

[Chairman: Mr. Kowalski]

[2 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen. I'd like to call this meeting to order. This is the third meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act, and we have with us this afternoon the Hon. Al "Boomer" Adair, Minister of Tourism and Small Business. One of the responsibilities that Mr. Adair has is the Alberta Opportunity Company. If I could direct all members to the annual report of the Alberta Heritage Savings Trust Fund, page 19, there's a statement there that

During the 1982-83 fiscal year the Alberta Heritage Savings Trust Fund's net new investment of \$35 million in the Alberta Opportunity Company brought the total investment in the company to \$161 million at year end.

That will be the subject matter we will be discussing this afternoon.

Mr. Adair, welcome. Perhaps you might introduce the gentlemen with you and provide us with some overview remarks before we get into questions.

MR. ADAIR: Thank you very much, Mr. Chairman. On my far left is the Deputy Minister of Tourism and Small Business, Al McDonald, and to my immediate left is Roy Parker, the managing director of the Alberta Opportunity Company.

Possibly, Mr. Chairman, what I might do is just give some overview as to AOC and the practice that they have used to this point in time and the process that is involved, and then we can go from there.

As you all know, the AOC is a lender of last resort, and in that capacity since 1973 has approved a total of some 2,744 loans to the end of March of 1983. The dollar amount of those loans is very, very close to \$300 million; it's \$296,400,000, approvals and loans. The average size of a loan since inception is \$108,000. The smallest loan made by the Alberta Opportunity Company is \$900 and the large one is \$8 million.

The base rate — that is, the rate by which the members of the Alberta Opportunity Company judge the interest rate that will be applied to an applicant — presently is 12 per cent, and can be as low as 10 per cent or as high as 15 per cent.

In the range of loan applications and how they are processed, if the loan is a smaller one, or up to \$50,000, the branch managers can process that loan and approve it at that level. If it goes up into the \$60,000 range, it involves the credit superintendent; up to \$75,000, the deputy managing directors; up to \$100,000, the managing director; up to \$250,000, the loans committee, which is made up of the managing director, the deputy managing directors, and the branch managers; over \$.25 million the management will make a recommendation to the board of directors, who will then approve or disapprove that loan. Anything over \$1 million goes through that same process I just talked about, but also with a recommendation to cabinet: to me as minister responsible for the Alberta Opportunity Company, to finance and priorities, and thus to cabinet for approval or rejection.

The company presently operates offices in Brooks, Calgary, Edmonton, Edson, Grande Prairie, Lethbridge, Medicine Hat, Peace River, Red Deer, St. Paul, and Vermilion.

The number of loans approved in fiscal 1982 was 280 compared to 311 up to March 31, 1983. The sum of money for that period to March 31, 1983, was roughly \$47,199,000, up some \$5.5 million from the same period in 1982.

Again, maybe I should spend a moment on some of the directions or changes that were made in the last number of years. Probably the key change was a discussion we had with the Alberta Opportunity some time ago to consider refinancing where it was a request by a client and in the interests of the changing economy that was coming at us at that particular time. We then would be able to assist in, in what I termed at that time,

"creating an atmosphere of survivors". As you know, they are in a position to loan funds to new businesses for the expansion of old businesses, or existing businesses, and for other means as well. So there was a change that saw the Opportunity Company proceed to consider refinancing, subject to a number of things I will ask Mr. Parker to elaborate on, the conditions under which refinancing would be considered.

Refinancing basically — a major concern of ours was to be that there would be a change in the interest rate and the payments made by a company which may be experiencing some difficulties at that rate, whatever it was at the time they applied, and that that change for the better, because of a lower rate that may be applicable from AOC, would still see the ability to repay that loan; in essence, not just to bail it out or to take the problems of someone else or, to be more specific, the private sector lenders who had made the initial loans, and then end up with the loan problem in our lap.

So there were some conditions we had suggested to AOC that they take into consideration when they are considering refinancing. The other one obviously was competition. Mr. Parker might like to elaborate on that after I'm finished my short remarks.

The other thing is the total number of loans approved to date. We're roughly at the 3,000 loan approved level. Out of that number, there are about 220 loans that in essence have been what you might consider to have been written off. The balance is current or paid up. If you look at those figures in the sense of an overall success story, the Alberta Opportunity Company has been just that.

With that, I'll ask Mr. Parker to elaborate a little bit on the refinancing, and possibly any comments he may want to make on the base rate and how it's adjusted.

MR. PARKER: Thank you, Mr. Minister. With regard to our refinancing policy, it's a very straightforward matter. We will entertain applications from any applicant with regard to refinancing, and the criteria are based upon two factors. One is that in the place of his existing financing from the private sector, he is unable to meet his payments and appears headed towards financial collapse. If that is the case, we will take a look at it. If, with the type of financing that we have available to us under the terms of our Act and with our policies, we can see a way in which the business will be able to meet its payments to us and at least break even or keep afloat until such time as business picks up and it gets into a more profitable mode of operation, we will then consider the refinancing. If, on the other hand, our refinancing will result in the company becoming insolvent two or three months later and with its existing indebtedness we feel it is pointless to change places with the existing lender, we will decline the application because the business apparently is doomed in any event. That is our refinancing policy, and I think I'll leave it at that for the moment.

The interest rate: our base rate is set considering our cost of money and bank prime, and in most cases we are at or near bank prime. Very seldom are we more than 1 per cent above or below bank prime. At the moment, for instance, our base rate is 12 per cent; bank prime is 11. However, with the .5 per cent increase in the States earlier this week, there's every likelihood that Canadian prime will go up. If it did, the difference between ourselves and bank prime would be even smaller than it is now. That's our policy.

MR. CHAIRMAN: Will that be the conclusion of your overview remarks, Mr. Adair?

MR. ADAIR: Yes.

MR. CHAIRMAN: Ladies and gentlemen, I have eight speakers on the list, but I want to check something here. When I was giving my introductory remarks, about five or six hands went up at the same time. Mr. Musgreave, Mr. Alexander, and Mr. Kroeger, did you have your hands up as well? The order that we have, then, is Mr. Gogo, Mr. Thompson, Mr. Hyland, Mr. Notley, Mr. Anderson, Mr. Moore, Mr. Alexander, Mrs. Cripps, and Mr.

Martin. Mr. Gogo.

MR. GOGO: Thank you very much, Mr. Chairman. I very much appreciate the opportunity of the minister being here along with Mr. Parker and Mr. McDonald. At the outset, I would tend to agree with Mr. Parker's comments except that when one views the U.S. economy and the money supply, I would venture a guess that we're looking at 18 per cent interest rates again and I think the activities of the Opportunity Company are going to be very demanding.

Looking at the quarterly report and seeing that there's some \$161 million from the heritage fund within AOC, undoubtedly there's a wealth of questions that should be, and I suppose are going to be, asked. Mr. Chairman, I wonder if it would be in order at this time to put a question to the minister. In view of what I've seen in the media the last couple of days concerning perhaps the largest loan from AOC, would the minister care to bring us up to date in a general way about activities with Ram Steel of Red Deer with regard to what I perceive to be various talk of people interested in buying them out? If the minister could bring us up to date, undoubtedly that could lead to other questions.

MR. ADAIR: Mr. Chairman, yes. I guess to start with — I just hesitated for a moment because I want Mr. Parker to get involved very quickly in this as well, because he's directly involved as the managing director of the Alberta Opportunity Company.

The company known as Ram Steel is presently in receivership, and a receiver has been appointed by the third party in the triangle, I guess you could say — the Canadian Commercial Bank, the Alberta Opportunity Company, and Ram Steel. We are concerned — I guess that's the right word to use — as to the disposition of our particular loan and are working with the receiver. Right at the moment, I don't know that there's much more I can comment on, in the sense that I don't want to prejudice any possible person who may be interested or who has in his company the opportunity to consider being interested in the purchase of the assets of Ram Steel.

Beyond that, I should maybe turn it over to you, Mr. Parker, as to where we're at from AOC's point of view.

MR. PARKER: Much as Mr. Adair has said, since the appointment of the receiver it has been firstly his duty to assess the situation and take inventory of what the assets and liabilities of the company were, which I believe he has completed. He is now in the process of attempting to obtain bids from interested companies or individuals in order to sell the assets of this company in receivership. Beyond that I have no knowledge of whether or not he has received any bids to date, although I would think that certainly in the very near future there will have to be a deadline set so that whatever interested parties there are will come forward with their offers.

MR. GOGO: Mr. Chairman, one quick supplementary, in view of the large number of members wanting questions. Could the minister or Mr. Parker assure the committee that as regards the involvement of AOC, Ram Steel is being dealt with as AOC deals with any other company it does business with?

MR. PARKER: I can categorically assure you of that.

MR. CHAIRMAN: Mr. Thompson, then Mr. Hyland, Mr. Notley, Mr. Anderson, and four more after that.

MR. THOMPSON: Thank you, Mr. Chairman. I'd like to go back to page 6 of your annual report. As the minister mentioned, Alberta Opportunity and ADC are both lenders of last resort. I see in Note 3 that you compare 1982 and 1981. The accounts written off in 1981 were \$3.5 million and the ones in 1982 were close to \$2.2 million. But it looks like the

allowance for doubtful accounts is growing. I understand the company is supposed to be a lender of last resort and, really, \$2 million in an investment of \$160 million . . . What is the rule of thumb that the company uses for its operation? They're not trying to compete with the banks in essence but really, to my way of thinking, from a financial point of view they've done remarkably well. But are they really following the mandate that they originally set up for?

MR. PARKER I believe that we are. I should point out that from year to year, our write-offs will ebb and flow. We'll have one year where due to circumstances there may be far fewer in the way of companies going into receivership and being liquidated and being written off. In most cases write-offs do not occur until probably the second, third, or fourth year after a loan is approved, if it is to be written off. So this is kind of a snapshot in time that paints one picture. But in previous years we have had smaller amounts or larger amounts than any one of those, just depending on particular circumstances, when businesses went broke and what we received in return for the security we held.

It might be of interest to note that since our inception we have had, as was stated earlier, approximately \$300 million in loans which were disbursed, and of those, \$15 million have been written off. This represents 5 per cent of the funds disbursed and really wouldn't take into account what we would be faced with normally during the last one to three years because, as I said before, it takes a period of time for loans to go bad, companies to get in trouble, receivers to be appointed, assets sold, and you finally work through to your liquidation report in which the write-off is approved.

So this 5 per cent compares to write-offs of — I think the chartered banks have probably from .25 per cent to .5 per cent of their loan approvals or outstanding loans. So 5 per cent versus .5 per cent I think reflects that we are taking risks, and the risks result in our having a much higher percentage write-off than would the normal, standard lender. I think part of our mandate is to take risks, and when you do this is the result.

MR. ADAIR: Mr. Chairman, if I might just add to that. I think that over the years one of the concerns that has been expressed by a good number of members of this Assembly and, to some degree, some of the private sector has been that possibly we should be bolder — I'm not sure if that's the right word — or more aggressive, and then accept higher losses in the interests of being a lender of last resort. Of course when you get to that level it's a judgment decision as to whether you have gone the extra mile and fulfilled the total mandate of, say, that lender of last resort, and then seen that particular loan a success or have it fail. I think it will always be debatable as to whether the \$15 million on the \$300 million is high enough or low enough.

Obviously, again, it's a judgment decision as you get close to that. I think we have worked very closely with the Alberta Opportunity Company — I'm speaking of Mr. McDonald and I — in ensuring that they're aware that we would like to see the best possible balance there could be; in other words, that we as a lender of last resort are prepared to accept some losses without apology, because we are attempting to assist the overall economy of the province of Alberta and the small business community at large in the area of businesses that may be in the smallest centre, whether it's Indian Cabins or Etzikom, the two that I use quite regularly — from the smallest community to the largest community.

MR. THOMPSON: One supplementary, Mr. Chairman. Then if — and I underline "if" — there is any loss in this Ram Steel deal, it won't show up for a year or two as far as your annual report is concerned?

MR. PARKER: There would be no write-off until such time as assets are sold and funds are realized or arrangements made. At that point in time, you then see where you stand and take appropriate action. You can make an allowance for an account if you're

concerned about it, but you don't write it off until its time.

MR. THOMPSON: Thank you.

MR. CHAIRMAN: Mr. Hyland, then Mr. Notley, Mr. Anderson, Mr. Moore, Mr. Alexander, Mrs. Cripps, and Mr. Martin.

MR. HYLAND: Thank you, Mr. Chairman. My question is two-pronged: one related to the time it takes for a loan and the other related to the application.

Mr. Minister, you outlined initially the amounts of money, and I note that the average loan is now up to \$100,000. But I believe you outlined that loans under \$50,000 were approved by the branch manager, and then various degrees after that. I understand that AOC is a lender of last resort, and I've exchanged views with you often before that we should probably be lending more out in smaller amounts for smaller businesses to get started, especially in the rural areas. It seems every time these people approach AOC, the time limit seems — they always tell me that it takes them such a long time to get their approvals. If the branch manager can approve loans of \$50,000, why is it taking so long? They say that what makes it tough for them is the amount of time it takes to process these loans.

I understand that going into the bank there's a difference in credit and everything, but depending on the size of the bank a lot of managers can approve those kinds of loans within a few days or on the spot. I realize there are differences in equity and that, but that's one question I get asked probably as often as any.

The other one is partially tied in with that. It's the loan application itself and the complexity of it; the need, I've been told by some, to have an accountant even for the smaller loans. You have to have your statement prepared from your account. You can't take it from your general ledger, which shows it almost as well. He does virtually the same thing: pulls it off your ledger, signs his name to it, and sends you a bill for three hundred or four hundred bucks. Could it be made more simple in obtaining this, and could the time limit be shortened?

MR. ADAIR: Mr. Chairman, if I can start and have Roy possibly add to that relative to the comments about balance sheets and the ledgers, I'm not sure what time frame or specific you may be concerned with. But primarily in the lesser amounts, the smaller loans, if all the information is in, considering a number of factors, one of which is that it's a lender of last resort, high-risk area that has been turned down by at least two other lending institutions in the private sector — when you're dealing in that, you're obviously asking for a fair amount of information to back up what might be a second position or a reasonably precarious position. In most cases, if the applicant has all the information there on the application form, that loan can be processed in two to three weeks. That's the smaller loans.

Obviously, as I said a little earlier, if you're getting into the larger loans, you've got more hoops — if I can use that term — to go through; particularly ones above \$.25 million will go from the management to the board of directors, or ones above the \$1 million mark will go through those same hoops, then to the board of directors, and then to the cabinet. In those larger ones there is a longer time period. I don't apologize for it. It's a difficulty I guess AOC has, and I as their minister have, in getting an application of that size on the agenda for, say, finance and priorities, and we have not had any major problems with that. But obviously if the board meets every second Wednesday basically, and it's approved there and then has to get on the Monday agenda and we miss the first Monday, then there is a period of 10 days in between. Then if they ask for additional information, there's another week involved there.

But I think on the whole, particularly with the smaller loans, in the last number of years we've improved that by quite a number of days, and that has been the result of the

co-operation of the Department of Tourism and Small Business, our business analysts, business development representatives in the various communities, and the loans officers for AOC at the various offices we have throughout the province who can assist. For example, in many cases now an applicant will stop in at the Tourism and Small Business office and they'll be able to tell him basically what it is AOC wants, assist in identifying where or how they can get it, and in some cases help them to put it together so that the total information is there. If the total information is there, there's not a problem.

Where there is a bit of confusion is not so much the approval of the application but once a letter of offer is made. That letter of offer will have certain conditions that in essence have been agreed to but they then must be met. So in some cases you then run into a time frame where that particular client's lawyer may be available to do it right away, or he may be away and assign it to somebody else, and you run into periods of time, on both sides of the fence, with the lawyers of AOC or the client, that may drag that out for another week, 10 days, two weeks, or a month. That sometimes is considered to be a concern of the Alberta Opportunity Company as a delay, and yet in fact what it is is just the final processing in getting all the pieces put together, the acceptance of those terms, and meeting those conditions so that the moneys can be disbursed.

So in essence, with the proper information in place, the smaller loans can be approved very quickly. The larger ones do take longer and, as I said, I don't apologize for that. The process is there, really, as a protective mechanism for all parties concerned.

MR. PARKER: I would just like to add a little bit to what Mr. Adair said. First of all, as far as small loans to small communities: 85 per cent of our loans are made to communities outside Calgary and Edmonton, which indicates the thrust of our activities.

Most businesses are used to dealing with their bank, as you say. The banker usually has an intimate knowledge of them and their business, what they can do and how far they can go, even before he comes in, whereas with us, in almost every case they're brand new. We've never seen them, and so we don't have that background of information on them. Our application form is a one-page, simple, straightforward piece of paper that I don't think is excessive. A number of years ago we had quite an elaborate system which we went over and we discarded, and we now have this application form, which we think is simple and straightforward.

Beyond that we need information, financial statements, projections, and so on, and we don't have to have an audited financial statement in small loans. We need a balance sheet and a profit and loss statement for the past several years, if you've been in business that long, and projections. If you as a businessman are competent to prepare them, that's great; if not, then you need professional help to do it. It doesn't have to be a chartered accountant, just as long as it's an accountant of some type or even a bookkeeper who is knowledgeable in accounting and can draw it together. We're more than happy to accept those. We don't have sufficient staff to go out and draw these up out of the general ledgers of everybody who comes to us. Without significantly additional staff this would gum the whole system up.

So once we get this information, as Mr. Adair said, it's relatively straightforward on loans of \$50,000 or less, and even up to loan committee level, to get a report written and the decision made. I think in most cases, we have not had much in the way of complaint about that in the past couple of years. The real concern comes after the loan is approved until the funds are provided. Under our Act we require security. If we require a debenture, a chattel mortgage, or what have you — if these aren't provided, we cannot advance the funds. We can give a bank an assignment and let them provide interim financing if they're willing, and this quite often happens. But until the applicant and his lawyer provide us with the documents, which are usually sent out the day after he's accepted our letter of offer — once this is in place, then we disburse the funds as quickly as possible.

MR. HYLAND: So what you're saying is that you've attempted to shorten the application and, when you're looking for the cash statements, such things as what you would have filed for income tax, for example, would show your cash flow, your profit and loss. Then on the smaller loans, those types of things, something generally out of your cash flow sheet would suffice instead of audited statements.

MR. PARKER: Yes. In many cases this is what we receive and what we use. Obviously, the larger the amount of money at risk, the more sophisticated the information we want, because we have the responsibility of looking after the money entrusted to us to the best of our ability.

I would like to make another point that I think sometimes is overlooked. When someone comes in, if they have a deadline of one or two weeks or whatever on an option on a piece of property or what have you, if they will tell us that this is the case, we will give it priority in an attempt to reach a decision for them prior to that. But unless they tell us, we work on a first come, first served basis, and we're not going to bump somebody out of the line of getting their application written up and considered, unless there is a good reason. But we're quite willing to do it and if possible to prearrange whatever legal work is required to assist them in that. In fact, at the last board meeting we had on June 29, the board approved a loan in excess of \$250,000. We knew of the deadline, which was July 1. We had worked with the people and their lawyers before it, and we disbursed the funds on June 30. But if we hadn't been advised of the situation well in advance so that we could do our preparatory work, we wouldn't have been able to disburse the funds until later.

MR. KROEGER: A supplementary.

MR. CHAIRMAN: On this subject?

MR. KROEGER: On this subject. Mr. Parker, did I hear you say that you do not insist on a CA? My experience as recently as last week was that an accountant who makes his living that way — that's what he does — but is not a CA, submitted an application and was told that it had to go through a CA before you'd consider it. I'd like to have clarification on that.

MR. PARKER: If that took place, that should not have. We have significant numbers of loans where the financial information is provided by registered industrial accountants, accredited public accountants, certified general accountants, and bookkeepers. We don't single out one part of the accounting profession as being the sole source of knowledge.

MR. KROEGER: I'll take that back with me.

MR. HYLAND: The last question relates to — I forget whether it was the minister or Mr. Parker who said part of the holdup may be on the legal aspects. Even on the lower loans, there are lawyers and legal people involved. Is there any way to simplify that in the manner you've simplified your application forms and to shorten that time period? If the client does happen to have a lawyer, can he use him or does he have to go to a certain law firm and have them work on it?

MR. PARKER: I think that's a very good point. We have law firms working for us, and we pay the bill. That's not at the expense of the client. But it is essential for him to have his own lawyer so that there isn't a conflict of interest for whoever is doing the legal work. When you're taking security, guarantees, or things of this nature, it could come up that the lawyer was acting on our behalf when the guarantee was signed, as opposed to on behalf of his own client. We hope that he is able to minimize it, but he can use his lawyer to assist

him and make whatever financial arrangements he wants. But certainly as far as the guarantee aspects are concerned, which is the case in most loans to limited companies where there is at least a partial guarantee, he has to have independent legal advice before he signs the guarantee, and it is inappropriate to have the one lawyer working for both sides in a case like that.

MR. R. MOORE: Mr. Chairman, a supplementary on the time frame. Mr. Minister, one of the biggest complaints we've run into is the time frame it takes from the time you apply until you get a loan. It runs usually four to five months, and sometimes longer. How did that compare to the Ram Steel situation and their loan going through? Did theirs go through fast, or did they go through the normal process? Did it go into that time frame?

MR. ADAIR: Well, first of all I might indicate that I will challenge you on the four to five months for an average loan. I just can't let it go by, because it's not the case, although there are loans that may have taken four or five months because of circumstances where the proper information wasn't provided, or whatever the case may be. I can recall one loan where a client had called me, as the minister, complaining about the management of AOC and the fact that they were seeking some information he was not prepared to give them under any circumstances. I attempted to find out what that was. He came down to my office and brought his accountant with him. When the accountant found out that's what they were asking for, he said why didn't you tell me; I've got it, and we can give that to them. He said, well, I didn't want to give it to them. It wasn't AOC's fault. He wasn't prepared to provide something he felt was his business. Two months went by and, as a result of a meeting we had in our office and the accountant indicating that that wasn't a problem and wasn't going to jeopardize his business in any way, shape, or form, that loan then was processed practically within 10 days, once all the information was there.

I'll ask Mr. Parker to give us the exact time frame of the Ram one. It was not out of the ordinary in the sense, I would say.

MR. PARKER: My recollection is that the first contact was probably in June. The application was made at our Red Deer branch, I think in mid-July. The loan report was completed in early September, dealt with at our board meeting at the end of September, and was approved in the first part of October.

MR. ADAIR: If I can just maybe go a little bit beyond that, that approval was then — the ability of sending out that letter of offer which goes to the client, who then must meet the terms and conditions, which then did occur, and I think the final approval was around the end of November . . .

MR. PARKER: When the terms were amended, and disbursement took place in mid-January.

MR. ADAIR: So July to January.

MR. CHAIRMAN: Mr. Notley, followed by Mr. Anderson, Mr. Moore, and five other members.

MR. NOTLEY: Mr. Chairman, to Mr. Parker. Perhaps we could go from the general to the specific, and deal with Ram for a few minutes, considering the fact that this is the largest loan in the history of the Alberta Opportunity Company and occurred during the fiscal year that we're now studying.

I have had an opportunity in the past few days to look over the Public Accounts discussion of this matter, as well as Hansard and the motions for returns and the questions which were supplied during the spring session of the House. I might just say at the outset



that I was a little disturbed — and I refer you to page 95 of the Public Accounts discussion, where I asked you, sir, whether or not the payments on the loan were made on time and up to date. At that point you said:

I'm afraid that's confidential, and I don't think we should reveal it.

What troubles me is that I see that you've been quoted in the press as making comments on that particular matter. I raise that because I think it is important before legislative committees that we have the fullest possible disclosure of all relevant information.

Having said that, Mr. Parker, the first question I'd like to put to you is with respect to the value of Ram Steel. I have a report here, dated January 31, 1982, indicating that the revised estimate of the construction of Ram Steel would be \$13,373,000. I'm advised that that turned out to be a little over \$16 million. Against that \$16 million for the construction of Ram Steel, including the land, as I understand it we now have the Canadian Commercial Bank with a statement of claim for \$15 million. We have our Alberta Opportunity Company loan of \$8 million. We have something over \$7 million raised by Albertans in one way or another as investors, as risk-takers, in this particular venture. Tell me, Mr. Parker, is there some corporate Santa Claus somewhere in the world, given the downturn in the oil industry, who would pay \$30 million for this plant at this time?

MR. PARKER: I have no knowledge of anyone who has made such an offer.

MR. NOTLEY: So at this stage of the game a significant number of Alberta private investors are going to take a bath, and there is a very serious possibility that a significant portion of that \$8 million will be lost. Would that not be correct?

MR. PARKER: That is a possibility, but until such time as the receiver obtains bids or offers from interested parties, if any, it's hypothetical. We just have to wait and see.

MR. NOTLEY: What appraisal have we, as the government of Alberta or the Opportunity Company, of the present worth? We have Mr. Peckham indicating that the thing is worth \$35 million. That's obviously fanciful talk. It might have made some sense three or four years ago when we had a booming economy, a buoyant oil industry, but we know that the thing cost about \$16 million to construct. I find it highly unlikely that any corporation would pay more than it would cost to construct. That being the case, Mr. Parker, what valuation do we have of the present worth of Ram Steel?

MR. PARKER: I think it would be inappropriate for me to make any guesses as to what it's worth at the moment when there are a number of companies or individuals who may be interested in acquiring it. My concern at the moment is to do whatever I can to safeguard the funds we have advanced. I think it would be foolish of me to say anything which might prejudice the possibility of a bid being obtained which would allow us to recover our funds.

MR. NOTLEY: At this time, however, given a statement reported in one of the news media today by an official of IPSCO that the \$30 million would be way too much, I think we can assume it is highly unlikely at this stage that any sale of Ram would allow either the public purse or the individual investors to recover all of the money advanced.

MR. PARKER: Again, I'm not discounting the possibility that we will get all our funds back. I don't know what the situation will be in regard to the shareholders who invested in this venture. Certainly if there were any surplus above and beyond what is owed to us and to the Canadian Commercial Bank, then unsecured creditors would be next in line, ultimately followed by the shareholders. But at this point, I am not prepared to say that we will lose any money, or what amount that would be if we did lose some. I think we can only wait and see what the receiver is able to dig up.

MR. NOTLEY: Mr. Parker, what is the legal advice of the Alberta Opportunity Company with respect to where we stand? I look at the statement of claim here from the Canadian Commercial Bank. That statement of claim is for the \$15 million: \$9 million, which we all agree comes before the Alberta Opportunity Company, plus a \$6 million line of operating credit.

I would put the question to you: do we have any secure legal basis at all to indicate that our \$8 million may come before part of that \$15 million loan, in view of the statement of claim from the Canadian Commercial Bank wanting all their money first?

MR. PARKER: There is no doubt about it. They are first for \$9 million; we are second for \$8 million; the other \$6 million relates to their operating credit, the inventory, accounts receivable, and would come third after us for any residue for the fixed assets, should they not get sufficient from the current assets to pay off the \$6 million.

MR. NOTLEY: Mr. Parker, I'd like to take you back to the discussion last spring when you indicated that Stelco had expressed an interest and, as I recollect, you felt that that would improve the Ram proposition. My understanding — and you can correct me if I'm wrong — is that the investment of Stelco is \$400 in cash, 40 shares at \$10 a share, and an arrangement where they would supply skelp at cost and then take out equity beyond that at cost. In view of the fact that there was a slowdown in the steel industry at the time, that strikes me as not being much of a risk at all on the part of Stelco.

My question to you, sir: did you, at the time this information was given to the Alberta Opportunity Company, consider that an adequate investment by a large corporation which now enjoys the position of having three members on the board of directors for a total risk of what I understand is \$400, plus the ability to ship skelp at cost and then turn over anything beyond that into equity?

MR. PARKER: My answer to that is that at the time the loan was approved to recognize Stelco being involved, the best information at hand was that the markets would pick up and in fact Stelco's sales ability, its management ability, would benefit the company, and that we in turn would be repaid, at least in part, by way of the surplus from the cost of skelp to the normal selling price. That was the basis on which the Stelco involvement was agreed to. It appeared at the time to have been in the best interests of Ram and to be a positive help to it in its future.

Benefit of hindsight — obviously the situation did not unfold as had been anticipated at that time. But that was the position when the decision was made, and I think it was a reasonable one in view of the circumstances then.

MR. NOTLEY: A \$400 investment.

Perhaps, Mr. Parker, I could refer you to sessional paper 178/1983. This is question 178:

What discussions or communications have there been between representatives of the Government or any of its departments or agencies and representatives of Stelco Canada concerning that company's investment in Ram Steel?

The answer tabled in the House:

As of this date we can confirm that a number of discussions have been held between officials of Tourism & Small Business, Economic Development, the Deputy Minister of Executive Council, and the officials of the Alberta Opportunity Company with representatives of Stelco Canada following the October 5th approval-in-principle of the loan by Cabinet.

Mr. Parker, could you tell us when the first meeting took place between the Alberta

Opportunity Company, officials of Tourism and Small Business, Economic Development, and Mr. Hobbs, the Deputy Minister of Executive Council, specifically discussing Stelco's involvement in Ram Steel?

MR. PARKER: I have no knowledge of those meetings. The meetings AOC was involved in were almost entirely with Stelco and talking with the Canadian Commercial Bank on occasion as well.

MR. NOTLEY: But, Mr. Parker, I remind you that I am reading specifically from a sessional paper tabled in the Legislature. The sessional paper says, and I'll read it again so there will be no misunderstanding:

As of this date we can confirm that a number of discussions have been held between officials of Tourism & Small Business, Economic Development, the Deputy Minister of Executive Council, and the officials of the Alberta Opportunity Company with representatives of Stelco Canada following the October 5th approval-in-principle of the loan by the Cabinet.

Are you saying that your discussions with Stelco were totally with the AOC alone, as opposed to any other officials of the Alberta government?

MR. PARKER: What date are you referring to?

MR. NOTLEY: It would be after October 5.

MR. PARKER: But when was this statement made?

MR. NOTLEY: The statement was tabled in the Legislature at the spring session. It's sessional paper 178, 1983.

MR. ADAIR: Mr. Chairman, I think two things should be made clear. Those meetings did take place, and I think the word is "meetings". There is an inference by the hon. member that there was one meeting, with all those people at that same meeting, and that is not necessarily the case. I'm not even sure of the date of the meeting with — I believe you said the deputy minister of Executive Council? Yes. I'm not sure when that meeting occurred, but it occurred prior to the tabling of that, as did any meetings that occurred between either individually the deputy minister, the minister, or officials of those departments, as was outlined in that particular document. I remind you that I tabled that document.

MR. NOTLEY: Mr. Minister, perhaps I could follow that up.

MR. CHAIRMAN: Mr. Alexander has been trying to attract my attention.

MR. ALEXANDER: Mr. Chairman, I just wonder if I could raise a point of order or a point of clarification on this particular matter. It's clear that we're here to discuss the Alberta Opportunity Company and the heritage fund. It seems clear that the Alberta Opportunity Company made a large loan. It seems clear that the loan went bad, or appears to have gone bad. Is it also the function of this committee to explore in detail the decision-making process by the Alberta Energy Company directors as to how this particular bad loan was made?

I ask that because the Alberta Opportunity Company is in fact set up to make high-risk business decisions. We've already gone through that. It's a social spending agency, to be quite honest about it, and I wonder if we can go on. We went through the session like this, and I wonder if the committee is actually structured to go through and pursue in

intricate detail what the business decision-making process in this particular loan is.

I share the hon. Member for Spirit River-Fairview's concern over the fact that a large loan was made and appears to have gone bad. I share the concern on the part of a lot of people. But I guess I'm a little puzzled as to what exactly this committee is going to learn by pursuing the times and dates and why this and that decision was made, when this company is set up and designed to make those kinds of decisions. Do we have to go through all that?

MR. NOTLEY: On a point of order, if I may. I certainly agree — I'm sorry to say — with my colleague from Edmonton Whitemud that I think the Alberta Opportunity Company is close to a social spending agency. But we'll leave that to discussion at the proper place and time in the debate in the Legislature.

The question of whether or not we should explore the method by which the loan is made is basic to our responsibility as a committee. Our job as a trust fund watchdog committee is not just simply to review things in a general way but in fact to be the watchdog for the public on the investments of the Heritage Savings Trust Fund. If there is any question at all of the way in which those investments are made, it is up to this committee to satisfy itself that those investments were made properly. That means examining in detail all the programs that come under the Alberta Heritage Savings Trust Fund.

At this stage, money has been advanced to the Alberta Opportunity Company. There is an \$8 million loan, which is the subject of some controversy. The only fair thing, frankly, is to fully discuss that \$8 million loan here. One might have had an argument if it had been in a different fiscal year. It isn't. It's in the fiscal year that we are attending to in this session.

That being the case, Mr. Chairman, I think it is only appropriate that we take whatever time is needed to allow the minister and the appropriate public officials to satisfy us as to every question that we have. We're here to protect the public. We're a watchdog committee. I think there's just no question that however boring it may be to some or tiresome to others, or even out of order to some, it is basic to our responsibility. I remind any member who has the slightest doubt of that to examine in detail the debate that occurred on the Heritage Savings Trust Fund in 1977 when the Legislature passed it and set up the mandate of this committee, which is clearly to do exactly what we've been doing in the last few minutes.

MR. CHAIRMAN: Are there any other hon. members who wish to speak on this point of order?

MR. ADAIR: Mr. Chairman, if I could just respond. I don't want it to get too far away . . .

MR. CHAIRMAN: We're on the point of order. Are you speaking now to the point of order?

MR. ADAIR: I'm speaking to the point of order. I have no difficulty about discussing Ram Steel as far as we can go within the bounds that we as a company and a client have. I think one point has to be made. The transaction, at this particular point in time, is not to be considered totally complete. So there are some implications relative to prospective customers or clients who may in fact want to make a bid for the assets of that particular company, which would affect the loan that the Alberta Opportunity Company has outstanding at this particular point in time.

One of the concerns we have, and I will very strongly support this concern, is that until such time as that receiver has entertained if there are to be any applications for consideration of either purchase or takeover, or whatever the case may be, we — I as the minister and, I'm sure, Mr. Parker as the managing director — recognize that and don't

want to jeopardize or change any possible thoughts that may proceed along those lines. Until that has happened, until that transaction has been completed, I think we have an onus to in essence rest our case, in a sense, with the receiver. As soon as that has occurred, if a loss should occur then we are prepared at that time to discuss the implications of that. If a payout, or a purchase and a payout of that loan occurs, there is no argument.

MR. CHAIRMAN: Mr. Anderson, you were on this point of order as well?

MR. ANDERSON: Yes, Mr. Chairman. My opinion with respect to this point of order is that in fact Mr. Notley has an excellent position regarding the justification of any member to pursue at some length a particular loan in the fiscal year that we're discussing. My concern would be more around the amount of time and list of people you have on the list, and I'm wondering if this committee has any rules under which questions and supplementaries are limited, as do other committees of the House in general.

As I say, specifically on the point of order I would support Mr. Notley's position, but I do appreciate the hon. Member for Edmonton Whitemud's, Mr. Alexander, point that we can't spend all our time on one loan. Though that may be the feeling of one or two members, I may have another loan that I wish to question as well, and we have to have some rules of operation within the committee.

So I agree with the essence of the point, not the specific, but do believe we have to find some method of moving through the committee. Being the next questioner, I was wondering if I was going to get an opportunity today.

MR. CHAIRMAN: Mr. Anderson, we'll come back to that point you raised.

There are two other members who wanted to get involved in this point of order. Mr. Speaker.

MR. R. SPEAKER: Just one comment. First, I agree that this matter is certainly part of our discussion and should proceed.

In response to the minister's comments, I think what we're talking about is questioning the process that has occurred, not as much what's going to happen in the future and what judgment we make on government in terms of either a loss or no loss at a future date. So it's the process we're attempting to question at this point, and that should certainly be a matter of this committee because that process applies to other loans. The process that we amend, enhance, or degrade at this point certainly gives terms of reference to Mr. Parker and his group. That's our responsibility as a committee.

MR. MARTIN: Mr. Chairman, I just want to make it very clear that this does fall under the mandate of this committee. I think the point that has to be made here is that we're not dealing with private management, we're dealing with AOC, which is a part of government that we're specifically looking at here.

When we get into the confidentiality, I would accept what the minister is saying in that they want to get the best possible deal they can from another company. I can accept that, although it's being bandied in the press, as he well knows. But I think that anything that leads up to that would be in order because, as Mr. Speaker says, we're dealing with the process here. So part of it is that we know what happened so that this would not happen again if it was a bad deal.

So I think it's clearly — clearly — what this committee should be doing. Otherwise there's not much point. We'd be asking a bunch of innocuous questions; we'd sit here for half an hour and then go and collect our money. But surely this committee is meant to delve into things like this specifically.

MR. CHAIRMAN: Ladies and gentlemen of the committee, in looking at the tradition of

this committee and reading the minutes of previous years, it would seem to me that the line of questioning that is currently being undertaken by the Member for Spirit River-Fairview is in line with the tradition of this committee, and perhaps appropriate at this time.

I do have a concern, however — and Mr. Anderson raised it — with respect to a question on how many supplementaries we are going to be dealing with. I regretted yesterday to even raise the subject in terms of what kind of ruling we would want to use within the committee. I note that this afternoon Mr. Gogo raised one question and one supplementary; Mr. Thompson raised one question, one supplementary; Mr. Hyland raised a question and a supplementary, followed by a second supplementary from Mr. Kroeger, a third supplementary by Mr. Hyland, and then a fourth one by Mr. Moore. Mr. Notley has raised one question with eight supplementaries. I also note on the list I have in front of me seven members, five of whom have not yet had an opportunity to raise a question.

So I think that at this point I would ask for some direction from members of the committee. There are, of course, two traditions that we follow. One that's followed in the House is when the Speaker generally indicates that a question should be followed by several supplementaries. In reading the minutes of Public Accounts this spring, I do know that the chairman of the Public Accounts Committee made a ruling that, as a result of requests from members of the committee, the line of questioning should be one question plus two supplementaries, and if there are additional questions that member would follow in a rotation list.

Really it's fairness, I think, of activity within the committee that it would be most important to me at this point to question how many supplementaries we should be dealing with. I have certainly been a lot less conservative than the chairman of the Public Accounts Committee in terms of dealing with the question and the number of supplementaries. He did follow through the ruling of one question and two supplementaries and, Mr. Notley, we have at this point one question and eight supplementaries. I noticed you had your hand up to make a comment on this.

Again, my basic point here is just simply the opportunity of all members to get involved.

MR. NOTLEY: Mr. Chairman, I don't think there's any difficulty with some kind of arrangement where, after a few questions — whether it be one and two or one and eight, whatever — you go on to another person, providing there is an understanding on everyone's part that the minister and the officials will come back another time. I do not think we want to get into a situation where we are restricted to one and two and then we find "oh, oh, we've gone over the time; it's 4:31; that's it". Because then, as we well know, with the majority in this House there might be important questions that aren't raised.

So providing we have the understanding that the minister would be prepared to come back another day, or days, I would have no quarrel at all with the Public Accounts approach. Then we'll just take our turn and rotate until we have questions. But I would be quite concerned if we got into a situation where we said "here is the time frame, and that's that".

MR. CHAIRMAN: Thank you very much, Mr. Notley. There are three other hon. members who want to make an additional comment on that.

I would draw all members to the discussion we had yesterday afternoon when we approved the schedule for the months of August, September, and the early part of October. There seemed to have been a consensus at that time that if additional time were required for a particular minister beyond that which has been allocated for a particular day, we would ask that minister to return on the four dates that were open and fit it in at that time. That was what we agreed to yesterday.

Mr. Moore, Mr. Thompson, and Mr. Hyland.

MR. R. MOORE: Mr. Chairman, that's exactly what I was going to bring up; that we had discussed that yesterday and that we had four days open for such an occurrence; that should it carry over, the minister could come back and be accommodated on those four days at the end. I think we should go along with what we decided yesterday and proceed along those lines.

MR. THOMPSON: On the original point of order, Mr. Chairman, I question the propriety of the Member for Spirit River-Fairview, who has a question asked and answered in the House, asking a member from AOC to answer the question. If this is what we're doing in this committee — the question was asked in the House, was answered in the House, and I think that we shouldn't be spending our time going back over that question again.

MR. NOTLEY: Mr. Chairman, on a point of order. I must enter on this. I think Mr. Thompson may have misheard me; I presume he did. The questions were relating to clarification. If there is new information, if there seems to be inconsistency, our job as a committee is to get to the bottom of what is happening to our trust fund. We are the watchdogs. If it means that there is information which has been made available in the House, in Public Accounts, and there seems to be some uncertainty over that information, it is totally appropriate — totally appropriate — and in order. I know of no rule in Beauchesne, I know of no rule in any parliamentary rule book in the world which would preclude that.

MR. CHAIRMAN: Mr. Martin, I presume you want to talk to this point, as does Mr. Anderson.

MR. MARTIN: I would suggest, to solve the dilemma, that [inaudible] can come back, as has been mentioned by the Member for Spirit River-Fairview, and that in Public Accounts — a number of the people are in there — we have the three supplementaries and it's fairly easy if they want to make a preamble, but that covers it. Let's go to the same as the Public Accounts, then.

MR. CHAIRMAN: Mr. Anderson, then Mr. Hyland.

MR. ANDERSON: Mr. Chairman, I just thought Mr. Thompson was going back to a point of order that I thought you had ruled on, and I was trying to get clarification of that. It's clarified now.

MR. HYLAND: Mr. Chairman, I was just going to say basically the same thing you did about the discussion yesterday and the four days, because I had taken part in that. If the case is that that isn't sufficient, then we'll have to examine it at that time.

MR. CHAIRMAN: I think we have a consensus for the operation of this particular committee. I have only one little point of clarification, and that's to Mr. Martin as the chairman of the Public Accounts Committee. It was my understanding it was one question plus two supplementaries; you just indicated to me it was one question plus three.

MR. MARTIN: No. One question plus two.

MR. CHAIRMAN: Okay. Then if it's the general consensus of all members of the committee, we will proceed on that basis.

MR. ADAIR: If I could just comment. The question, I believe, from the hon. Member for Spirit River-Fairview was whether I would be prepared to come back. If you've got time slots available and that time is there and we don't finish today, I'm prepared to come

back. I have no difficulty in doing that.

MR. CHAIRMAN: I appreciate that. With this new set of rules for the committee, we'll now move to Mr. Anderson, followed by Mr. Moore, Mr. Alexander, the effervescent Mrs. Cripps, Mr. Martin, Mr. Thompson, and Mr. Hyland, in that order.

MR. ANDERSON: Thank you, Mr. Chairman. My question to the hon. minister, or whichever official he would like to designate to answer, is with respect to the relationship between AOC and the new Vencap corporation. Specifically I'd be interested in knowing whether or not the function of AOC or the kind of applicants that it will now accept will differ, and whether they are at this point beginning to refer people to the Vencap corporation.

I guess I might as well ask what would amount to a further supplementary. In a position like Ram Steel, where the loan is of a large nature, would that kind of loan application now be referred to the Vencap corporation?

MR. ADAIR: Mr. Chairman, I might start off by stating that the Vencap corporation is not yet actively in business, and I think we're possibly a little bit premature in responding how it may affect the Alberta Opportunity Company. But I would assume that a loan similar to, say, the Ram Steel loan or a large loan of that type might have been directed to them if they were in place at that particular time. I don't know if Mr. Parker has had any discussions with the gentleman from Vencap to this point, leading up to whenever it is that they're going to actively engage in receiving applications.

MR. PARKER: I've talked to the president on several occasions. In fact we have it arranged that in early October he will attend one of our board meetings, and we can have a discussion with our board members and with Mr. Mather to explore various areas of mutual interest. But at the present time it's premature because, as the minister said, they're not in operation yet. We expect that there will be some area of mutual interest, but the bulk of our business is the small businesses which don't require the funding of the magnitude that Vencap is expected to be involved in — \$1 million-plus. So I think it would be a very small minority of our applicants that we might be mutually involved in.

MR. ANDERSON: Mr. Chairman, perhaps the minister or the gentlemen with him aren't able to answer this as well at this point, but is Mr. Parker indicating that perhaps the criterion will be under \$1 million for AOC and over \$1 million for others? Will that be the only difference that you'd see in referring individuals to the Vencap corporation?

MR. PARKER: I wasn't implying that we were going to be restricting ourselves to loans of under \$1 million, but that the vast majority — 95 per cent plus — of our applications we deal with are well under \$1 million. We would refer to them large applications which we presently probably don't deal with, along with anyone else in the venture capital business, if that is what they need. But I think the very nature of our business is such that our mutual interest in specific businesses will be limited to a very few because of the small number we have in the large loan category.

MR. CHAIRMAN: Mr. Moore, to be followed by Mr. Alexander and Mrs. Cripps.

MR. R. MOORE: Thank you, Mr. Chairman. We've been dealing with one loan in the large portfolio of loans that we must have heritage trust fund money in. I see by the annual report that in excess of \$160 million is being handled through AOC. Could the minister sort of give us an overview on that other \$152 million we've got out there? Have we any concerns such as this in that area?



MR. ADAIR: In general, as I said in my opening remarks, I think two things are pertinent to the operations of the Alberta Opportunity Company. One is that up till now, we have approximately 3,000 loans approved and funds disbursed to the tune of roughly \$300 million. In that particular sum of money, as Mr. Parker was commenting for me as I spoke, roughly \$15 million in 220 of the 3,000 loans over the lifespan of the company has in essence been written off. Whichever way you want to work it out, the percentage is a fantastic figure, really.

I guess one of the keys we have to indicate, too, when we're talking about where that total of loans is throughout the province is that if you look at the annual report and at the disbursement of loans in northern, central, and southern Alberta, very little change has really occurred in where those loans have gone relative to numbers: 28 per cent in northern Alberta, 25 per cent in central Alberta, and 24 per cent in southern Alberta, and the balance primarily in the Edmonton and Calgary areas. We have had some concern over the Edmonton and Calgary areas and what appears to be — and I state that quite clearly: what appears to be — discrimination, I guess you could say, because of what possibly is a higher rate.

But again I have to go back and re-emphasize what the Alberta Opportunity Company was set up for. It was basically to assist those companies that are high-risk borrowers of last resort more in the rural areas. When AOC was struck, part of the problem we as the business community had was that the banks were quite interested in loans in the metropolitan centres — easy to service, easy to look after. But a loan, for example, in Nampa, Berwyn, High Level, or Etzikom was a little bit out of their ballpark, so they would refuse it. So there wasn't any means for that person to obtain funds. The Opportunity Company has served that purpose. The diversification of the kinds of loans to the service, tourism, and manufacturing industries, has occurred through the life of the company, and I think the Opportunity Company is to be commended for the way it has handled that particular aspect.

The interesting factor is that today I received a copy of a letter from a gentleman in Calgary who sent it to The Calgary Herald, and I hope it's going to be printed in letters to the editor one of these days, relative to their involvement in a loan guarantee that helped them, and recognizing the total picture of the number of loans out there, the total fact that they are high-risk loans made after one or two have refused them, that that story is there. Now the one question we can debate, I guess, is the one relative to whether we are losing enough. It's ironic that I get comments about a loss when in other years we're talking about losing more. If you're going to get out and serve the public, you should be prepared to lose a little more. I'm not sure we're going to lose a little more, but we are closer to having done that, right now in this particular case, than we've been for some time with a large loan. I recognize the implications of that.

In the case of the other loans out there, across the board, whether in the tourism, service, manufacturing, or whatever industry, the Alberta Opportunity Company is in extremely good shape.

MR. R. MOORE: Mr. Chairman, a supplementary to that. Ram Steel was the largest loan. How many do we have in that category close to that area? Do we have a lot up at \$7 million or \$6 million? Where do we drop down?

MR. ADAIR: In my life with AOC, my understanding is no, we have one. Some time ago, we had a large loan that was the subject of some controversy at the time when it was the largest loan. Incidentally, my understanding is that it was reasonably successful; that was \$4 million at that time. We have quite a number of loans — I was just asking Roy if he had the number at his fingertips — over the \$1 million mark, and I would be making an educated guess at about 30 to 40.

MR. PARKER: I think that's about it, yes.

MR. R. MOORE: Mr. Chairman, the last supplementary on this, to Mr. Parker, probably. On those that fell in at over the \$1 million mark, are any of those in serious trouble or gone under? Have we taken any major loss in that area?

MR. PARKER: Yes, most definitely. They have had about the same and maybe even slightly more in the way of difficulties than our average, but not sufficiently that it's going to cause the results to be markedly different than they would be without them. Quite often you think of small business as \$50,000 or 25 people or what have you. But there are various industries where a small business may have to have indebtedness of millions of dollars, because in relation to the competition, who are giants compared to them, they are a small business.

An example of businesses that have had a significant amount of difficulty in Alberta in the past one to two years is the motor hotel business. There are a lot of very nice motor hotels around the province of Alberta that, due to a decline in the occupancy rate, have had difficulty servicing their debt. The financing for a 50- or 100-unit motel can require \$1.5 million to \$3 million or \$4 million.

MR. CHAIRMAN: Mr. Alexander, to be followed by Mrs. Cripps, Mr. Martin, and four other members.

MR. ALEXANDER: Mr. Chairman, having learned what I did on the point of order, I must comment at the beginning that the watchdog's job in this particular instance is a very difficult one. In a company which as part of its mandate has to borrow high, lend low, take the highest risk, charge no premium for the risk, deal in rural locations mainly, and take loan losses at five times the commercial rate, I would like someone to do a more careful job of defining what the watchdog is supposed to do. That was my point.

I too am concerned about the matter of Ram Steel, but I was trying to separate the business decisions made in the process of this loan, which is one thing, and what the Alberta Opportunity Company is supposed to do in situations like this, which I consider to be an entirely separate matter. I draw members' attention to the inside cover of the report. It says there that "the Board has direction and control over the conduct of the business and affairs of the Company". That's from the Act. If you have direction and control over the business and affairs of the company, presumably it's your job to conduct the affairs.

I was seized with a mild panic when the hon. Member for Spirit River-Fairview said he agreed with me. Then I found that he said what I was saying also. His point was that it's our job here to see that those investments are made properly. That's my point. How does the AOC make its investments properly? If you have made this one improperly, what's improper about it? My point was that I don't see anything improper about conducting a whole series of meetings with private investors, the CCB, Stelco, and all those people, and having lots of meetings about an \$8 million loan. There's nothing improper about that.

The member seems to be suggesting that something improper has happened under the terms of your mandate. I think what he's getting at, and has been getting at for months now, is: what's the political component in this loan? Let me expand on that and ask it another way. What's the political component in this loan as opposed, for example, to the rest of the loan portfolio?

MR. ADAIR: Is that the question?

MR. ALEXANDER: Yes, that's the first question. In other words — if that isn't clear — what I'm trying to get at is that there's an implication here that somebody had extra political influence in this decision-making process, and they're questioning the decision-

making process rather than the impropriety of the decision-making process. I'd like to get at the impropriety, if any. I don't know whether there is any in this kind of circumstance. Is there a political component in the Ram Steel loan that you can identify, and if so, is there a similar kind of component in all the loans made by this company?

MR. ADAIR: Mr. Chairman, let me state, as I have stated in the past, sometimes to deaf ears, that this loan is not any different from any other loan that has been made, other than the size of the loan. Obviously, it's the largest made to date. On many occasions, I have the request to meet with a client who is looking at the possibility of applying to AOC for a loan, and that client will bring in his or her lawyer. In the case of Ram Steel, the one meeting that I had with officials of Ram Steel involved their lawyer. Ironically enough, coincidentally enough, for whatever reason they — whoever "they" are — may choose, that happens to have been a former member of this government. But I said before, and will say again, that the involvement of that member as a lawyer for the client has been and is no different from any other client and/or his or her lawyer.

In essence, although there may be a difference of opinion on one side of the fence or another, I stand before you and say again, and have said in the past, that it is not any different from any other loan, other than the size of the loan.

MR. ALEXANDER: Mr. Chairman, can I carry on from that? Then is there something about the size of the loan — leaving aside the implications that you just went through, Mr. Minister — that is improper conduct of the business of the AOC? In other words, is there a lack of due diligence?

We've heard about meetings. The hon. member has talked to us about meetings and meetings and meetings that have taken place between people. It seems to me that's a definition of due diligence. Where did this company fail in its due diligence in the proper conduct of its affairs, if any, in making a loan specifically of this size?

MR. ADAIR: Really, when you get right down to it, Mr. Chairman, the size of the loan obviously has some implications. If you go back in Hansard or in history, there was concern about the first \$1 million loan that was made. There was some concern once the \$4 million loan was made. The \$8 million one is current and before us now. Other than the fact that it is the largest loan to date, no other aspect of that particular loan is different from any other loan application, whether it's an \$800,000 loan or an \$8 million loan, other than the fact that it was part of the refinancing plan we had initiated, I would say 18 to 20 months ago, or a little longer than that.

Of course with that — Mr. Parker can expand on that — we expressed concerns relative to going into refinancing to ensure that what we were doing was not, to use the term used by some, a bailout. The essence of refinancing if it is to occur in the Alberta Opportunity Company is to ensure that the refinancing would be to the benefit of the company, the small business in the province of Alberta, and that it could be repaid. To the best of my knowledge these terms, those meetings, and the efforts made by the Alberta Opportunity Company management and board were in fact no different from any other one to ensure in fact that they were doing that.

One thing that hasn't come into play, obviously, is the significant and drastic drop in the market that occurred after the fact. If we had the ability to crystal-ball, things may not have occurred. As Mr. Parker said a little earlier, hindsight makes it a little easier to make some statements and judgments. But at the time, we — and I speak now of the government of Alberta in co-operation with the Alberta Opportunity Company — gave the approval on the basis of the best information available to us.

You may want to comment beyond that on the refinancing and the terms, if we might just go over that again.

MR. PARKER: The only comment I can make is that it was reviewed on the same basis as

any other application. Due consideration was given to markets and to our company policies. As I said earlier in the meeting, when we see a refinancing, which in large measure this was, where in our view they can't survive with their existing financing but they can with ours, then we will take a chance. We will attempt to do it, because it is to the benefit of the company, the shareholders, the community, and the province.

We don't have a 100 per cent success ratio, because when you take risks as we do you can't hit it 100 per cent all the time. If you do hit it 100 per cent, you're not taking any risks.

MR. ADAIR: Then you get criticized in reverse.

MR. ALEXANDER: Am I entitled to two supplementaries?

MR. CHAIRMAN: This is your second one coming up, yes.

MR. ALEXANDER: So this has to be a zinger.

MR. CHAIRMAN: This is it.

MR. ALEXANDER: I agree with what you just said. In fact, it's defined in your terms that you can't be 100 per cent. You can't, under the definition you have there.

For example, if your 1983 loan loss experience is, say, less than 5 per cent, or whatever this imprecise number is that is defined for you to take and still be performing your function should fall below that level, including the Ram loan, I ask you half facetiously: what other methodology might you find for making bad loans other than those used in the case of Ram Steel?

As I said, I'm partly being facetious, because that's what's defined for you. I'm trying to find out — what we're trying to get at here is what is improper about what you've done. I'd like to know, too, if you've done something improper. Under the terms of your mandate, what you're supposed to do is lose; that's not in itself improper. What you're supposed to do is make business decisions. You have a bunch of high-priced businessmen whose very nature would be opposed to doing what you're doing in a business sense. But as I said before there's an element of social spending here, and so they have to do it anyway.

Assuming Ram Steel still doesn't take your loan loss ratio high enough, what are you going to do, knowing you will face this watchdog committee and have the propriety of your methodology questioned? This is where I'm confused, and that's why I ask the question. I'd like some clarification, if it's possible, and that's the end.

MR. PARKER: The simple answer is that we're not going to do anything differently than we have been doing, because we do not make loans of any size knowing we're going to lose on them. We make loans where we think there is a reasonable chance of success. Over the long term, we'll have the majority right and the minority wrong. If we went any further — to a significant degree, anyway — we would be going beyond taking a reasonable risk to making foolish judgments. All of our professional staff and management have had lending experience in the private sector. If there's one thing you know about lenders in the private sector, they do not like to lose money. We will do everything in our power to avoid it, but we will continue taking risks. We know that maybe one out of 10 will go under and that will result in our losing half of our money in that case, which is 5 per cent of our total advances. We feel that is a reasonable position at this point in time.

MR. CHAIRMAN: Thank you very much, Mr. Alexander. Two members of the committee caught my eye requesting a supplementary on this series of questioning. My understanding of the ruling we arrived at a couple of minutes ago was that there would be one question plus two supplementaries. On the basis of that, Mr. Speaker and Mr. Hyland, if you'd like

me to put your names down on the bottom of the speakers list, I'd be happy to do that.

We'll move on to Mrs. Cripps, followed by Mr. Martin, Mr. Thompson, and Mr. Hyland — you're already on the list.

MRS. CRIPPS: First, I don't agree with your ruling, because I think you have to be flexible. I want to ask my first question as a supplementary to Mr. Alexander's, and it will count as one of my supplementaries.

You indicated that generally these loans are made in the best interests of Albertans. If so, wouldn't 32 loans of \$250,000 have created more jobs throughout the province and been in the best interests of more communities than one \$8 million loan?

MR. PARKER: That goes on the supposition that we're turning people away; we're not turning people away because we don't have enough money. If we can find 32 — or whatever the number is — \$250,000 loans that appear to us to have a reasonable chance of success and can't get their funds from the private sector on reasonable terms and conditions, we would be delighted to deal with them. It would give us great pleasure and certainly would not cause us a problem as far as funding is concerned.

I find it difficult to say that we shouldn't have done one because some others might have come along. Does that answer it?

MRS. CRIPPS: I beg to differ. I think you have probably turned a number away and, in some cases . . .

MR. ADAIR: Not based on money.

MRS. CRIPPS: Not based on money? Well, maybe.

MR. ADAIR: Mr. Chairman, to the hon. Member for Drayton Valley. I think it's important to state that the turn-downs, or refusals, of applications are based on either the inability to repay — the Alberta Opportunity Company is not a granting organization; it is a lending organization. Any of the turn-downs are based on the fact that there was either the inability to repay or the lack of equity, or whatever the case may be, not on the lack of money.

MRS. CRIPPS: I guess my major concern is that the AOC is a lender of last resort. In the first place, I think that whole principle is wrong, and I agree with Keith in that aspect.

Secondly, if the base rate is set at or near the bank prime — it's 12 per cent now, and the bank prime is 11 per cent — then you're operating at 1 per cent over prime. If it's also true, as I understand it, that the interest is fixed for the term of the loan, then businesses borrowing from AOC, as a lender of last resort, have a distinct advantage over businesses borrowing from the traditional lending agencies. Business decisions simply can't be made on the basis of ability to pay the principal plus the interest when you don't know what the interest is going to be down the road. Fluctuating interest rates make it almost impossible to make judgmental decisions on that basis. Yet companies borrowing from AOC have this distinct advantage.

Do you think that's fair to the good businessman who can borrow from the other lending agencies? Most often I hear people say, well, I've been turned down by AOC because they say I can borrow from a bank. I can't, but they say I can.

MR. ADAIR: I think two things need to be clarified for the hon. member. The original loan did have the interest rate fixed for the life of the loan. It is currently five years and reviewable, and that's been in place for roughly two years.

We get the question quite often, and I as the minister responsible get the question quite often: I as a good businessman can't borrow money from the government but

someone who may be in trouble can. I think we recognize that because, in essence, when it was struck, you were dealing with a lender of last resort concept.

Maybe I have a question to the hon. member: when you said that that principle is wrong, were you suggesting that we get into the banking business, where the treasury branch is right now, in essence, and be totally competitive with the private sector? Is that what I read in your saying the principle is wrong?

MRS. CRIPPS: That's right. In fact, my next question is: has consideration been given either to getting out of the lending business or treating all businesses on the same principle?

MR. ADAIR: The best response I can give you is that the terms and direction I as the minister have been given are that we are a lender of last resort, and until that is changed we will be a lender of last resort. There has been a fair amount of debate and discussion about it, but we are still a lender of last resort.

As a matter of fact, we had a discussion — almost a mini-debate, if I might say that — in Public Accounts with one of the hon. members from Calgary relative to that same position. But as a lender of last resort, we recognize — the board of directors is made up of private-sector businessmen from across the province, from a good number of areas. When I say a good number of areas, those are business areas, where you have people involved in agribusiness, in the motel business, in the car business, the accounting business, a lawyer, the clothing business, the lumber business. They are the people at the board of directors level who make the decisions, based on the Act as it was struck back in 1973, to be a lender of last resort.

Until I get the direction from my colleagues that we change that, we are still a lender of last resort.

MRS. CRIPPS: This is not a supplementary. I would think that that would stick in their craw. Would you please let the member from Lethbridge know that the reason farmers supposedly have any advantage they have is to support the cheap food habit of the urban dwellers.

MR. CHAIRMAN: Mr. Martin, to be followed by Mr. Thompson, Mr. Hyland, Mr. Notley, Mr. Musgreave, Mr. Speaker, and Mr. Gogo.

MR. MARTIN: Mr. Chairman, I'd also like to talk about Ram Steel. Following up from the Member for Edmonton Whitemud — it's good to see him again after the summer — we are questioning two things. I accept what the minister said, that there is no influence in a political sense. But people are certainly questioning that there was access to politicians.

Secondly, at this time we are questioning the validity of being in Ram Steel. I think that's very much a part of the mandate, and that leads to . . . In answer to a written question, Mr. Parker, and I believe you also referred to this earlier. In response to Written Question 183, the government outlined the criteria a client must meet in order to qualify for AOC refinancing:

It must also be evident to AOC that with AOC refinancing the business, at least in the medium term, will be in a position to break even or better.

Obviously flowing from that, we would have to believe that AOC met this criterion as far as they were concerned.

I could be reading this wrongly from the media, but I believe Mr. Parker has admitted that the \$8 million was expended almost immediately to retire debts accumulated by Ram. Also, Mr. Mathews, the treasurer of Stelco, has been quoted in an interview saying that his company had purchased a very nominal number of shares in Ram Steel — we now know it's \$400 — on the basis of AOC's loan. He says, and I quote: we

were concerned about the financial status right from the outset. That's what Stelco is saying.

My question to Mr. Parker is: what evidence did he have, especially of future cash flow needed to cover AOC payments, let alone this company even breaking even, especially when Stelco is saying they weren't satisfied?

MR. PARKER: I'll talk about the last part later. First of all, when we originally looked at the loan, it was based on sales projections and a percentage of the market which Ram would be required to take if it was to obtain the level of sales forecast. As stated in other areas in the past, beyond our own investigation we had a consulting firm do a market analysis. They agreed that the forecast level of sales and percentage of market available were reasonable, bearing in mind that they expected the market to react in a certain way during the next several years.

In my discussions with Stelco, when they originally entered the scene, their view was similar to the consultant's, that the markets would in fact pick up in early calendar 1983 and that they would be in a position to support Ram by providing the skelp on the basis previously discussed, which would give them, in addition to their marketing skills and management skills, strengths in order to weather the storm and come out as a profitable business.

Subsequent to that happening and their decision to enter, the markets did not pick up and in fact may have deteriorated somewhat. As a result they did not provide skelp, because there was no need to produce when markets were not available. As had been anticipated, they did not take place.

Certainly in my discussions with Stelco, it was their view prior to February 1983 that there was a good market, that the company had good prospects, and that they agreed with our assessment and with the Woods Gordon assessment. But we were all subsequently proven wrong, resulting in the situation we're faced with today.

MR. MARTIN: The second supplementary to follow up from that, then.

MR. CHAIRMAN: This will be your first.

MR. MARTIN: Thank you, Mr. Chairman. I'll get my three in. Then what Mr. Mathews is saying now — that they purchased a very nominal number of shares in Ram Steel only on the basis of AOC's loan is what he's quoted as saying — is that we were concerned about the financial status right from the outset. You're saying that's not correct, that you were getting information from Stelco that this was going to be a reasonable deal, and what Mr. Mathews is saying here is incorrect.

MR. PARKER: Again, I'd have to read it. But from my recollection of what you said, first of all Stelco was interested in going in because by the time they became involved, certainly to our knowledge, our financing was approved, and that put the company on a sound basis as opposed to where it had been prior to our loan being approved — with the lengthy repayment terms which allow them to make payments over a period of years as opposed to having a significant amount due almost immediately. I think anyone going in would want to see that the firm had sound long-term financing in place if they were going to become involved with it.

Again, my understanding is that this was one of the reasons Stelco was interested in coming in and that that is completely different from their view of what the market would be, come February, March, April, May. Their assessment of it, certainly from what they told us, was that they anticipated that markets would pick up. That, in addition to the fact that the company had been soundly refinanced, was the basis of their entry into it.

MR. MARTIN: My last supplementary. He says very clearly that they were concerned about the financial status of the company right from the start, not about the market necessarily.

In terms of dealing with Ram Steel and looking at the feasibility, did you examine the terms of the leases they were in? We know long-term leases are often a problem with business. For example, floating around — perhaps rumors, but you might be able to fill it in — is that there are long-term leases on warehouse space in Red Deer. There's some talk about the downtown Red Deer offices being leased with up-front money for two to five years. Of course, that's owned by the chairman of the board, Mr. Dalton Skinner.

Did AOC examine the terms of the leases? That certainly would have some bearing on the viability of the company, especially the cash flow.

MR. PARKER: Mr. Chairman, in any case we look at all premises involved: owned, leased, what have you. I can't tell you what the terms of their various lease spaces are. But if they have space leased, the person who is leasing it will soon be looking for a new tenant.

MR. CHAIRMAN: Mr. Thompson, to be followed by Mr. Hyland, Mr. Notley, Mr. Musgreave, and three other members.

MR. THOMPSON: Mr. Chairman, to either the minister or Mr. Parker. Could you give us some assessment of the impact the debt shielding program the government has introduced has on the AOC and its clients?

MR. ADAIR: What I might do, Mr. Chairman, is ask Mr. Parker to give the impact relative to loans — the number of loans, or the figures we have relative to amounts above 14.5 per cent. After he does that, I'll give you a total run-down of the number of applications and the like, because I just happen to have it with me.

MR. PARKER: In regard to AOC and the global picture, it has had very little impact. Historically, most of our loans have been made at 14.5 per cent or less. All loans made prior to August 1981 were on a five-year term, but they were for the term of the loan itself; in my recollection, we had never made a loan, or very few, above 14.5 per cent by that time. So we're just looking at the period from August 1981 until probably November 1982.

Loans in that area, which would amount to maybe \$40 million in total — there could possibly be some impact. But in most cases, the borrowings that were shielded were those from chartered banks and other lenders who were, in most cases, at a higher rate than ours was. Thus, if there was anything left over on the \$150,000, if they were able to shield \$120,000 from the bank, then they would put the \$30,000 on to us — again, if we were over the 14.5 per cent.

MR. ADAIR: There's an interesting point that should be made in that, too. It's the converse of the argument that the metropolitan centres were being discriminated against in the higher rate, because when it came down to the interest shielding program, those who had the higher rates got the larger benefit under the interest shielding program.

To date in that program, we've had 43,409 original applications. We've had 21,128 second applications, the second pay period. As of August 8, we have paid out \$51,271,551 to small business and farmers.

MR. THOMPSON: My first supplementary, Mr. Chairman. Possibly you could expand on the funds that are acquired. The interest rates, as I read here in the report, are 15, 16 per cent; you mentioned a little earlier that you were lending money out at 12 per cent.



I see in your annual report that you have an interest expense of over \$12 million.

First, I'd like to find out how that's recovered. Is it out of the General Revenue Fund of the province, or does it come out of the heritage trust fund, the interest bearing part? I forget the technical name of it. Do you have any recommendations on how we could handle this area?

MR. ADAIR: Mr. Chairman, I'm sure Mr. Parker — this is a bit of an in-joke — has quite a number of recommendations as to how we could handle it.

Two things happen. Within the regular departmental estimate of the Department of Tourism and Small Business, there is a vote that relates to the terms of the original Act for the Alberta Opportunity Company, in that they had \$50 million interest originally. When the purchasing of funds was transferred to the Heritage Savings Trust Fund, that vote was struck to assist and carry on that tradition, and to pay that interest — I believe it's 9.9 per cent, or \$4.95 million — that is voted annually to be paid to the Alberta Opportunity Company by the department to cover the initial \$50 million.

I guess the difficulty we have had, and which the hon. Member for Edmonton Whitemud alluded to a little while ago, was that we have, as it states in the annual report, debentures that we have borrowed as high as 18.4 per cent still due and payable. We are lending out at the base rate of 12 per cent, or in some cases less or slightly higher. Obviously, you can't do that for any great length of time or there will be a fair debate as to the significance of the losses of the company. We are discussing with Treasury right now how we might deal with that particular issue.

MR. THOMPSON: Thank you, Mr. Chairman.

MR. CHAIRMAN: Mr. Hyland, to be followed by Mr. Notley, Mr. Musgreave, and four other members.

MR. HYLAND: Mr. Chairman, my question is related to the meetings the board of directors has been holding around the province and the input they are receiving from businessmen. Do you as minister, or you as the director, Mr. Parker, see any changes coming from the recommendations of the businessmen? Are any changes coming in the role or the way AOC carries out its role?

MR. ADAIR: If I could speak from my point first, I'm not aware that any major changes have been suggested. The meetings are handled both on the basis of the board getting a first-hand view of the area they may be dealing with at some point in time relative to an application from that area, and the businessmen in the community getting an understanding as a result of the discussions that may take place at the luncheon table or by the speakers at those meetings, as to what the role of the Alberta Opportunity Company is, from both the board's point of view and the management's point of view.

In my mind, they've been extremely successful in serving that purpose of directly communicating so it's not what someone may have thought they said, it is what they said there directly. Pretty well all of them have had a good feeling after having had the opportunity, one, to meet the board of directors eyeball to eyeball, and to discuss with them concerns that they may have had, either about a friend or their own loans at the time. I think they get a better understanding when they get it directly from a board member.

MR. PARKER: The only thing I could add is that we generally have three or four of these meetings a year, May through October. Included in this group of meetings, each year we have one two-day session where we not only will meet, say, in Medicine Hat, but we will take a day visiting banks, customers, and civic officials in towns along the way, so that we can find out what their problems are in relation to AOC and attempt to

overcome them by an on-the-spot visit.

As the minister said, quite often preconceptions that are at least partially incorrect can be resolved, and we find them very beneficial, from both our point of view and that of the people in those communities.

MR. HYLAND: The other question is out of order, I think. It should relate to the same subject, I assume.

MR. CHAIRMAN: No. My understanding of the ruling is that you have one question plus two supplementaries.

MR. HYLAND: Okay, Mr. Chairman. To the minister, relating to Ram Steel and Mr. Foster, their legal person who has been mentioned many times here: is he now acting for Ram Steel? Has he any association with the government or the Department of Tourism and Small Business?

MR. ADAIR: No relationship with the Department of Tourism and Small Business. To my understanding, the only association we've had with Mr. Foster has been in his capacity as the lawyer for the Ram Steel Corporation. I don't know of any other relationship he may have with any other departments or any other areas of government.

MR. CHAIRMAN: Mr. Notley, to be followed by Mr. Musgreave, Mr. Speaker, and three other speakers.

MR. NOTLEY: Mr. Chairman, to both Mr. Adair and Mr. Parker. I'd like to follow up these meetings with respect to Ram Steel for a moment. Perhaps I could give a chronology here by way of putting the question, just to make sure I'm correct.

On October 5, we have the loan approval by the government. Shortly thereafter, a letter went out to Ram Steel, giving the normal 30 days. That was extended to 53 days, to meet the conditions. November: the minister is quoted in Hansard as indicating that he learned of Stelco's involvement. We then learn from the sessional paper that apparently meetings were held with AOC, the departments of Economic Development and Tourism and Small Business, and the deputy minister, Mr. Hobbs, from Executive Council. I gather these were meetings rather than a meeting. We know that on November 25 a meeting occurred between Mr. Planche, Mr. Adair, Mr. Foster, and officials of Ram Steel. It would appear that if Mr. Planche and Mr. Adair felt it should be strictly up to the AOC, obviously the officials of Ram Steel and Mr. Foster must have felt it would be useful to meet with the two ministers; otherwise, they wouldn't have travelled up to Edmonton on November 25. On November 28, we had the approval of the loan by the Alberta Opportunity Company, and then we had the disbursement shortly after that. I presume that that chronology is correct. If either gentleman disagrees with it, perhaps they would do so in response to the question.

Having given that chronology, Mr. Chairman, my first question is: when the loan approval was given on October 5 — I'm not talking about the assets of Ram Steel now; that may well be a sensitive question — what was the best estimate of the worth of Ram Steel, when we decided to put \$8 million into this venture, a venture that cost \$16 million, including the land, to build?

MR. PARKER: Would you repeat that?

MR. NOTLEY: What was the best estimate of the worth of Ram Steel?

MR. PARKER: That was the worth of all its assets less its liabilities. If you're talking about the equity of the shareholders, that's one thing; but the fixed assets are another,

and that is what we took a charge against. In our assessment, according to our normal criteria, there was sufficient in the way of fixed assets for us to make a loan like that, bearing in mind that as a lender of last resort most of our loans have a degree of — insecurity is the wrong word. We are not fully secured in every case.

MR. NOTLEY: Let me roll a couple of questions into one, then. Given the fact that it appears that as of that date, October 5, we were going to put something in the neighborhood of \$30 million — \$7 million from the shareholders, \$8 million from the Alberta Opportunity Company, \$9 million from the Canadian Commercial Bank, plus a \$6 million operating line of credit. In total, \$30 million had been advanced to this company for assets which at most could be worth \$16 million, because that was the completed cost of construction; no other assets beyond that that I'm aware of. That raises the issue of to what extent the AOC on October 5, or shortly thereafter, when they sent out the letter to Ram, wanted additional security or additional equity, and to what extent the interest in Stelco offered both AOC and the government an opportunity to move ahead with the loan.

The two questions I roll together are: when the Alberta Opportunity Company was made aware of the interest of Stelco, was the full extent of the specific arrangement that was finalized — in other words, the very nominal equity investment, and that the bulk of this, in fact, would be an arrangement for selling raw material and then taking equity over a period of time — made available to you at the time, Mr. Parker? The minister was not aware of this until the middle of November. When were you aware of it?

MR. PARKER: First, a remark you made earlier in your statement: there were and are assets other than the fixed assets included in the financing all those parties were involved in. There are inventory, accounts receivable, prepaid expenses, a variety of things like this, in the millions of dollars; or there were. Also, the company had operated for a period of time and had suffered losses, as do many new companies, in the intervening time. That is a factor that has to be considered.

As far as the Stelco involvement is concerned — I'm just trying to think. I think it was about mid-November — I don't have my file, so I can't recall it specifically — that we found out they were interested in becoming involved with Ram and that we were completely aware of the method by which they were to build up their investment in the company; that is, by way of sale of skelp at the equivalent of cost, with the balance to be accrued to them to their benefit as investment.

MR. NOTLEY: Despite the absolutely nominal capital investment. I raise that, Mr. Parker, because it would seem to me to have been a very good deal from Stelco's point of view. We all know that the steel market was flattening out. To be able to sell skelp at cost at a time when you have excess production in any event, and then on anything between that and the market, you would earn equity: that's a pretty good deal, plus of course the \$400 risk. That strikes me as being a rather attractive proposition for Stelco but hardly one which would reduce the risk to us. After all, we were the ones who were asked to advance \$8 million in a firm.

While I agree with you there would be other assets, whether or not those other assets beyond the fixed assets would even begin to come to the total that was advanced from the Canadian Commercial Bank and AOC as well as the private investors is certainly subject to question, is it not?

MR. PARKER: We have two separate financial arrangements. First of all, there is the fixed asset financing, which is made up of Canadian Commercial Bank, \$9 million, and AOC, \$8 million. That approximates the cost of those fixed assets.

The area substantially at risk relates to the shareholders' investment and the

Canadian Commercial Bank operating credit, which relates to their current assets. The arrangement with Stelco had to be with the agreement of the shareholders, who were in control. If anybody was depreciating their position by this, it was the shareholders. Any support by way of Stelco involvement, which hopefully would see the company go on to prosper and be successful, would be to the benefit of the shareholders as well as to ourselves and the other fixed asset lenders.

To say that our money was involved at risk with the current assets and the losses which had already taken place is incorrect, because we were relating our funds to the fixed assets. The two loans totalled \$17 million, and the fixed assets came very close to that. It didn't reach that but, again, those are the terms of reference we work under. In most cases, we are in a position where we are not fully secured.

MR. CHAIRMAN: Mr. Musgreave, to be followed by Mr. Speaker, Mr. Gogo, Mrs. Cripps, and Mr. Martin.

MR. MUSGREAVE: Mr. Chairman, to the minister or to Mr. Parker. I'm the elected Member for Calgary McKnight. At the last count, we had 29,000 electors. It's one of the largest constituencies in the city and, I think, one of the 10 largest in the province. I imagine this Ram Steel loan would have been placed in the category of being an important loan for the province, particularly for central Alberta.

What I'd like to know is, how did you classify that loan? I note in the report that you say priority is given to businesses located outside Edmonton and Calgary. Would you have considered that loan important from the point of view of strengthening central Alberta, rural Alberta, or industrial Alberta?

MR. ADAIR: Mr. Chairman, all of them, in a sense. In essence, the role, aim, and thrust of that particular one was in line with our government policies relative to decentralization and assisting to ensure that there would be — in this particular case — a manufacturing industry located in an area other than the two metropolitan centres, and thus meet those terms we were setting out to.

You look at the diversification of that particular loan; you look at the job creation and the security. At the moment that security is certainly in question, in the sense that it is in receivership. Hopefully, someone will come forward and make application to pick up the assets, put the plant back into production, and get those people back to work again. That would be the end result we hope to see.

I'm not sure if that answers your question.

MR. MUSGREAVE: A supplementary, Mr. Chairman, to Mr. Parker. If I understood you correctly, you mentioned that you didn't have any problems making loans as far as availability of funds. Did I understand that?

MR. PARKER: That's correct, yes.

MR. MUSGREAVE: Approximately what percentage of loans would you have made in the two metropolitan centres vis-a-vis the rural areas of the province?

MR. PARKER: Historically, close to 20 per cent of our loans are made in the two metropolitan areas, but in recent years it's been in the neighborhood of 15 per cent. That is partly because funding is much more readily available to businesses in the major centres on reasonable terms and conditions than it is in many of the smaller centres.

MR. MUSGREAVE: A follow-up question, then, to the minister. I note in this report that the Alberta Agricultural Development Corporation has loaned out \$700 million plus to the farm community, and your loans to the end of '83 were approximately \$161 million. I

took a rough guess and said probably \$100 million of that went to rural Alberta, but probably I'm wrong.

This question is to you, Mr. Minister. How do we change the policy so that you will give more opportunity for those of us in the cities to borrow more money from your enterprising company?

MR. ADAIR: That's an interesting question. The role of the Alberta Opportunity Company — I'm starting to sound like I'm repeating myself — is to be a lender of last resort and to cover those areas where the conventional lending institutions are not willing to participate. Back in 1973, there was a marked difference; in other words, there was almost a line drawn as to where the private-sector lenders would journey out to, if I can use that term, and beyond that, very little encouragement to loan, for many reasons. The Opportunity Company was struck to try to fill that gap out there, to serve that area of the province of Alberta not already served by the private sector. That is still the role today. As Mr. Parker stated a moment ago, if in the metropolitan centres of Edmonton and Calgary there is the capacity within the private-sector lending organizations to lend money to those who are seeking it, then we're out.

At this point in time I have no direction to change that, nor do I personally see any directional change that should be taken. I still live in free-enterprise, private-sector Alberta, where the lending institutions, if they are playing their part, will in fact do that. I should also qualify that by saying there are a good number of loans and, ironically enough, those made in the metropolitan areas are significantly higher than the rural average. That may well be because of the nature of or the size of the project or the business and the fact that after having been turned down at the metropolitan level by the lending institutions and then coming to us and having that approval made, they have been slightly larger than in the rural areas.

MR. MUSGREAVE: Mr. Chairman, do I . . .

MR. CHAIRMAN: No, I'm afraid you've already had your two supplementaries, Mr. Musgreave. I'd be happy to put you back on the bottom of the list, if you wish.

MR. MUSGREAVE: Okay.

MR. CHAIRMAN: Mr. Speaker, to be followed by Mr. Gogo, Mrs. Cripps, and four others.

MR. R. SPEAKER: Mr. Chairman, to either the minister or Mr. Parker. I think our job in this committee is to assure ourselves that there's been objectivity in the loan decision, without any kind of undue political intervention or interference. I think that relates to the earlier question of the hon. Member for Edmonton Whitemud.

What I'd like to ask the minister, first of all — possibly to Mr. Parker as well — is whether the minister was more involved in this loan than in other loans. Was there more involvement of the minister's office in this loan decision and process than in other loans that have come before the AOC?

MR. ADAIR: Maybe I should ask Mr. Parker to respond. I would say no.

MR. PARKER: In 99 per cent of the cases, the minister has no knowledge of what is going on. In the other 1 per cent, he studiously avoids contact with us other than to say, I've been approached by someone, I've asked them to give you a call; would you talk to them or have one of your people talk to them. That's the way she runs. I can say fully and completely that we're not under any political influence whatever.

MR. R. SPEAKER: Why was Mr. Foster, the lawyer who had such easy access to the

Premier, rushing about making representation to those two persons, then?

MR. ADAIR: To which two persons?

MR. R. SPEAKER: You and your office, as well as to the Premier.

MR. ADAIR: Mr. Chairman, I have to take issue with the term "rushing about", because in [interjection] Let me talk, if I can. You can mumble.

There was only one occasion when I was contacted by the board of the Ram corporation, who wanted to have a meeting with me. They were in negotiations at that point in time with the Alberta Opportunity Company. As I stated in the House and will restate, I am in the position where on occasion I will meet with them to set them straight or to lay out the ground rules by which I operate as the Minister of Tourism and Small Business and the minister responsible for the Alberta Opportunity Company.

On occasion, the persistence of the client and/or their lawyer moves even beyond any prior approaches or approvals of a loan. Sometimes they're beyond that to the point of looking for appeals or the likes of that. One call by the company to sit down and look for some suggestions as to how they could have some of their terms possibly changed — and I'll read it, just so we don't get it any differently: yes, I did have a meeting with Ram officials and Mr. Foster, their lawyer, and that was to indicate any negotiations or suggested changes that they may want to make with their application must be made to the management of the Alberta Opportunity Company and not to my office.

In this particular case, as in quite a number of cases, that has to be said eyeball to eyeball. In many cases, they won't accept that over the phone. I have met, and will be meeting, with clients and their lawyers to do the same thing. To be a little bit broader, that also applies to the MLAs who may come to me and say, my constituent is a good constituent and they have an application. The only thing I will do — I have been very strict on that, and will continue to be — is that I will seek a report as to what has occurred between that client and the Alberta Opportunity Company, and pass that on to the MLA. They can pass it back to the client and suggest to them that if they have new information, they may call the managing director or the company and possibly seek another meeting to place that new information before him, which may change the decision relative to that — but no direction as to whether it should change or should not change.

MR. R. SPEAKER: Mr. Chairman, to the minister. In Alberta Hansard, May 9, 1983, the Premier indicates that in July 1982 Mr. Foster presented a letter to him at the Conservative conference on agriculture in Red Deer, approached him with regard to the Ram Steel matter and presented a letter so that he would be aware of the details. On April 29, 1983, the Premier again makes statements with regard to the great importance of this decision, recognizing economic diversification and recovery, and jobs. I remember the speech in the Legislature.

Following with that type of attitude of the Premier and his awareness in July 1982, did the Premier make a presentation to the minister, who in turn may have made comment to you, Mr. Parker? And, Mr. Parker, were you aware of the Premier's attitude of wanting this Ram Steel endeavor to be part of economic diversification and job opportunities in the province between, say, July and October of 1982?

MR. ADAIR: Initially to respond to my part of your question, the only direct contact I had was the fact that approaches had been made, and they were directed to me as the minister responsible for the Opportunity Company, although I believe the letter was directed to the Minister of Economic Development, if I recall. I'm not sure just who it was; I think that's who it was. That's where it went, as I understand it; I did not see that.

An enquiry was made by phone. We have many enquiries made by phone as to

whether the AOC might be interested in receiving an application. A lot of the enquiries are stopped at that point, if they can't meet certain conditions. But that was the extent of any discussions I had: that there was an inquiry being made and would I make sure they were steered to the right people — the right people are the board and management of AOC — like any other person who may ask where they may go or what they may do.

MR. PARKER: I'm trying to recall the exact words of your question. I think the essence was, was any pressure put on us from any source in government? No. I wasn't, nor were my board or management, aware of the meetings you're referring to until they came out in the Legislature. Not reading Hansard, I don't find out about these things until much later. We dealt with it, as I said, in the same manner that we do with any loan.

Beyond that, if you talk to a number of people in various areas of government, you will know that AOC's management and board of directors are fairly prickly about what their terms of reference and responsibilities are, and they take a very strong stand in living up to them in that manner.

MR. CHAIRMAN: Mr. Gogo, followed by Mrs. Cripps, Mr. Martin, and three other hon. members.

MR. GOGO: Mr. Chairman, I'll reflect back to some of the comments made by the Member for Edmonton Whitemud. I don't wish to take away from anybody their rights to delve into Ram Steel and so on. However, I view my role on the committee as somewhat greater than that.

If I could, Mr. Minister, I'd like to address the question of communication by your agency, AOC, in getting around to small-business people in Alberta. I seem to recall your department put out a pamphlet one time. I think it was headed, Starting a Business in Alberta. Lately the answer to that question is, buy a large business, and it will become a small business. That happens to be the times.

Mr. Minister, I think of the Canadian Federation of Independent Business — I think it's Mr. Bulloch's organization — which has thousands of members around the country, primarily small-business people by definition. In my own community, the chamber of commerce has some 800 members. Outside of the professional people, undoubtedly the bulk are small-business people. When I see the agricultural sector of Alberta conducting many seminars to assist — and I agree, many of these farmers are small-business people — I really don't see the same thing with regard to the Opportunity Company. I'm not taking anything away from Mr. McDonald and the department with regard to Tourism and Small Business. Maybe it's in there; I don't know. But I haven't seen a profile of Alberta Opportunity Company reaching out to small-business people throughout the province.

The question is, Mr. Minister or perhaps Mr. Parker, as a matter of policy at the company, do you actively seek out, for example, chambers of commerce and members of the Canadian Federation of Independent Business throughout Alberta, to put on seminars to communicate with those people exactly what you have to offer? Or do you limit that communication to advertising in the paper?

MR. PARKER: We do seek out chambers of commerce and are willing to speak to them or any such group at any time if we're invited. As far as putting on seminars is concerned, that's within the purview of the Department of Tourism and Small Business. But as you may be aware, we do conduct advertised visits on a regular basis. In the most recent year, there were 220 such visits to about 60 communities in Alberta where we don't have branches. We go out, we advertise in the newspaper, we are willing to take interviews at a local office. If sufficient people don't show up, our people go out and talk to bankers and municipal people, to try to let them know we're here, we're available, and if we can be of assistance we want to.

As far as putting on seminars, we don't have the staff to do it; it would require

quite a considerable increase in staff. With what the department does and with the programs put on by the Federal Business Development Bank, I think that area is fairly well served at the present time. We do have business consultants who provide management assistance and guidance in a variety of areas to our own customers, and once in a while to someone who isn't one of our customers. But that's about the extent of the kind of non-monetary assistance we provide.

MR. ADAIR: Mr. Chairman, just to supplement that. The management assistance program, which is conducted by the Department of Tourism and Small Business in co-operation with the various individual chambers of commerce in Alberta and with the Alberta Chamber of Commerce, is of the nature of what your request was, whether we do in fact have them. We have quite a number of them around. What happens in those particular discussions is they'll bring in 20 or 22 businesses, determine what it is they would like to have as a subject, and then go to the private sector and bring in private-sector consultants to work with them, individually and collectively, in their business; and then follow it up with a sort of wind-up dinner. I should point out that the Alberta Opportunity Company and the department work very closely together in that.

The other area of course is that we have business analysts, 11 of them throughout the province, who right now are very, very busy people, working with the number of people who are requesting some direction or assistance we may be able to offer them. We work very closely with the business counselling section of the Alberta Opportunity Company, who in essence do only the accounts they serve, those that would be there. We may go in to assist them if they get overloaded, or vice versa. So there is a co-operative effort in that area. We also work very closely with the Federal Business Development Bank so that we're not putting a program on in community X one week and then they follow the next week. We sort it out so we get the best possible dispersment of personnel in the communities within the province of Alberta to serve that purpose of conducting management assistance programs.

MR. GOGO: Mr. Chairman, I don't know whether this is done, but when I look at the board of directors they appear to be extremely competent people from the business sector. It would appear to me that a role they could play is to be advocates of the company they're directors of in terms of communicating within the communities what AOC has to offer; perhaps they do.

I'd like to make a comment as opposed to a question. I had an experience a couple of years ago with regard to the company and an applicant in Lethbridge. Frankly, I think it's a matter that's not dealt with very often. A great deal of counselling went into that application, including market research, which until that time I didn't appreciate the company had the expertise in or was prepared to pay for. The conclusion they came to was: really, it's in your best interests that we turn you down, because — and they gave some valid reasons — better we turn you down today than bad news in six months. At the same time, they had been approved by the Federal Business Development Bank. They went forward without AOC, but they had the federal development loan. Sure enough, not eight months later they went under.

I think that's an area, Mr. Chairman — I'm not really here to pay compliments, but I was very pleased to see that the Alberta Opportunity Company took it both ways. When they felt it was in the best interest to turn people down based on the chances of survival of that business, even though I'm a strong proponent that a 5 per cent loss is really no loss at all — frankly, I think it should be substantially higher, and I don't think you're a social spending agency. I wanted to make the comment, notwithstanding the comments from Whitemud, that there is credit to be paid for the counselling role that your staff plays throughout the province.

MR. CHAIRMAN: We have on the speakers list Mrs. Cripps, Mr. Martin, Mr. Notley, Mr.



Alexander, and Mr. Musgreave. We're also fast approaching the time for adjournment.

MRS. CRIPPS: I'll just hold it to one question since we're approaching the final time. I would like to compliment the department on the business analysts you mentioned, Mr. Adair. They do an excellent job.

I notice in the annual report that \$48 million is borrowed at more than 12 per cent. I notice in the latest heritage quarterly report that you have another \$23 million at less than 12 per cent. You stated earlier that you're not limited by the amount of money you can lend. Are you limited by the amount of money being subsidized in some form or another and loaned out by AOC at reduced rates?

MR. PARKER: The short answer is no. We have a fund of \$300 million, which means that we can have loans outstanding up to a maximum of \$300 million. We forecast for Treasury what our requirements will be on a quarterly basis, and generally speaking we're fairly accurate in regard to that. We then proceed to draw the money as required at commercial rates for what would be an AAA company on a five-year basis. This is how we get our money and what the cost of it is.

As far as our lending money is concerned, we look at each individual case and attempt to determine what the interest rate should be based on location, size of business, whether it's new or small, and the competitive factor involved, whether we would give someone an unfair advantage. All these factors melt together for us when we determine what the rate will be. Whether it's at 10, 11, 12, or 14 per cent, at the moment there's no formula that says we have to have so many at 10 per cent, so many at 11, so many at 13, and so on. We look at each individual case on its own merit.

MR. CHAIRMAN: Members of the committee, we've now arrived at adjournment time. The following speakers are still on my list: Mr. Martin, Mr. Notley, Mr. Alexander, Mr. Musgreave. I take it the four gentlemen would like to ask additional questions.

Mr. Adair, Mr. Parker, and Mr. McDonald, we'll thank you this afternoon, and we'll look forward to inviting you back to this committee. The time frame we have on our schedule would be Tuesday, September 27, 1983.

MR. ADAIR: At what time?

MR. CHAIRMAN: I presume the time 10 in the morning till noon would be appropriate. I will confirm that by way of memo.

MR. ALEXANDER: Mr. Chairman, may I ask a question pursuant to what you just said? If we are going to have a subsequent meeting, I wonder if we could be advised when the new annual report will be available. We have the 1982 annual report. I notice last year the Auditor signed it on May 10. Can we expect it some time before September 27?

MR. PARKER: It has gone to the printer today, I think, and we expect it to be available some time in September. It depends on when they get through with it.

MR. ALEXANDER: Pursuant to the time of the meeting, it strikes me it would be very useful to have the new annual report. If we're going to further examine the entrails of the Ram Steel deal, it would be nice to know we have more information in the annual report.

MR. ADAIR: Mr. Chairman, what we usually do is that as soon as I get the annual report, I send one to every Member of the Legislative Assembly. Then when we go into session, I file three copies. We'll ensure that you have them as soon as possible.

MR. CHAIRMAN: Thank you very much, then, ladies and gentlemen. This committee will reconvene tomorrow morning at ten o'clock, and we'll have before us the Hon. William Diachuk, Minister responsible for Workers' Health, Safety and Compensation. I now declare the meeting adjourned.

[The meeting adjourned at 4:32 p.m.]