would include expenditures there for the Leader of the Opposition, who is a member of the Pacific Northwest Economic Region, as well as Mr. Bruseker, who is also a member. So those are the members that normally would be included in that amount.

MR. CLEGG: Thank you. My final supplementary. We all realize this is a time of fiscal restraint, particularly in travel expenses, although we all know talks have been going on over the constitutional crisis, which I guess is the word we should use. In light of the factors I have mentioned, can we expect any increase or decrease for next year's public accounts?

MR. HORSMAN: Overall, I anticipate the expenditures in that element would be down about 25 percent in the '91-92 fiscal year from the '90-91 fiscal year. That's based on our preliminary advice. So that would be down about 25 percent. However, if you want to jump ahead - and I know that's not the function of this committee - in the '92-93 fiscal year, because of all the travel I've had to undertake coast to coast for the last three months, I expect we'll probably see an increase over '91-92. It's just one of those functions of my department that you can't predict with certainty. I know I'm sort of getting out of the ambit of the discussions you're involved with here, but I think it's okay to just point those things out.

MR. CHAIRMAN: This morning, given the nature of your particular department, I think that permits some latitude here in terms of moving beyond the accounts themselves.

Mr. McFarland.

MR. McFARLAND: Thank you, Mr. Chairman. Good morning, Mr. Minister, and ladies and gentlemen. I'll give you a break for a minute and let you have a drink of water. I'll ask a question of the Auditor General. I noticed there were no recommendations in the Auditor General's 1990-91 annual report. However, I'd like to ask about the 1989-90 annual report in which you discussed some difficulties with the London foreign office and the accounts that were established in London by the foreign office in contravention of section 19 in the Financial Administration Act. My question would be: how was this matter resolved, and are you satisfied with how it's been handled since then?

MR. SALMON: Mr. Chairman, I'm satisfied because we reviewed the matters that have been taken care of on the basis of the previous report. That's why the present report, and the last one, '90-91, is clear.

MR. CHAIRMAN: I wonder if the minister has any comment he'd like to make on this.

MR. HORSMAN: Well, when this matter came to my attention, we certainly dealt with it immediately and reported it to the Auditor General. All expenditures were accounted for, and it has been dealt with satisfactorily to my concern and to the Auditor General's.

MR. CHAIRMAN: Mr. McFarland, do you have another?

MR. McFARLAND: Thank you. My supplementary is again to the Auditor General. I understand these difficulties were caused

by deposits in a London bank account from third parties and sublease revenue.

MR. CHAIRMAN: If I may interrupt for just a moment, I'm probably going to permit the question, but we did have the Auditor General before us for two days and, really, we have the minister of intergovernmental affairs. If you could phrase your question in such a way that it's directed to the minister, then maybe the Auditor General might care to comment. We'll see.

MR. McFARLAND: Okay. Would the Auditor General be able to comment on whether or not these . . . Oh, I can't, eh?

MR. CHAIRMAN: Go ahead.

MR. McFARLAND: Could the minister tell me if the Auditor General has commented to him on whether or not these accounting practices are being adhered to in the other foreign offices?

MR. HORSMAN: Yes. We've satisfied ourselves and, I think, the Auditor General that this was the only instance where this type of event occurred. All the other offices are indeed adhering to standard accounting practices as approved by the Auditor General. This was the only incident of this type in any of the offices. We didn't have to deal with that problem anywhere else.

MR. CHAIRMAN: I think I noticed the Auditor General nodding in agreement with that statement by the minister.

MR. McFARLAND: Thank you. Sorry about that.

Mr. Minister, could you inform me, then, if the Auditor General has indicated if moneys from third parties and sublease revenue for these foreign offices should appear in the public accounts documents?

MR. HORSMAN: Well, what will happen in the future in the event of any sublease revenues - and that's really what occurred here - and moneys received from third parties and so on is that they will flow into general revenue, which is the proper way it should be done. That's how they will be accounted for in the future. They'll go into general revenue, and the expenditures from the foreign offices will not be made from those types of accounts and will be made through the regular budgeted procedures. There are some trust accounts for private-sector people who are out in the foreign offices. They're being prepared, but they will not be part of general revenue.

MR. CHAIRMAN: Ms Mjolsness.

MS MJOLSNESS: Thank you, Mr. Chairman. The minister in his opening remarks mentioned the North American free trade agreement. I'm wondering if he could explain to us if in fact any money was expended in relation to that in this fiscal year 1990-91.

MR. HORSMAN: I'm sorry. I didn't quite . . .

MS MJOLSNESS: Was any money expended in this fiscal year in preliminary work or research toward the North American free trade agreement?

MR. HORSMAN: Most of the expenditures we would have had relative to the North American free trade agreement would have been relating to my travel and were associated with the federal/provincial ministers responsible for international trade negoti-

ations. During this period of time we held meetings in Ottawa in May 1990, September 1990, and February of 1991. In terms of any expenditures relative to research on that, those were not expenditures which occurred through my departmental budget. Economic Development and Trade may have conducted some studies, but that did not flow through my department.

9:31

MS MJOLSNESS: Thank you. Could the minister indicate where the money is to be found on page 3.66 in reference even to his traveling?

MR. HORSMAN: Conferences and Missions is where it would be found.

MS MJOLSNESS: Okay; that's fine. Thanks.

MR. HORSMAN: Do you want me to go . . .

MS MJOLSNESS: I was just wondering where I could locate it here.

MR. HORSMAN: Oh, I see. Yes. It's in Conferences and Missions.

MS MJOLSNESS: Okay. So that's just one component of that particular area.

MR. HORSMAN: That's right. It is.

MS MJOLSNESS: A supplementary then. Currently is any money being devoted to monitoring the effects of the current free trade agreement through your department?

MR. HORSMAN: Through my department . . .

MS MJOLSNESS: In this fiscal year.

MR. HORSMAN: In this current fiscal year?

MS MJOLSNESS: No; sorry. In 1990-91 was there any money allocated to monitoring the effects of the free trade agreement, not the North American free trade agreement?

MR. HORSMAN: The free trade agreement? Just a second; let me check this. Yes, we have departmental staff whose responsibilities are directly related to that issue, but they're not singled out. I can't tell you how much of the salary allocation of our internal staff is really directly related to that. We do have a director who's responsible for monitoring that. He has with him a number of staff people who devote most of their time and attention to the overall international trade area, but that includes GATT, North American free trade, as well as the free trade agreement itself. So it's hard to spell out precisely how much would be targeted toward the free trade agreement. Also, the director involved attends monthly meetings in Ottawa with his counterparts from every other province and the federal government. I'm sorry I can't sort of spell out for you how much precisely goes to that, because it's internal: salaries and so on.

In terms of external expenditures, I should tell you that our acting agent general in the New York office devotes a great deal of his time and attention to monitoring developments in Washington, D.C. The federal government has a policy relating to provincial offices in Washington, D.C., which is unique in terms

of their policy with regard to foreign representation of provinces in that they do not want any province to have a direct office in Washington, D.C. All the provinces operate their Washington, D.C., operations out of the New York offices. So at least half of his time would be expended on monitoring what is taking place in the U.S. Likewise, in our foreign office in London our agent general and the staff there spend a great deal of their time and effort monitoring and participating and dealing with the GATT discussions. So it's hard to pull out and quantify with a figure how much of our time and effort is expended there.

We also have a contract with a law firm in Washington, D.C., on an annual basis of \$20,000 to represent Alberta's interests. Arnold & Porter is the law firm. They have been heavily involved in the pork countervail case on behalf of Alberta pork producers. So that type of expenditure is ongoing.

MS MJOLSNESS: Okay. Thank you.

MR. CHAIRMAN: Mr. Gibeault.

MR. GIBEAULT: Thank you, Mr. Chairman. It was observed that the budget allocation for the Federal and Intergovernmental Affairs department is one of the smaller ones. Certainly that's the case. Another way of looking at it, I suppose, is that its \$10.8 million expenditure was less than 2 percent of the amount of money the government lost on NovAtel. I guess that's another perspective.

Maybe we could just ask the minister here in terms of the international offices, which accounts for a big chunk of the department's budget. Certainly the government has received a lot of public criticism for its practice of appointing people to run these offices, agents general and so on, whose primary qualification seems to be their political affiliation. I wonder if the minister has reviewed this practice and would be prepared to change it so that people are hired basically on their merit rather than their political connections.

MR. HORSMAN: Well, it's my view that the agents general who serve the interests of Alberta are all highly qualified, dedicated Albertans, and I'm quite satisfied that all of them are performing their function fairly and without any preference towards any people of political persuasion who attend that and utilize the offices of the government of Alberta. I don't think anybody can point to any partisan activities being carried on in any of these offices.

MR. CHAIRMAN: If I'd had a moment, I probably would have ruled the question out of order, but since the question was put and you answered, we did get into . . .

MR. GIBEAULT: You said we could get into policy today, Mr. Chairman, didn't you? Specifically. Wasn't that your direction? You changed the rule, not me, didn't you?

MR. CHAIRMAN: In any event, ask your second supplementary.

MR. GIBEAULT: Thank you, Mr. Chairman. Another thing I'd like to ask the minister is in terms of the twinning arrangements that we have with various other countries. Maybe the minister can correct me, but my understanding is that we only have three at the moment, with China, Korea, and Japan. I'm wondering if during this fiscal year there are any other plans to have twinning arrangements with other countries. I'm thinking in particular of the discussions with Mexico and the United States on the free trade

agreement idea. I don't believe we have a twinning arrangement with Mexico, if that's correct. Should we be looking at twinning arrangements with other provinces in countries in Central and Latin America, Europe, and other parts of the world than just the Pacific Rim countries?

MR. HORSMAN: Well, in addition to the three you mentioned, we also have a twinning relationship with the Russian federation. That was signed into by an agreement in 1989. That has resulted, quite frankly, in very extensive visitations by Alberta businesses in the Russian Republic, particularly those companies associated with oil and gas exploration and oil and gas servicing and manufacturing equipment. That's the fourth. We have four rather than just the three you mentioned.

There's some uncertainty, obviously, about that relationship now because of the events which have taken place in what used to be the U.S.S.R. and the emergence of Russia as an independent country, separate and apart from the previous Soviet Union. We've been assured by the Russian government that they wish to continue the relationship, and we might note that just the other day Mr. Yeltsin, in his visit to Quebec, reaffirmed the Quebec relationship with the Russian federation as well.

There are, as a matter of fact, within the next while two governors, I think, from parts of the Russian federation, the Tatar Republic and the Komi Republic, who will be visiting Alberta to continue and build on those relationships, so that's an important one.

You make an interesting point relative to Mexico. It's not my department directly. The Department of Agriculture has had memorandums of understanding with Durango and Zacatecas states within the federal republic of Mexico, so we have some involvement there but not to the same extent that we have in terms of the overall twinning relationships that we've previously discussed. We've just signed a new agreement as well with the Tyumen region of western Siberia, also flowing from this twinning relationship with the Russian federation.

9:41

MR. GIBEAULT: Given that the government closed one of our international offices this year, the Los Angeles office, I'm wondering if the government's giving any consideration at all to establishing a new office anywhere in Latin America or in an eastern European region in the coming time.

MR. HORSMAN: Well, we're looking at the subject of continental Europe, with particular reference to dealing with the eastern European countries. No decision has been taken, because of budgetary concerns, to expand our foreign office operations. I would think, though, that a presence in continental Europe would provide us with access to eastern European countries. We've had a number of delegations visit us to inquire about economic development in Hungary, some in Czechoslovakia, and prior to the terrible circumstances which now prevail in Yugoslavia, we have had requests for consideration of twinning relationships from Bosnia-Herzegovina. Obviously, those things are very much in abeyance now because of the terrible circumstances that prevail in the Yugoslavian area, but certainly it's something we're looking at.

In terms of more emphasis on Latin America, I believe there's great opportunity for us there. It was with a great deal of concern that we made the decision not to continue our operations in Los Angeles, because that was serving as somewhat of a bridge or an opening into Mexico in particular. I think there is great opportuni-

ty there, but we don't have the funds to open any more offices at this stage.

MR. CHAIRMAN: I have five members of the committee that have indicated that they'd like to ask a second set of questions. This is just a request, that perhaps they could just ask one question and forgo their supplementaries, although you have the right to ask all three questions if that's your choice.

Mr. Lund.

MR. LUND: Thanks, Mr. Chairman. We'll try to phrase the questions so that we accommodate your request.

First, I do want to just pass on to the minister a comment that was made to me last Monday by a past president of the Sylvan Lake legion who fought in the Second World War. He lifted his cane and he said, "Tell the minister when you see him that he's doing a tremendous job and to hang in there for the good of Alberta." So I pass that along to you. It was very moving.

On page 3.66 of the public accounts, Supplies and Services, vote 1, we see an overexpenditure of \$69,974, yet a special warrant for \$23,800, and also a underexpenditure in the total vote but no transfers, if you follow all that. I was probably going to get into a couple of supplementaries. I'm just wondering: why would we only have a special warrant for \$23,000 on overexpenditure, yet no transfer of funds even though the total budget was underexpended?

MR. HORSMAN: Well, let me try. I think you put a question and two supplementaries together there, or at least one supplementary. I think that the \$69,000 overexpenditure is in fact related to Grants and not to Supplies and Services.

With regard to the special warrant for \$23,000 for Supplies and Services, the reason we did not request funds for that grant is that we had not yet decided to fund research on the economic implications for Alberta constitutional change. When the decision to fund the research was made, we were aware that total funding of the department was sufficient even though not in the grants control group.

I don't know if that answers your question satisfactorily.

MR. LUND: Why wasn't there a transfer of funds to cover off that \$70,000 overexpenditure when in fact the total budget . . . I'm wondering where we're accounting for that overexpenditure.

MR. HITSCHEFELD: Sir, there was no need to make the transfer. The grant was made towards the end of the fiscal year, and because there was money within the total vote, there was no need to make the transfer at that time.

MR. LUND: Thank you.

MR. CHAIRMAN: Mr. Musgrove.

MR. MUSGROVE: Mr. Chairman, allowing some latitude, with your permission I would like to ask a question about the co-operation that Canada, and in particular Alberta, has with China over dinosaur activities and the involvement of the department in that. It's my understanding that they're attempting to put a museum together and that there's a figure budgeted for Alberta to be involved in that at some time. I was wondering if they're building up a fund for that or what's happening.

MR. HORSMAN: That doesn't flow through my department at all. That's a matter for Culture and Multiculturalism entirely.

There's no funding through my department for that particular project, but I'm aware of it.

MR. MUSGROVE: I see. Okay.

MR. CHAIRMAN: Mr. Drobot, did you have a question?

MR. DROBOT: In the 1992 Budget Address the Provincial Treasurer announced that the Los Angeles trade office would be closed. The total 1991 expenditure for Alberta offices was \$5.5 million. Could the minister comment on what savings will be realized by this closure?

MR. CHAIRMAN: It's more properly a question that should have been put during the estimates, but if the minister cares to make a ...

MR. HORSMAN: Well, I can just comment briefly on it. Actually, the savings to my department are minimal, about \$100,000 a year. Most of the costs of the Los Angeles office are covered in the budgets of tourism and Economic Development and Trade, and the saving governmentwide would be approximately \$800,000.

I think it would be useful, Mr. Chairman, to explain that the total expenditure for foreign offices does not come from my department. We tried to spell that out and show clearly in this report where the moneys flow from, the various departments of government: Economic Development and Trade, Career Development and Employment, and so on. My department provides the administrative staff for the operation of the office, and where there is an agent general, obviously that expenditure flows through my department as well. In the case of Los Angeles, rent was paid by Public Works, Supply and Services. Our actual expenditure through my department was relatively small because we did not have an agent general in the Los Angeles office. The key staff person there was a staff member of the Department of Economic Development and Trade.

9:51

MR. DROBOT: One supplemental, Mr. Chairman. Based on that \$5.5 million expenditure on Alberta foreign offices, has the minister given consideration to the idea of closing any of the other Alberta offices in Tokyo, London, or New York?

MR. HORSMAN: No, I'm not considering the closure of any further offices. It was a difficult decision to close the one we did. It was possible there, it was felt, because of the proximity to Edmonton and the fact that there's only one time zone difference. The departments involved felt that they could serve the interests of Alberta in that region from their Edmonton office by using Edmonton-based employees. Obviously, that will result in some additional travel expenditures and so on, but that was a decision we had to take.

No, I don't want to see any further closure of offices. They're very busy. They do a good job on behalf of Albertans and on behalf of people who are inquiring about Alberta, so I don't want to see any further closures.

MR. CHAIRMAN: Well, we have one other item of business that we absolutely have to return to today, so I'd like to thank the minister for appearing before the committee today and bringing members of his department with him. I'm certain that all members of the committee appreciated the comprehensive answers that you gave to the questions they put to you.

MR. HORSMAN: Thank you. Could I just add one little item for the benefit of the committee? In analyzing our travel expenditures, approximately 25 percent of our total travel expenditures are covered by bonus points, so they're flowing back into government use. You know, we're cutting the cost by making sure we utilize those bonus points rather than incurring additional expenditures. That's just a little bit of information I thought the committee might be interested in.

MR. CHAIRMAN: Well, I'd like to share as well that the chairman of the committee, when he travels on behalf of the committee, where he can do so will use his bonus points as well.

MR. HORSMAN: Thank you.

MR. CHAIRMAN: The item before us, then, is a motion by Mr. Doyle. Mr. Doyle was speaking at that time. In light of the hour I would hope that we could have maybe one member from each of the parties address that and then have Mr. Doyle make a brief concluding statement, and maybe we can be finished the debate by 10 o'clock.

Moved by Mr. Doyle:

That the Standing Committee on Public Accounts order the appearance of the Minister of Technology, Research and Telecommunications and the senior management of NovAtel Communications Ltd. and that they be asked to produce all relevant documents pertaining to the management and sale of NovAtel Communications Ltd., including pertinent management agreements, financial records, and any management letters from the Auditor General of Alberta to NovAtel.

Mr. Moore.

MR. MOORE: Thank you, Mr. Chairman. Now, Mr. Doyle brought this motion forward and expressed concern about the NovAtel situation. I think every member of this Legislature is concerned and would like to get the answers as to how this unfortunate situation came about.

But it's very evident from Mr. Doyle's motion that Mr. Doyle was not aware of what the Premier did and the instructions he gave the Auditor General, one of our very capable, qualified, nonpartisan officials of this Legislature, and I should read that into the record right now. Mr. Doyle evidently missed it, or he would not have brought this motion forward. [Interjection]

MR. CHAIRMAN: Through the Chair, please. Mr. Moore has the floor.

MR. MOORE: The letter to Mr. Salmon from the Premier said:

Pursuant to Section 17(2) of the Auditor General Act, as President of the Executive Council, I advise that the Executive Council requests you to perform the following special duty:

1. To review the financial affairs of NovAtel Communications Ltd. and the Province of Alberta with respect to The Alberta Government Telephones Commission's (AGT's) investment in NovAtel Communications Ltd. and report:
 - (a) the key events, decisions and any other matters which, in your opinion, are relevant to the investment in NovAtel Communications Ltd., including:
 - (i) the acquisition of NOVA's interest in NovAtel in 1989;
 - (ii) the main reasons for the error contained in the TELUS prospectus dated September 10, 1990, and
 - (iii) the strategic business decisions made with respect to NovAtel before and after the privatization of AGT;
 - (b) the nature of the losses incurred by the province including the main reasons for the losses incurred by NovAtel;

- (c) whether, in your opinion, accounting and management control systems that could have reasonably anticipated and/or prevented such losses were not in existence, were inadequate or had not been complied with.

And I want to just point this out:

In conducting your review, please consider any relevant reports and studies pertaining to the above matters.

2. To report the effect of NovAtel Communications Ltd. on the province's financial position.

It even reflects on how it impacts on the financial position of the province. And a very important direction:

3. To present a report which will be made public.

Now, Mr. Chairman, it is very evident that the very careful hon. Member for West Yellowhead had never heard this or he would not have brought this motion forward, because it's very clear that a very thorough investigation is under way where all aspects — there's no limitation, no parameters that exclude the examination of one of the very top, most qualified auditors in the province of Alberta to carry out.

I think that the member's motion is good. We all want to know the answers. We're going after them; we're going to get the answers. So I support his concept of wanting the answers — that's fine; we all want that — but I know we will get that in due course, so I think his motion, though sound in concept, is premature.

MR. BRUSEKER: Just looking at the motion, I would support the motion. I have been a member of this committee for the last three years and notice the long list we have of ministers before us yet. I note with despair how far down the list the Minister of Technology, Research and Telecommunications is, which will result, undoubtedly, in him not appearing before this committee in this fiscal year or next, given that we only meet such a minimal number of times. That would preclude the Public Accounts Committee from achieving exactly the purpose for which we have been constituted, which is to ask questions of the minister. Now, given that NovAtel is the single largest loss of this government or any government in the past, I think there's no doubt that we need to have this minister before us, and I think that for us to vote down this motion would be an abrogation of our duty. I would urge all members to support it.

MR. CHAIRMAN: Mr. Doyle.

MR. DOYLE: Thank you, Mr. Chairman, and I want to thank the Liberal member for his support of the motion. Certainly I can understand the government members not supporting this motion, because they simply want to hide the true facts of what has happened to NovAtel.

My motion does not mention anything about the Premier appointing the Auditor General to do the investigation. My motion is to bring the minister that is responsible for this inept action of the taxpayers' funds in front of this committee so that he can answer the questions that are important to the taxpayers of Alberta. I have the greatest confidence in the Auditor General, and I can assure the committee that I personally now have much more confidence in the Auditor General than I do in the Premier of this province. Doing such a thing as not allowing the Minister of Technology, Research, and Telecommunications to come before this committee is certainly saying that the Conservative members of this committee are abdicating their responsibilities to the taxpayers of Alberta.

MR. CHAIRMAN: We're at the hour for adjournment. Are you ready for the question? Can we deal with this?

HON. MEMBERS: Question.

MR. CHAIRMAN: Those in favour of Mr. Doyle's motion, please indicate. Those opposed? The motion is defeated.

[For the motion: Mr. Bruseker, Mr. Doyle, Mr. Gibeault, Ms Mjolsness]

[Against the motion: Mr. Clegg, Mr. Drobot, Mrs. B. Laing, Mr. Lund, Mr. McFarland, Mr. Moore, Mr. Musgrove]

MR. CHAIRMAN: Now, July 1 is a holiday, so there will be no meeting of the committee on that day. On July 8 the chairman, the deputy chairman, and the clerk of the committee will be at the Canadian Council of Public Accounts Committees conference in Fredericton, so there will be no meeting that day. If we are in session then, on July 15 we're attempting to have the Minister of Tourism, Parks and Recreation appear before the committee. He's been asked, but it's unconfirmed as of this morning.

[The committee adjourned at 10:01 a.m.]