



Legislative Assembly of Alberta

The 29th Legislature
Third Session

Standing Committee
on
Public Accounts

Economic Development and Trade

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**Legislative Assembly of Alberta
The 29th Legislature
Third Session**

Standing Committee on Public Accounts

Cyr, Scott J., Bonnyville-Cold Lake (W), Chair
Dach, Lorne, Edmonton-McClung (ND), Deputy Chair

Barnes, Drew, Cypress-Medicine Hat (W)
Fildebrandt, Derek Gerhard, Strathmore-Brooks (W)
Fraser, Rick, Calgary-South East (PC)
Goehring, Nicole, Edmonton-Castle Downs (ND)
Gottfried, Richard, Calgary-Fish Creek (PC)
Littlewood, Jessica, Fort Saskatchewan-Vegreville (ND)
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Malkinson, Brian, Calgary-Currie (ND)
McKittrick, Annie, Sherwood Park (ND)*
Miller, Barb, Red Deer-South (ND)
Nielsen, Christian E., Edmonton-Decore (ND)**
Panda, Prasad, Calgary-Foothills (W)
Renaud, Marie F., St. Albert (ND)
Turner, Dr. A. Robert, Edmonton-Whitemud (ND)
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* substitution for Nicole Goehring

** substitution for Cameron Westhead

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Standing Committee on Public Accounts

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Sonya Johnston, Assistant Deputy Minister, Strategic Policy and Corporate Services

Jason Krips, Deputy Minister

Matthew Machielse, Assistant Deputy Minister, Trade and Investment Attraction

Alberta Enterprise Corporation

Kristina Williams, President and Chief Executive Officer

Alberta Innovates Corporation

Maureen Fromhart, Vice-president, Finance

8:30 a.m. Tuesday, May 30, 2017

[Mr. Cyr in the chair]

The Chair: Good morning, everyone. I'd like to call this meeting of the Public Accounts Committee to order and welcome everybody in attendance. My name is Scott Cyr, MLA for Bonnyville-Cold Lake and chair of the committee.

I'd ask the attendees at the table to introduce themselves for the record, starting at my right with the deputy chair.

Mr. Dach: Lorne Dach, Edmonton-McClung, deputy chair.

Mr. Malkinson: Brian Malkinson, MLA for Calgary-Currie.

Dr. Turner: Bob Turner, Edmonton-Whitemud.

Mrs. Littlewood: Jessica Littlewood, Fort Saskatchewan-Vegreville.

Mr. Nielsen: Good morning. Chris Nielsen, MLA for Edmonton-Decore.

Ms Miller: Good morning. Barb Miller, MLA, Red Deer-South.

Ms Renaud: Marie Renaud, St. Albert.

Ms Luff: Robyn Luff, Calgary-East.

Ms McKittrick: Bonjour. Annie McKittrick, Sherwood Park.

Mr. Saher: Merwan Saher, Auditor General.

Mr. Driesen: Rob Driesen, Assistant Auditor General.

Ms Farmer: Cynthia Farmer, ADM, economic development.

Ms Johnston: Sonya Johnston, ADM, strategic policy and corporate services.

Mr. Krips: Jason Krips, deputy minister.

Ms Fromhart: Maureen Fromhart, Alberta Innovates.

Mr. Machielse: Good morning. Matt Machielse, ADM, trade and investment attraction.

Mr. Fraser: Rick Fraser, Calgary-South East.

Mr. Gotfried: Richard Gotfried, Calgary-Fish Creek.

Mr. Fildebrandt: Derek Fildebrandt, Strathmore-Brooks.

Mr. Panda: Good morning. Prasad Panda, Calgary-Foothills.

Mr. Barnes: Good morning. Drew Barnes, Cypress-Medicine Hat.

Dr. Massolin: Good morning. Philip Massolin, manager of research and committee services.

Mrs. Sawchuk: Karen Sawchuk, committee clerk.

The Chair: Okay. We have nobody teleconferencing in.

The following substitutions are noted for the record: Mr. Nielsen for Mr. Westhead, Ms McKittrick for Ms Goehring.

A few housekeeping items to address before we turn over to the business at hand. The microphone consoles are operated by *Hansard* staff, so there's no need to touch them. Committee proceedings are audio- and video streamed live on the Internet and recorded by *Hansard*. The audio- and video stream and the transcripts of the meetings can be accessed via the Legislative

Assembly site. Please set your cellphones and other devices to silent for the duration of the meeting.

Let's move to approval of the agenda. I have one item I will be bringing forward under other business. Do members have any changes or additions to the agenda? Seeing none, would a member move the agenda forward? Mr. Barnes. Any discussion on the motion? All in favour? Any opposed? Carried.

Approval of the minutes. Do members have any amendments to the May 23, 2017, minutes? If not, would a member move the minutes? Mr. Nielsen. Thank you. Any discussion on the motion? All in favour? Okay. We're all engaged, it appears. Any opposed? Thank you. The motion is carried.

I'd like to welcome our guests who are here on behalf of the Ministry of Economic Development and Trade to address the ministry's 2015-2016 annual report as well as outstanding recommendations from the Auditor General. Members should have the research report prepared by research services, the Auditor General briefing document as well as the status of the Auditor General's recommendations document completed and submitted by the ministry.

I invite the deputy minister to provide opening remarks not exceeding 10 minutes. Mr. Krips.

Mr. Krips: Thank you very much, Mr. Chairman. Ladies and gentlemen of the committee, it's my honour to be here to present on behalf of the Ministry of Economic Development and Trade. You've already met some of my team members at the front bench. There are a few others I'd like to mention. We have Kristina Williams, CEO of Alberta Enterprise Corporation, in the gallery as well as John Brown, ADM of science and innovation with us. We've got Michael Michalski, my SFO, or senior financial officer, for finance administration, and Gregory Jack, our communications director.

I'll provide you an overview of the ministry along with some of the financial highlights for 2015-2016. In October 2015 the government established the Ministry of Economic Development and Trade. The new ministry brought under one umbrella several divisions from the former ministries of innovation and advanced education, international and intergovernmental relations, and jobs, skills, training, and labour. The ministry's priorities are advanced through two agencies, Alberta Innovates and Alberta Enterprise Corporation. Economic Development and Trade leads the government's efforts to make Alberta's economy competitive, diverse, and resilient. It supports economic development strategies, policies, and small and medium-sized business enterprises. It facilitates export development and investment attraction and leverages science and innovation.

The ministry is divided into four divisions. The economic development SMEs are now known as economic development, trade and investment and attraction, science and innovation, and strategic policy and corporate services. These divisions are supported by corporate services such as communications and human resources.

Now I'll give you some financial highlights. The operating budget for the Ministry of ED and T in 2015-16 was \$390 million. The ministry had actual expenses of more than \$303 million. The largest expense, at more than \$200 million, was associated with the Alberta Innovates Corporation, that was consolidated into one entity. Alberta Innovates was brought under the umbrella of the Ministry of Economic Development and Trade as a result of reorganization in October 2015. Economic development and innovation expenses were \$72 million. Restructuring in October 2015 transferred this program to the Ministry of Economic Development and Trade from the Ministry of Advanced Education. International relations expenses amounted to \$20 million.

EDT also took over responsibilities for administering the job creation incentive program from Alberta jobs, skills, training, and labour. There were no expenses incurred for this program in 2015-16 because this program was reprofiled into the Alberta jobs plan in 2016-2017. Responsibility for the administration of inter-governmental relations moved to Executive Council in 2015-2016.

In 2015-16 the Ministry of Economic Development and Trade had 991 FTEs.

In 2015-16 the ministry focused on two desired outcomes. The first desired outcome was to ensure that Alberta's economic environment is sustainable, diversified, and knowledge intensive. This outcome was achieved through five priority initiatives. The first priority initiative was the creation of economic development strategies to identify competitiveness challenges and sector opportunities for growth and investment. The ministry supported the development and implementation of the petrochemical diversification program, led by Alberta Energy. EDT worked with other ministries to lead the development of a \$250 million jobs and diversification package, which included tax credits and other initiatives to support job creators.

The second priority initiative was to clarify roles and responsibilities within the research and innovation system. EDT began the work to consolidate the four Alberta Innovates corporations into a single integrated, interdisciplinary entity, which was accomplished in October 2016. The ministry supported the research and innovation network, which, in turn, supported the creation of 26 new technology-based companies across Alberta. It also served over 2,300 client innovators and SMEs across Alberta and supported the launch of about 460 new products and technologies.

Through the research capacity program, or RCP, the ministry committed \$18 million in 2015-2016 to postsecondary institutions for research equipment. These investments to support researchers are projected to generate an additional \$59 million over five years, enabling institutions to access research talent, internationally competitive infrastructure, and partnerships.

Establishing a small-business research innovation program was our third priority initiative. Alberta Innovates: Technology Futures launched a small-business research and innovation pilot program to identify significant challenges to the public sector or industry end-users and generate projects from local small businesses to address them. The program, with a budget of \$5.5 million, supports field testing of small and medium-sized enterprise products or services that can enable first purchases.

The fourth priority initiative was to consult with Alberta businesses and entrepreneurs to determine best practices for expanding access to early- and late-stage venture and growth capital. Achievements under this initiative included an investment of \$75 million to the Alberta Enterprise Corporation over the '15-16 and '16-17 fiscal years. EDT also signed a letter of intent with the Business Development Bank of Canada, or BDC, that will enable the BDC and the government to build on their existing supports and develop initiatives for small and medium-sized businesses. In addition, ATB Financial was given access of up to \$1.5 billion in liquidity and capital to expand the loans it offers entrepreneurs and job creators.

The fifth priority initiative was the provision of client-centred supports and services to foster small-business growth in communities and regions. The ministry has supported a variety of programs and services to ensure that entrepreneurs and growing companies have access to information and assistance to start and operate a business, including the small-business resource website, a one-stop shop for small businesses; the rural Alberta business centres, which provide access to businesses in Camrose, Cold Lake, Rocky Mountain House, and Hanna in making informed business decisions; a partnership with

the Futurpreneur program to ensure better access to mentorship and capital for young entrepreneurs; and economic development across Alberta through the regional economic development alliances.

8:40

Our second desired outcome focused on ensuring that trade and investment attraction contributes to the province's resiliency and prosperity through six priority initiatives. The first priority initiative provided client-centred supports and services to foster small-business growth in communities and regions. The minister provided market intelligence, trade show support and business missions, visits to facilitate export development and investment attraction, and work with SMEs to understand and address export barriers. For example, the ministry led 10 Alberta technology companies on a trade mission to the Mobile World Congress, organizing 40 meetings and introductions, and identified more than 30 trade leads for companies at the conference and here at home.

The ministry also worked to reframe Alberta's international offices as trade investment hubs as its second priority initiative. The international offices refocused their efforts to position themselves to provide on-the-ground commercial services for businesses actively looking to enter priority markets, connecting investors and facilitating discussions.

As its third priority initiative EDT worked to advance and develop Alberta's strategic and international interests and relationships. This was achieved through missions and visits, engaging with regional organizations, collaborating with international financial institutions, supporting sister province relations, signing MOUs, and working with global enterprises. As just one example, during the business and partnering and investment attraction mission to Asia in January 2016 the ministry connected 21 Alberta organizations to 370 potential business partners and investors in four global financial centres, including Shanghai, Tokyo, Hong Kong, and Singapore.

The fourth priority initiative for EDT was to negotiate and advocate for trade rules and frameworks that enable economic prosperity while protecting Alberta's social programs, environmental priorities, and social standards. The ministry represented the province during negotiations with the federal, provincial, and territorial governments to develop an agreement to renew Canada's internal trade regime, working to ensure the flexibility of the policy in the interest of Albertans. International agreements focused on the comprehensive economic and trade partnership, or CETA, and the trans-Pacific partnership.

As the fifth priority initiative EDT anticipated, prevented, and managed disputes while defending Alberta's interests under existing trade and investment agreements. This included working with the federal government, other provinces, and stakeholders to ensure Alberta's interests were reflected in Canada's trade and investment agreements, including dispute resolution proceedings. The ministry successfully advocated for the removal of U.S. country of origin labelling regulations, that were impairing approximately \$650 million worth of Alberta cattle and swine exports in 2015. The World Trade Organization found the regulations to be discriminatory. The U.S. Congress voted to repeal these regulations in 2015.

The final priority initiative was the assessment of foreign investment proposals to ensure alignment with Alberta's priorities. In 2015-2016 EDT assessed and provided commentary to the federal government on eight acquisition proposals. The federal government received 117 notifications of foreign direct investment that included Alberta as their destination.

Moving forward, the ministry will continue to advance our priorities of supporting economic development and diversification

initiatives, facilitating trade and investment attraction, and leveraging Alberta's science and innovation strengths.

I hope I've provided you with a good overview of Economic Development and Trade's core business, and I will now be pleased to take your questions.

Thank you very much, Mr. Chairman.

The Chair: Thank you, Mr. Krips.

I will now turn this over to the Auditor General for his comments. Mr. Saher, you have five minutes.

Mr. Saher: Thank you, Chair. As of today Economic Development and Trade has four outstanding recommendations. Management has asserted to us in the audit office that all four recommendations are implemented, and we are currently following up on the financial statements audits that are under way at this moment. When that work is complete, we will be able to report publicly whether we concur with the department's assessment.

Thank you.

The Chair: Thank you, Mr. Saher.

We will follow our usual time allotment format for a one-and-a-half-hour meeting for questions from the committee members. The first rotation will be two rounds of questions of eight minutes each with the Official Opposition and government members, followed by five minutes for the third-party opposition. The second rotation will be five minutes for each of these parties. With the agreement of the committee any time remaining will be distributed equally amongst the three parties, with the final one to two minutes designated for outstanding questions to be read into the record.

We ask that all officials provide their names before responding to questions. This is for the benefit of those listening online and for those instances where the committee members may be participating via teleconference. If an attendee in the gallery is called upon to respond to a question, please identify yourself for the record before responding.

Now I will open the floor to questions from members. Mr. Panda.

Mr. Panda: Thank you, Mr. Chair. Good morning, everyone. I would like to thank the Auditor General and his team for the work they have done on this file, and I would like to thank the deputy minister and his staff for being here today to answer our questions.

Mr. Deputy Minister, I would like to start with you. Since the introduction of Bill 1, Promoting Job Creation and Diversification Act, how much internal change and reorganization occurred in the department as a result of that bill, which was mainly to describe the minister's job, that's put into law through that bill?

Mr. Krips: Great. Thank you very much, MLA Panda, for that question. I really appreciate it. I'm really honoured to be here this morning. In essence, we are a new ministry. We were stood up in October 2015, after 10 years of economic development being more diversified throughout the government. One of the first things that we have done as a new ministry is to take over the old JCIP, or job-creation incentive program. With the job-creation incentive program we stood back, we listened to stakeholders, and we heard that it wasn't going to quite hit the mark on what they're wanting us to do. As a result of that, in Budget '16 we introduced a new program called the Alberta jobs plan, which speaks very much to the needs and the desires of industry, small businesses, and the like. We have really, since that point in time, with the introduction of the Alberta jobs plan, focused on implementation of that.

In terms of reorganization itself, within our ministry we have introduced a new unit called invest Alberta, which has been stood up just recently, with a new executive director, to help focus on some of those programs. By and large, since October 2015 we have

stood more or less as our existing infrastructure within the ministry, representing . . .

Mr. Panda: Thank you.

I have some follow-up questions.

Mr. Krips: Absolutely.

Mr. Panda: As a result of that, how many private-sector jobs were created?

Mr. Krips: What I can speak to, MLA Panda, is the tax credits that the Alberta jobs plan has introduced; for example, the Alberta investor tax credit. It's expected that \$90 million of that investor tax credit will support approximately 2,200 to 4,400 jobs and increase GDP by \$200 million . . .

Mr. Panda: So they are expected to create 2,200 jobs. Do you know how many they have actually created so far?

Mr. Krips: The programs, while announced last year, actually just went live in January of this year, so we're actually just at the early stages of implementing that tax credit as well as the capital investment tax credit, which . . .

Mr. Panda: Thank you. Because of the time limit, if you have the numbers, you can give them to us, or you can provide them to us later.

Mr. Krips: Understood.

Mr. Panda: As a result of Bill 1, how many new full-time equivalents were hired by your department?

Mr. Krips: Hired by our department? That is a number I don't have off the top of my head.

Mr. Panda: You can submit that later.

Mr. Krips: Okay.

Mr. Panda: Thank you so much.

My next question is to the Auditor General. Sir, since the change in government we have seen a host of new programs introduced to spend taxpayers' dollars to create jobs. Some of those programs are the Alberta entrepreneur incubator program, the community and regional economic support program, the export support fund, the export readiness program, the export readiness microvoucher program, the global buyers and investors program, AITC, and CITC. I asked the minister during question period and during estimates, but he couldn't tell me how many jobs were created as a result of these programs. I know some of them could be, I mean, time bound – I get that – but is there anything your team could look at to have some audit procedures on these programs, and will you be able to identify how many full-time long-term private-sector jobs those programs have created?

Mr. Saher: It would not be within the mandate of the office of the Auditor General to directly look into government programs and take a view on whether or not jobs are being created. The way we would approach this is that if these new programs were presumably set up with a desired result, our job is to see that desired results are clearly communicated and that government departments report back on achievements against desired results. If job creation was clearly a desired result, then our job would be to see whether or not there has been reporting back on that result and whether that reporting is fair and clear.

8:50

Mr. Panda: Thank you.

I don't know, Mr. Chair, who to ask this question to, but I'm looking for those answers. They already stated their desired results here, and we don't have any mechanism to find out how many jobs they're actually creating.

Anyway, thank you.

Mr. Saher: I will supplement. I mean, I think it's really important that if the government of the day sets out clearly its desired results, it has an obligation to report publicly against those desired results. I think I heard the deputy say, for one program you inquired about, that it's too early to report back, but I think it would be the audit office's expectation that in due course for all desired results that are set out publicly, there would be public reporting back against the achievement in relation to those desired results.

Mr. Panda: Thank you.

To the deputy minister: can you explain to me why Alberta Innovates gets to operate in secrecy and escape scrutiny by not publishing their 2017 business plan on time with the budget like everyone else? Why hasn't Alberta Innovates posted their 2017 business plan on their website?

Mr. Krips: Thank you, Member, for your question. I'm just going to go back to your earlier question, if I can, to provide an answer, and that's related to FTEs. In our Budget '16 we received \$5 million in new funding, which has helped to support 36 FTEs within the department. So just to answer that question.

With respect to Alberta Innovates, just like Alberta Enterprise Corporation, it is an arm's-length Crown corporation. As a result, it does roll up into the ministry's annual report. It has its own separate reporting requirements, and those separate reporting requirements do roll up within our ministry itself.

You had mentioned the 2017 business plan. The focus, obviously, of today is '15-16. The 2017 business plan is being reviewed by our minister at this point in time. As I'd mentioned previously in my comments, the Alberta Innovates Corporation has been in the process of being consolidated from four corporations down to one, so we're in a bit of a transition year. As of November 1 of this past year the Alberta Innovates Corporation has now stood up as one corporation itself.

Maybe I'll just ask the VP of finance from Alberta Innovates, Maureen Fromhart, to supplement.

Ms Fromhart: Sure. For the period of the '16-17 year there would have been four separate business plans submitted, and given that it was a transition year, we had been working together with the Department of ED and T to try and bring that together. The annual report for that period . . .

The Chair: Thank you. If you wouldn't mind responding to that question in writing.

Would that be okay, Mr. Panda?

Mr. Panda: Yeah. Sure.

The Chair: Okay. Thank you.

All right. Dr. Turner.

Dr. Turner: Thank you. I'm going to turn our attention to something that I have a bit of experience with. For nearly 40 years I've been involved in clinical research at the University of Alberta, particularly at the Cross Cancer Institute. Over that time the investments that the government has made in infrastructure support

for things like NACTRC, which is the northern Alberta clinical trials network, and the support of researchers doing research on all four pillars of medical research have been instrumental. On pages 14 and 15 of the annual report there's a discussion of a need to clarify roles and responsibilities within the research and innovation system. Given that the ministry is striving for a stronger, more competitive system of research and innovation, can you discuss what strategies have been implemented to ensure that Alberta's research and innovation system is competitive, particularly in the Bio Solutions and Health Solutions spheres?

Mr. Krips: Thank you very much, Member. A great question. As I had mentioned previously, this is a fantastic transition from the four corporations of Alberta Innovates – Bio Solutions, Energy And Environment Solutions, Health Solutions, and Technology Futures – into the Alberta Innovates Corporation. As of November 1 those four institutions or entities were rolled into one.

You had mentioned a couple of programs there. I'd like to maybe talk about one in particular, and that's the Alberta research capacity program. That provides internationally leading research infrastructure to attract and enable Alberta's best and brightest to discover new knowledge which can lead to better medical treatments, new technologies, and improve industry competitiveness in the long term. It also brings capacity and excellence, bringing national and international recognition to the province, and attracts and retains talented people who develop solutions for Alberta and also train the next generation of talent for industry and academia.

The Campus Alberta innovation program supports 18 research chairs in areas of clinical importance to Alberta's future in energy and environment, neuroscience, food and nutrition, and water. Together the Campus Alberta innovation program and the research capacity program support the recruitment and retention of international leaders to develop Alberta talent for companies, create new knowledge, and underpin economic growth and development.

I'd like to make a couple of examples, if I can, Dr. Turner. The most recent success is Metabolic Technologies Inc., based on a research program of Dr. Wong and Dr. Richard Fedorak, which signed a multimillion-dollar licensing and distribution agreement.

Established in 2001 and refreshed most recently in 2011, with \$2 million leveraging \$3.5 million from federal and other resources, NanoFAB leverages its nanotechnology facility to foster industrial partnerships and commercialization. It's helping more than 40 Canadian companies and international partners and also connects these companies to researchers and graduate students working on the leading edge of nanotechnology applications.

One other example, Dr. Turner, is Meros Polymers, a new company based on the work of a doctor at the University of Alberta, a professor in pharmacy and pharmaceutical sciences, that intends to commercialize drug delivery technologies for more targeted cancer therapy.

So through these two programs, in conjunction with our ministry and Alberta Innovates, we take our partnerships with academia and the medical community very seriously and have some excellent programs that are showing tangible results.

Dr. Turner: Thank you very much for that. I do appreciate what's happening. I mean, there are some other examples that I might mention: the research that Dr. Lorne Tyrrell did, based here in Edmonton, using knowledge that he learned on his farm about duck viruses and then developing a treatment for hepatitis B that actually has become a lifesaver for billions of people around the world. That work continues. Then you've got the Edmonton protocol, which is a treatment that is attracting patients and researchers from around

the world and is offering the potential for a cure for diabetes. So it's important that we keep up these investments.

I see there's \$500 million to encourage companies to invest in new petrochemical facilities. Can we get a similar amount invested in biomedical facilities?

Mr. Krips: Thank you for that question. Yes, you do mention the \$500 million for the petrochemicals diversification tax credit, which has been very well received, has had 16 applications, obviously, two successful ones. I will take that information back, with respect to the biomedical area, to my minister for further exploration.

Dr. Turner: Well, thank you very much. I appreciate that, too. I'm going to pass it over to my colleague MLA Renaud.

Ms Renaud: Thank you, Dr. Turner. My question relates to desired outcome 1, that Alberta's economic environment is sustainable, diversified, and knowledge intensive. Just one question for you: how does the performance measure information provided inform Albertans as to what was achieved in fiscal 2016? What is the department's current target?

Mr. Krips: Perfect, MLA Renaud. Thank you very much for the question. When we were first stood up, in October 2015, we were such a new ministry that in rolling into the budget season, we actually did not have performance measures established. Subsequent to that, we've had both performance measures and indicators established, and we've had some performance indicators rolled into our annual report as well. We take those performance measures very seriously and are tracking very closely a lot of the new programs I'd mentioned previously to MLA Panda: the Alberta investor tax credit, also the capital investment tax credit, which is a \$70 million capital investment tax credit and will also earmark between 2,200 and 4,600 jobs. We're going to be tracking the rollout of that money closely as well as the leveraged capital investment dollars. We believe those programs will succeed in bringing further investment into the province. So we are working very closely with our officials and with Treasury Board and Finance to track our results. You'll see results of our performance measures in the annual report next month.

Ms Renaud: Thank you. I'm assuming that there's probably not much time left.

The Chair: You have a minute and 20 seconds.

9:00

Ms Renaud: Okay. I will turn it over to MLA Littlewood.

Mrs. Littlewood: Thank you. I will just ask one question for the time being, then. As committee members are aware and as noted on page 14 of the annual report, a \$250 million jobs and diversification package was introduced to support job creators in Alberta. Would you be able to discuss the impact that these investments have had towards creating investments in the province?

Mr. Krips: Thank you very much for the question. As mentioned earlier, the \$250 million jobs package was reprofiled from the job creation incentive program. It includes a number of programs, as mentioned earlier, with the Alberta investor tax credit, which is a \$90 million investor tax credit supporting between 2,200 and 4,400 jobs and increasing GDP by \$200 million to \$500 million over that program period. That was just stood up in January of this year. Also, as mentioned, the capital investment tax credit was also stood up in January of this year. Announced last year, it's a \$70 million tax credit

to support approximately \$700 million worth of investment, 2,200 to 4,600 direct and indirect full-time-equivalent jobs, and \$10 million to \$40 million worth of exports. On top of that, with that \$250 million jobs package we also introduced capital investment money . . .

The Chair: Thank you, sir. Would you like to re-ask the question or respond?

Mrs. Littlewood: No. That was pretty good. Thanks.

The Chair: That was a good enough answer for you? Okay. All right. Mr. Gotfried.

Mr. Gotfried: Thank you, Mr. Chair. Thank you to our team for being here to answer our questions today. I just wanted to ask. Generally your department uses economic indicators as measures of success. How do you separate what changes in a particular measure related to your policies or programs from changes in the same measures which are factors of change in the overall economy, so to separate those two using a base indicator which would take out the general impact from the impact of your initiatives?

Mr. Krips: Thank you very much, MLA Gotfried. I really appreciate the question. We have used both performance measures and performance indicators within our business plan and our annual report. The distinction between performance measures and indicators is actually defined by Treasury Board and Finance in the ministry business plan standards. The term "performance measure" is used when the results can be directly attributed to the work of the ministry whereas "performance indicator" is used when the ministry contributes to the results but the results are also influenced by external factors. Performance indicators are usually used to measure progress towards longer term goals. The performance measure, for example, percentage of . . .

Mr. Gotfried: So you factor it all in with the indicators?

Mr. Krips: Yes. Indicators have other external factors.

Mr. Gotfried: Okay. That's good for us to know. As this meeting looks back to the 2015-16 fiscal year, I'd like to ask about the job creation incentive plan, which was to create 27,000 jobs while offering up to \$89 million in tax credits in the first year. How many jobs did this plan create?

Mr. Krips: The job creation incentive program was actually reprofiled into the \$250 million jobs package. We are currently standing up a number of those programs, and we are tracking their progress.

Mr. Gotfried: But how about in the first – before it evolved, how many jobs did that create?

Mr. Krips: We actually didn't roll out any money in the '15-16 time frame for that program because it was reprofiled into the jobs plan.

Mr. Gotfried: So no tax credits were issued against that plan?

Mr. Krips: No. It's a new program, a new package put together in Budget 2016.

Mr. Gotfried: What was the total cost to the ministry of that before staff were reprofiled into the new program?

Mr. Krips: That is a good question, MLA. I will have to get back to you on that.

Mr. Gotfried: In writing would be fine. That would be great.

Back to the job creation incentive plan, after it was scrapped, the minister stated that it was basically scrapped because the business community didn't react to it or take advantage of it. Given that this was a flagship policy, how have you improved consultation and policy development processes and feedback to ensure that the government introduces policies which actually align with the needs of Alberta businesses?

Mr. Krips: That's an excellent question, MLA Gotfried. I would say that it wasn't scrapped but reprofiled, and it was reprofiled based on feedback we received from the business community, from small and medium-sized and large entities. The government took a step back, took a pause, and actually pivoted to respond to the needs of the business community. In terms of how we are responding going forward, the minister gets around the province to meet with a whole host of businesses, the business community. He works very closely with Calgary Economic Development, Edmonton Economic Development, the chambers of commerce around the province, the REDAs of the . . .

Mr. Gotfried: Not to cut you off here, but I guess that we can expect some significant measures against that initiative as we go forward, then?

Mr. Krips: The \$250 million jobs package? Yes. We are tracking. One of the subcomponents of that package that I didn't mention is the CARES program. The community and regional economic support program will certainly provide a measurable impact as well.

Mr. Gotfried: Great. Thank you.

I just want to speak a little bit about debt load and the potential tax burdens that can come from that, which are, arguably, key factors in economic sustainability, which is one of your key outcomes. How is the current path of deficits and significant long-term debt along with credit-rating downgrades, which could lead to heavier long-term tax burdens – how is that helping you in achieving outcomes, including economic sustainability, diversification, and particularly in attracting foreign investment?

Mr. Krips: We are focused on the delivery of our programs. As I've mentioned before, we've got the jobs package. In our mind, in our control of those programs they will help spur investment. In particular, the capital investment program has had huge uptake on applications.

In terms of debt loads and other types of macroeconomic issues, I wouldn't be able to speak to that.

Mr. Gotfried: Okay. Is it your opinion that fiscal health and taxation policy affect our attractiveness as a destination for foreign capital?

Mr. Krips: I'm here to speak to the '15-16 annual report and anything that comes up with that.

Mr. Gotfried: Okay. I was just seeking an opinion.

We'll go back to the business plan. We've talked a little bit about performance measures and indicators adequately allowing you to be well informed in terms of the effectiveness of your initiatives. The department has listed numerous programs and projects related to each desired outcome, but there are no related performance measures or indicators on that. Why not? A response in writing would be fine.

The Chair: Okay. Thank you, Mr. Gotfried.

Mr. Krips: Actually, if I can, just in essence . . .

The Chair: No. I'm sorry.

All right. Mr. Barnes.

Mr. Barnes: Thank you, Mr. Chair, and thanks to everyone for being here today. I'd like to talk about Alberta Enterprise Corporation for the next few minutes, please. I'd like somebody to explain to me about the entrepreneurial environment here in Alberta. Why are we lacking private venture capital and confidence, and why do we need this government involvement in the venture capital sector?

Mr. Krips: Thank you very much, MLA Barnes, for the question. AEC, or Alberta Enterprise Corporation, has been allocated \$75 million of new investment over the last year and a half to two years to allow it to attract venture capital to Alberta. AEC supports the development of a diversified economy by attracting and investing in venture capital funds with offices in Alberta. These funds invest in knowledge-based economies, including those in information technology, clean technology, energy technology, and life sciences sectors. Investments in AEC support enhanced access to capital, commercialization, and management experience for innovative Alberta knowledge-based companies.

Mr. Barnes: Okay. That's good. Thank you for that.

However, last year's annual report suggested that while it was too early to predict the complete impact of the government's financial investment, the AEC has achieved excellent results during its initial six years of investments. Our information shows that taxpayers lost money in five of the six years. How can we call that excellent results?

Mr. Krips: The Alberta Enterprise Corporation is a funds to fund. So it's funds that then invest in entities. It has to take a long-term, patient view of its investments. Typically you see the return on investments in the five-to-seven-plus-year range, so in order to take that long-term view, we are starting to see some returns.

Maybe what I'll do, MLA Barnes, if I can, is turn to the CEO of the Alberta Enterprise Corporation to supplement. She's in the gallery.

Ms Williams: Hi. My name is Kristina Williams. I'm the president and CEO of Alberta Enterprise Corporation. I'm happy to answer your questions. Thank you. They're very good questions.

If you'd like, I'd like to address the first question first, as to why it's needed to have the Alberta Enterprise Corporation. There are many, many great technology companies being developed in the province; however, there's a lack of venture capital for these companies. These companies need venture capital to grow because, at the end of the day, they will start with investments from what we call friends, family, fools, and then they will need larger amounts of capital, and that's where venture capital comes in.

Previously, before Alberta Enterprise was around, there were really not a lot of venture capital funds in the province. Therefore, these companies would either have to go somewhere else and move out of province to access this capital and/or they would probably not make it. So if we look at building the venture capital industry, the best practices in the world, globally, have been recognized to have a funds-to-fund program like we have.

9:10

Back to the results, which was your second question, currently we have had over \$305 million as of last year invested in Alberta tech companies. That comes with \$78 million of capital called. So for every dollar that the province has invested, we've actually had \$4 come back into the province into tech companies.

Alberta Enterprise itself is an investment, and it's a 10-year investment. We've had to date, actually, a total value paid in capital as of March 2016 of \$115 million. What you're seeing in the results are realized losses from our partnership. However, at the same time, we've had \$7.4 million of realized distributions. The total value is actually \$115 million.

Mr. Barnes: Okay. Thank you for that so far. Maybe you could stay at the mike in case you want to answer my next question, please.

When I look at page 35 of the 2015-16 annual report of Alberta Enterprise, I see one of the venture capital funds that the taxpayers invested in. Specifically, it's called 32 Degrees DE fund. It had a remeasurement loss of over \$4 million, and it turns out that Alberta Enterprise Corporation – Albertans own 99.99 per cent of the partnership. I'd like you to explain what kind of partnership. We virtually own the whole thing, and now we have a commitment to put another \$554,000 into the fund. Can you elaborate on how this works and why we've lost so much money on this investment?

Ms Williams: I'm more than happy to elaborate, yes. Thank you. Great question. The reason it says that we own 99.9 per cent of that particular investment is because it's actually invested in what's called a sidecar investment fund. We own considerably less of the main part of the fund. The sidecar actually co-invests with the larger fund of 32 Degrees. However, it only invests in the technology deals of that particular fund. Of the fund as a whole we own less than one-third.

Now, with venture capital there's something called the J curve. If we look at how venture capital investments work, for the first five years of the fund usually you will have a loss, and then for the last five years of the fund – remember that these are 10-year investments – you will see the fair value, and you will see the exits and realizations of these companies come to fruition. The reason we've had a loss initially with 32 Degrees is because it's been in the J curve. Currently it's coming back up, and we're seeing the fair value of this fund increase. We're expecting to see this turn in the next year.

Mr. Barnes: Okay. What oversight, what accountability measures do you have in place to ensure that we're actually on the upswing of the J curve, that we're not going to just realize the loss but actually get some of the financial benefits?

Ms Williams: Yeah. Let me reiterate that the expectation is that in the last five years of the fund they will realize and will generate a rate of return for the province's capital.

I'd also like to remind everybody that we're here to create access to capital for Alberta technology-based companies, and 32 Degrees has been a very active investor in Alberta technology companies. Now, on our monitoring side we actively monitor all of our funds. We have seats on what's called the LPAC boards, the limited partner advisory committee boards, either me and/or one of my directors of investment. We get their annual reports, which are audited. We continuously on a quarterly basis get updates of Alberta investments, deals they look at, financial performance, et cetera. So we closely monitor the funds.

Mr. Barnes: Okay. Thank you.

My information shows that the iNovia fund actually had an investment loss of \$1.4 million in 2015-16, and that, in fact, out of nine invested venture capital funds, five actually lost money, to a total of \$350,000 in 2015-16. I understand that some of these funds were started in 2008, which suggests to me that we're almost at the end of the 10-year cycle. Are you sure that your expectations are accurate?

Ms Williams: Well, I mean, venture capital in itself is risky investments. We are projecting a return of about \$1.1 for the province on its money as a rate of return, but remember that we're an economic development tool, and the real measurement is also to look at how many dollars have come into Alberta-based companies. I'd like to remind everybody that for every dollar that we've invested, \$4 has come back into Alberta companies.

I'd also like to remind everybody that the current value of the overall portfolio is \$115 million, so the total value to paid-in capital is \$115 million. The equity that we have in these funds as of March 31 was valued at \$83 million versus \$78 million actually invested, and we've had distributions of \$7.4 million, and those are realized distributions.

So iNovia actually just had a very large distribution this quarter; that was a \$40 million exit from a company. We are now starting to see that come back, so the values are . . .

The Chair: Thank you.

Mrs. Littlewood.

Mrs. Littlewood: Thank you, Chair. Just going back to the question of performance indicators, actually, how do the performance indicators, using data from 2012-15, inform an understanding of the department's progress in achieving the desired outcomes?

[Mr. Dach in the chair]

Mr. Krips: Thank you very much for the question, Member. Performance indicators are used when the ministry contributes to the results but the results are also influenced by external factors. As I had mentioned previously, performance indicators are usually used to measure progress towards longer term outcomes.

For example, the performance indicator, "In 2014, there was a 3.1 per cent increase in the [gross domestic product] in manufacturing, business and commercial services in Alberta," informs an understanding of the department's progress in achieving the desired outcome as growth in the percentage of manufacturing, business, and commercial services GDP and provides an indication of whether Alberta's economy is diversifying beyond primary oil and gas production. It is also related to a desired outcome of an increase in GDP for manufacturing and business and commercial services as a key indicator of overall growth.

Another performance indicator, for example, is: "In 2012, 1.2 per cent of GDP was invested in research and development by public and private entities." That one informs an understanding of the department's progress in achieving the desired outcome as total research and development, or R and D. Investment as a percentage of GDP is a standard international measure of formalized R and D. Tracking investment in R and D is important as R and D represents a planned, systemic search for new knowledge in Alberta's innovation system.

In another example, the performance indicator stated: "In 2014-15, the Business Link interacted with clients for 5,972 times, including phone . . . Email . . . and walk-in . . . the Rural Alberta Business Centres supported approximately 2000 clients." This informs the understanding of the department's progress in achieving the desired outcome as Business Link is a nonprofit organization that helps Alberta entrepreneurs start their own businesses by providing access to webinars, business advisers, in-person phone calls, and e-mails.

Rural Alberta business centres provide services to rural entrepreneurs and small businesses through one-on-one business advice, research services, seminars, workshops, access to relevant information for small businesses, and business opportunities to assist entrepreneurs and small businesses in making informed

business decisions. The four walk-in sites of the rural Alberta business centres are located in Camrose, Cold Lake, Hanna, and Rocky Mountain House, as mentioned earlier.

These services support a sustainable and diversified economic environment. So that just gives you an example of the things that we're tracking.

[Mr. Cyr in the chair]

Mrs. Littlewood: That's great. Thank you.

On page 13 of the annual report it's noted that the ministry focused on "removing barriers to investment and encouraging growth in traditional and non-traditional sectors." Could you elaborate on the types of barriers that pose challenges to investment in Alberta?

Mr. Krips: Thank you very much for the question, Member. Can you just remind me what page you're referring to?

Mrs. Littlewood: Page 13.

Mr. Krips: Page 13. Thank you.

Some of the things that we'd be referring to for barriers would be access to capital. As I've mentioned previously, we've introduced two tax credits to help flush out some further access to capital. Also, regional economic development would be another barrier. As I mentioned previously, we have CARES, or the community and regional economic support program, and that's funding for economic development initiatives. That begins at the \$10,000 mark, and applicants must be able to match those funds. On those outcomes we're looking to improve the local business environment or regional economic collaboration, increasing support for entrepreneurs and small and medium-sized enterprises to grow and succeed, enhancing support for businesses and industries that provide diversification to a community or a region, increasing investment that drives high-value creations.

The types of programs that we've been able to introduce are helping to reduce those barriers and flush out some additional investment. We spoke previously about the Enterprise Corporation, a recapitalization of \$75 million. Certainly, venture capital has been a barrier in the past, so actually putting those dollars out has helped as well.

Mrs. Littlewood: Okay. Thanks.

I'm just going to move us along here. Given that the petrochemicals diversification program is going to provide royalty credits up to \$500 million that would be designed to encourage companies to invest in new petrochemical facilities, could you please speak to the progress so far of this program?

9:20

Mr. Krips: I would be very happy to. As I mentioned, our jobs program is attracting investment into the province. We had this past year and a bit ago introduced the petrochemical diversification program, a \$500 million tax credit. We did receive 16 applications for this program, and two world-class projects were approved to receive royalty credits under the petrochemical diversification program.

The first project is a joint venture between Pembina Pipeline Corporation and Petrochemical Industries Company, or PIC, which has been approved to receive up to \$300 million in royalty credits to build an integrated propylene and polypropylene facility in Alberta's Sturgeon county. The second project is a propylene facility being built by Inter Pipeline in Alberta's Strathcona county, which will receive up to \$200 million in royalty credits. The beauty

of this program is that no tax credits are received until the construction is done and production is up and running.

It will result in approximately \$6 billion in petrochemical facility investment. Together the projects are going to generate up to between 3,700 and 4,200 jobs on-site during construction and over 240 full-time jobs when the projects are operating. The projects will provide a substantial boost to our economy by creating additional high-paying skilled jobs across Alberta in engineering firms, fabrication, and modular shops.

Propane extraction from our natural gas resources will for the first time in Alberta be processed into value-added plastic materials. The program will result in two Alberta-based midstream companies, both Pembina and IPL, being able to extend their businesses further down the value chain into valuable products that can be sold into new markets. Together the projects will consume roughly 44,000 barrels per day of propane, which will provide a significant demand source for a commodity that is drastically oversupplied in Alberta.

Mrs. Littlewood: Okay. Thank you.

I will hand the floor over to MLA Nielsen.

The Chair: Mr. Nielsen.

Mr. Nielsen: Thank you, Mr. Chair and through you to our guests. Given the government's desire to diversify our province's economy and help our local companies succeed specifically in the international markets, can you discuss what role our trade missions and visits have had in facilitating this process, and what opportunities have been opened due to these missions for those companies?

Mr. Krips: Wonderful. Really appreciate the question. International missions, international offices are a key part of expanding and diversifying both our markets as well as our sectors. We are very much an export-dependent province in Alberta. We're an export-dependent country. Those international missions, specifically when you're looking at the cultures of Asia: it's really important to have the face-to-face dialogue with government to government. We're fortunate to have a number of international offices around the globe, a predominant number within Asia itself. We have 12 offices.

The Chair: Thank you.

Mr. Gotfried.

Mr. Gotfried: Mr. Chair, thank you again. I just wanted to talk a little bit about international investment. You're aware of what could be characterized as a flight of international capital from the energy sector, by current count having exceeded \$30 billion since 2015. How are you specifically measuring the inflow and outflow of foreign direct investment, which, of course, should be a key mandate of your department's international outreach, and how do you perceive the impact on our economic sustainability, job creation, and long-term economic success of this apparent outflow?

Mr. Krips: I certainly can speak to the inflow of capital. I previously mentioned to MLA Littlewood that the petrochemical diversification program, the \$500 million tax credit, will be roughly \$6 billion of petrochemical facility investment. So in terms of inflow we are working on a number of programs, that one in particular and the other tax credits will help with the inflow.

Mr. Gotfried: But don't we need to look at net benefits? So we need to look at outflow as well as inflow.

Mr. Krips: Yes.

Mr. Gotfried: Is that being tracked?

Mr. Krips: We are working closely with Treasury Board and Finance to make sure that we have an increased flow of investment into the province and are tracking our current programs, you know, back to talking about the '15-16 annual report here. Obviously, we are tracking the tax credits that we've put forward very closely to see what kind of inflow is into the province.

Mr. Gotfried: But how can you track the effectiveness of it if you're not tracking the outflow? Really, at the end of the day it's only the net benefit and the net impact of policy and initiatives that really matter to this province in terms of long-term investment. So how is that being done to ensure that the net benefit is actually where we're focusing and is part of the outcomes?

Mr. Krips: Certainly, in terms of our initiatives and activities we're looking to stimulate economic diversification in the province. We have a number of programs that we have been talking about here that actually are looking to and are actually creating investment within the province.

Mr. Gotfried: Okay. I'd like to shift my gears to questions around Alberta Enterprise Corporation if I may. AEC has invested and committed to date \$111 million in nine investment funds. How much of the funds are based in Alberta?

Mr. Krips: Thank you, Member Gotfried. I'll maybe turn to the CEO for Alberta Enterprise Corporation to supplement.

Ms Williams: We've invested in nine venture funds and the accelerate fund, so it's a total of 10 as of last year. Out of those, four are headquartered in Alberta. Now, we have a very specific strategy as to why we invest the way we do. We actually have a three-pronged investment strategy. We invest in local funds to build them up and to build a locally based venture capital industry. At the same time, we realize there aren't enough local venture capital funds available. Therefore, we also invest in externally based venture capital funds to attract them to the province, to attract that capital, to your earlier question, into the province and also to ensure that we attract that expertise into the province.

Mr. Gotfried: Okay. Do you target and measure the amount that each fund invests in Alberta and the rate of return on AEC's investment?

Ms Williams: Yes, we do. We report on an aggregate basis because we are bound by confidentiality, but we do report on an aggregate basis to the public in our annual report on how many dollars have been invested in Alberta.

Mr. Gotfried: Okay. Are you or the department tracking the number of jobs created and the status of supported companies with respect to maintaining a full-time presence in Alberta?

Ms Williams: Yes, we do. As of March 2016 it was 1,100 direct jobs created and another estimated 1,400 indirect jobs created.

Mr. Gotfried: That's great news.

What tracking is now being done on investment impairment risk or losses through your investments?

Ms Williams: We've always been closely tracking impairment and potentially permanent impairments. We do follow the public-sector accounting standards, which have rules and regulations about permanent impairment. Our portfolio is fairly young, so to date we

haven't had any permanent impairment or prolonged impairment, as it's called in the accounting standards. However, upon the recommendation – and we wholeheartedly agreed with that recommendation – from the OAG last year, we have now implemented an impairment policy that was approved by our board in November, and we have now submitted that analysis to the OAG for review.

Mr. Gotfried: Excellent.

As an arm's-length organization, not dissimilar in some respects to AIMCo, can you assure me that there is no undue political influence with respect to the individual investment decisions made through your investments?

Ms Williams: Yes, I can for sure do that. First of all, we do extensive due diligence before we make any investments. It's important that we find the right types of investments for Alberta. We are trying to match the available capital to the deal flow or the types of companies that are available here in the province. So we spend significant time trying to find a good match of a venture fund to bring here and/or to invest in the province. We then go through substantial due diligence through these . . .

Mr. Gotfried: Thank you. It sounds like some great work has been done.

Ms Williams: Thanks.

The Chair: Okay. Thank you.

Mr. Barnes.

Mr. Barnes: Thank you, Mr. Chair. I would like to turn our attention to the international offices, please. I understand that you now have performance measures in place and that you're ready for the Auditor General to audit again. But I'd like your opinion on which is your lowest performing international office, please.

Mr. Krips: We are proud of all of our international offices. I think our CRM, or client relations management, system is showcasing the benefits of those offices as well as tracking them very closely. So we're very pleased with all of the offices.

Mr. Barnes: Okay. The recommendation to improve the processes used to evaluate the performance of each international office was made in October 2008. Why did it take so long to implement the Auditor General's long outstanding recommendation to improve the performance measurements?

Mr. Krips: I can't speak to 2008 because I wasn't in this chair, and we were stood up as a new ministry. But I can tell you that we are very much looking forward to our exit interview with the Auditor General on Friday to ensure that we can clear through this recommendation. We do believe that the recommendation is fully implemented, and obviously we're ready for the follow-up audit.

Significant work has been done, including formal reviews of the international offices in 2008, 2012, 2014. They have been significantly undertaken to improve the process to monitor and evaluate each international office. Our ministry, formerly IIR, continues to work to make sure that meaningful reporting measures are being used for internal and external reporting. We've created the revised implementation plan, and we'll also have a formalized review policy that the Auditor General is looking at as well.

9:30

Mr. Barnes: Thank you. Do you know what our most expensive international office is, and do you know what the 10 of them cost us combined?

Mr. Krips: I don't have that at my fingertips, but we can get that for you.

Mr. Barnes: Okay. Thank you.

The petrochemical royalty program: the two projects that were awarded the transfer of oil and gas royalties, have those projects started yet?

Mr. Krips: Status-wise I know they've been announced. I know they're in early-stage review of the engineering, but I couldn't tell you whether there's actually spade to ground at this point in time.

Mr. Barnes: Okay. So you don't know if spade to ground. You don't know if any actual construction has started.

Mr. Krips: I don't, but the beautiful thing about these programs – my apologies, I can give you some further information on that. Pembina and PIC propane dehydration program or the polypropylene facilities, which will be two facilities, we believe they'll be up to \$3.8 billion to \$4.2 billion at full investment. The final investment decision is scheduled for early 2018, and construction is slated to start in 2019.

The Inter Pipeline Alberta propylene dehydration project is \$1.85 billion of investment. The final investment decision is planned for mid-2017, and construction is to start in late '17 with activity already taking place on the site. The beautiful thing about the tax credits is that no money is outlaid until these facilities are actually operational.

Mr. Barnes: Okay. So confirmation that neither one has started.

Mr. Krips, when you first sat down and started talking about your department, you mentioned I think it was \$1.5 billion that has been made available through the Alberta Treasury Branches. Is that your department's job, to have oversight on that \$1.5 billion?

Mr. Krips: No. The oversight through Treasury Branches would be through the Alberta Treasury Board and Finance ministry. We've been working closely with Treasury Board and Finance on that. ATB operates at arm's length.

Mr. Barnes: Okay. So it was just a statement as to part of what . . .

Mr. Krips: That's right, a statement of the overall programs that the government's been working on.

Mr. Barnes: Okay. Thank you.

You also mentioned Alberta being a commodity trader and very, very sensitive to exports, and you mentioned your department's role in trade disputes and that kind of thing. Of course that country of origin labelling went on for a long, long time. Can you talk a little bit about what your department did to make exports more accessible for Alberta beef producers? What is your department doing now when it comes to what's happened in the United States?

Mr. Krips: Excellent. Great questions. I'm going to bring in some of my previous roles and experience over at Alberta agriculture and rural development and Alberta Agriculture and Forestry. We worked very, very closely with the federal government, with our industry associations such as Alberta Beef Producers, the Canadian Cattlemen's Association. We worked very closely with the United States government's subnationals through entities such as PNWER, Pacific North West Economic Region, the conferences there as well as a number of the subnational representatives that are there. We worked very closely with NCBA to do a lot of advocacy and were successful in getting that.

The Chair: Thank you.
Mr. Nielsen.

Mr. Nielsen: Thank you, Mr. Chair. Through you to our guests, you had been talking about the role our trade missions have and the visits. I was hoping you could conclude your thoughts on what opportunities have now opened up for our local businesses because of these missions.

Mr. Krips: Thank you very much for the question. We've been quite active on the international missions fronts and, I would argue, quite successful in terms of opening up new opportunities for our companies. I'm going to give you a couple of examples that go back into this time frame.

Petrotech was in 2016, albeit December 2016. We had 19 organizations that took part in a trade mission to Petrotech, the largest energy industry event in India. In addition to exhibit space, Alberta oil and gas technology and services companies participated in tailored, value-added programs, which included one-on-one matchmaking meetings, market briefings, and network events. As a result, one company signed a contract with one of the largest oil and gas exploration companies to run a pilot project.

Now, granted, last fall was not '15-16, but Minister Bilous did lead last fall a combined 86 companies, municipalities, universities, and associations to join a mission to China in November of 2016, led in partnership with Calgary Economic Development, Edmonton Economic Development. Ministry staff worked with our international offices connecting companies to Chinese investments and businesses, and 20 commercial agreements were signed or announced covering environment, renewable energy, advanced technologies, medical and biosciences, education, consumer goods, transportation, and agriculture products.

Mr. Nielsen: That sounds like some very exciting things on the horizon there, to say the least.

Just one quick question before I pass it to MLA McKittrick. Can you explain the role of Alberta's international development office and some of the work undertaken by this office to attract investment right here in Alberta?

Mr. Krips: Absolutely. I may actually turn, if I can, MLA, to my assistant deputy minister of trade and investment to talk about the AIDO role in particular.

Mr. Machielse: Matthew Machielse, ADM of trade and investment attraction. Our AIDO office is a small team that really works with international financial institutions to bring opportunities to Alberta, to present them to Alberta companies. These are mainly consultancy kinds of infrastructure programs and actual infrastructure programs in the developing world. Seminars are held on, probably, a quarterly basis to put both the protocols and the processes information in front of Alberta companies to make them aware of these international opportunities. Then it's the companies actually working with IFIs or organizations like the World Bank that support those kinds of developments.

Mr. Nielsen: Thank you very much.

Chair, I'll pass it over to MLA McKittrick.

Ms McKittrick: Thank you. As one of the Industrial Heartland MLAs I'm very well aware of the work that you do and the importance of your department in both increasing investment and also increasing employment and providing opportunities for agencies to market their products. We've talked a little bit about access to market for Alberta's products and services. As you

mentioned, Mr. Krips, you were with Agriculture in the past, so you know very well the importance of international markets to our beef and forestry and other products.

Given that a key part of the government's priority is to diversify the economy and promote job creation by enhancing access to markets for Alberta's products and services, can you tell us how international trade agreements such as the comprehensive economic and trade agreement support this initiative? There's been a lot of discussion around trade agreements and the changing world around trade agreements.

Mr. Krips: Thank you very much for the question. You're absolutely bang on on the importance of trade agreements in reducing trade barriers and tariffs into nations. We don't need to look any further than the Korea free trade agreement that Canada has as a really good example. The United States ended up getting ahead of Canada with respect to a free trade agreement with Korea. We started before, but the U.S. ended up landing a free trade agreement before we did, and then we did afterwards. The issue that that created was that we had a spread of our tariff differential between a number of our products with the United States versus ourselves into Korea, and that made us cost-competitive disadvantaged in Korea, but that gap is closing.

The Chair: Thank you.

Mr. Gottfried.

Mr. Gottfried: Thank you, Mr. Chair. Just going back a little bit on the international offices. I know, if I'm not mistaken, that the Hong Kong office is one of the few if not the only one that's not co-located with the Canadian consulate, embassy, or high commission. Can you comment on that, whether that's something you've considered or may look at in the future?

Mr. Krips: Thank you very much for the question. The last review of the international offices was done in 2015. It looked at the co-location. As you had mentioned, MLA Gottfried, most of our offices are co-located. Only two are not: one being Hong Kong, the other being Tokyo.

Back to MLA Barnes' question, the highest cost of the offices is Tokyo, at \$1.162 million in 2015-16. That goes to the fact that Tokyo is a high-end market, a very important market for a number of our products, agriculture, forestry.

We have looked at whether or not we should fold the two into co-location. The Canadian consulate in Hong Kong is space prohibitive for us to do that. So what we've done is that we've worked to reconfigure and make the office spaces as business friendly as possible. Our senior representative, who's located within Hong Kong, Ron Hoffmann, has worked in a very cost-effective way to actually make it very user friendly for businesses to come in. So, yes, we've looked at it. The other one that's not co-located is Tokyo, but it's within the embassy compound, just not embedded within the embassy itself.

9:40

Mr. Gottfried: Okay. I know you've been doing quite a bit of work on China, which I applaud you and your department for. Can you just tell me if there have been any specific initiatives to try to open the market in China for chilled beef?

Mr. Krips: Yes. That is a long-standing issue. I'm going to test my memory a little bit. We have under-30-month bone-in access now. We are working with the federal government on chilled beef. That is a huge potential market for us. We're certainly working closely with our federal counterparts, who actually control the negotiations

with their federal counterpart, AQSIQ. That is a goal that we certainly have in mind. There's early stage dialogue going on between the Canadian government and the Chinese government on an FTA, a free trade agreement. I do believe that will be something that the federal government will be looking to try to rectify through that, and certainly we're going to be working very closely with the federal government on that issue as well as other things related to a potential FTA with China.

Mr. Gottfried: Thank you.

I don't have time to get into too much specific detail with respect to the south Asian markets, India in particular, but could you tell me if you've done a detailed competitive analysis of our key competitors in China, Southeast Asia, south Asia relative to capacity from the Canadian market versus the market share that we have, export promotion, and exporter services? I refer primarily to the U.S. and Australia, where we seem to kind of have a very, very low market share compared to our capacity and capabilities. I just wonder if you've done a detailed analysis on how we could improve our performance in those areas.

Mr. Krips: We're certainly working very closely, as I mentioned, with the federal government to get an FTA with China and with India as well, two highly lucrative markets long term. They over time will be – well, China is already the second-biggest market in the world.

Mr. Gottfried: I'm talking more about performance. I think our access is not markedly different from those countries, but we seem to be very low in terms of our impact in many of those markets on commodities, some ag and forest products, in terms of what our percentage of market share is versus what our capacity and capabilities are.

Mr. Krips: I'll maybe ask my ADM of trade and investment to supplement on that front.

Mr. Machielse: You have to drill down by commodity or by specific product to really determine what the competitive aspects of it are.

Mr. Gottfried: I guess my question is: are we doing that?

Mr. Machielse: We certainly do monitor what the Australians are doing, what the U.S. is doing in countries like India as far as in that meat market. We've recently completed a study and supported a study by the energy services sector to do global competitiveness capacity and where we would rank as far as the opportunities for energy services. That was just released this spring.

Mr. Gottfried: Sorry to interrupt you, but have we done an analysis on the type of export promotion that those countries are doing versus what we're doing?

Mr. Machielse: A specific analysis? I don't believe we've done that.

Mr. Krips: Actually, if I can supplement, I've been passed a note from one of my ADMs. Work is under way in the department already on that.

Mr. Gottfried: Have we done an analysis on things like exporter services in terms of the types of websites and the information we make available to fledgling exporters in the marketplace to try to facilitate their ability to enter new markets?

Mr. Machielse: We have done analysis on that, and that is ongoing through our invest Alberta group.

Mr. Gotfried: Thank you.

The Chair: Thank you.

Now we have two minutes for each party to read questions into the record for a written response. Mr. Barnes.

Mr. Barnes: I'm okay. Thanks.

The Chair: Okay. All right.

Anybody from the government side? No?
How about the third party?

Mr. Gotfried: Yes, please.

The Chair: Okay.

Mr. Gotfried: I will start here. How does your department work with the Department of Labour in terms of providing advice about policy changes that may affect your outcomes? Do they take your advice and amend their policies if you tell them that changes will negatively affect Alberta's economic development and diversification opportunities? How does your department work with the Department of Environment and Parks in terms of providing advice about policy changes they make affecting your outcomes? Do they take your advice and amend their policies if you tell them that changes will negatively affect Alberta's economic development opportunities?

There are a number of measures which indicate that Alberta's economy was diversified significantly between 1985 and 2015, specifically a reduction in the oil and gas sector as a proportion of the total GDP, from 34 to 25 per cent. Based on your work in this ministry, would you agree with this statement?

As the person in charge of economic development at large for Alberta are you of the opinion that credit downgrades are not overly impactful to our province's long-term economic health and sustainability and your ability to achieve desired outcomes?

What are your specific plans for increasing trade with and foreign investment from China, and what are your specific plans for increasing access for Alberta businesses into Chinese markets?

What are you doing with respect to working with U.S. trade partners at the federal and state levels to mitigate risk with our number one trading partner?

Thank you.

The Chair: Thank you, Mr. Gotfried.

I'd like to thank all the officials from the Ministry of Economic Development and Trade for attending today and responding to the committee members' questions. We ask that the responses to outstanding questions from today's meeting be provided in writing and forwarded to the committee clerk within 30 days.

Okay. We should move on to other business. As members are aware, this concludes our spring 2017 meeting schedule. The committee working group is meeting to put together a proposed schedule for out-of-session meetings and for fall 2017 as well for the committee's consideration. The suggestion is that the committee meet next Tuesday, June 6, from 8:45 a.m. to 9:45 a.m. to consider

its future meetings schedule. Would a member prepare to move the motion as I read, that

the Standing Committee on Public Accounts meet on Tuesday, June 6, 2017, from 8:45 a.m. to 9:45 a.m. to consider a proposed schedule for an out-of-session committee meeting and for the fall 2017 committee meetings and other matters for the committee's consideration.

Mr. Malkinson: Mr. Chair, could we not start it at 9? I just don't know if we would need a full hour for that agenda item.

The Chair: We did have some discussion the last time we set the schedule, and it did take a significant part, so we want to make sure that we have enough time. It doesn't mean that we will need to use all the time, but just in case there's some concern with the future schedule or any of the agenda items, it would be nice to have an hour.

Mr. Fildebrandt: We can always adjourn early if we get it done very quickly. Hopefully, the working group can conclude its work amicably in advance so that when we meet here, it can be a quick meeting. But it probably makes sense just to leave a block in the event that there's more discussion.

The Chair: The problem is that if we put it off too late, we have to be done the meeting at 10 o'clock for the sitting of the House, so just to ensure that we have enough time. Okay?

I guess at this point we still need somebody to move the motion. Mr. Fildebrandt. Any discussion on the motion? Yes, Deputy Chair.

Mr. Dach: I was just wondering, in the interest of keeping it to a time frame, what other matters the committee might discuss. Shouldn't we maybe keep it to simply talking about the future meetings as the agenda for the meeting? What's the reason for adding other matters the committee might discuss?

The Chair: Those are the ones that were handed to you before, Mr. Deputy Chair. So in order to add the other matters – if we choose during the working group to use any of those, we would need to add them. By focusing it, we may not be able to get discussion from the entire committee to resolve some of those matters.

Mr. Dach: Okay. So that's to discuss working group decisions.

The Chair: Right.

Mr. Dach: All right.

The Chair: If you want to be more specific, we can put "working group," just in case you decide that you want to bring something else up. Are you comfortable with the way the motion is?

Mr. Dach: Yeah. That's fine.

The Chair: All right. All in favour? Any opposed? The motion is carried. As approved, the committee meets next Tuesday, June 6, 2017, from 8:45 to 9:45.

Would a member move for the meeting to be adjourned? Mrs. Littlewood. All in favour? Any opposed? Carried.

[The committee adjourned at 9:50 a.m.]

