[Chairman: Mr. Kowalski] [2:04 p.m.]

MR. CHAIRMAN: Good afternoon, ladies and gentlemen, and welcome to another meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. It would appear that the director of security for this Legislative Assembly must have concluded today was a statutory holiday rather than last Monday, because the doors somehow were locked and the lights are not on. I guess that's a responsibility or a matter for other than the chairman of the committee. I'm sure the chairman of Public Accounts would accept that statement as being correct.

MR. MARTIN: Whatever you say.

MR. CHAIRMAN: Thank you very much. I do appreciate it. You see, it's a matter of just bringing it to somebody's attention, and they come on. I've always been amazed at the power of the word. Keep talking, and we'll have light.

MR. MARTIN: Let there be light.

MR. CHAIRMAN: I hope all members are duly impressed.

We have with us this afternoon the Hon. Al Adair, the Minister of Tourism and Small Business. If all members take a look at the annual report of the Alberta Heritage Savings Trust Fund, they will note that there is a section on page 19 of the report which refers to one portfolio responsibility of Mr. Adair, namely the Alberta Opportunity Company.

Mr. Adair, welcome. If you wish to introduce the gentlemen with you and if you have opening comments, please do so. Mr. Adair, I might add that I know you circulated earlier this year a copy of the annual report of the Alberta Opportunity Company for the year ended March 31, 1984. But in the event that some members may have neglected to bring one, there are some additional here. If you just want to catch the eye of Miss Conroy, she will deliver one to you.

Sir, welcome. If you would like to introduce the gentlemen with you, please proceed.

MR. ADAIR: Thank you very much, Mr. Chairman. On my left is Al McDonald, Deputy Minister of Tourism and Small Business, and on my right, Roy Parker, managing director of the Alberta Opportunity Company. I thought I might take a moment, if I can, to just go through the history of the past year — the number of loans, the number of dollars, and where we're at in that particular respect — and then open it for questions.

For the 12-month period to March 31, 1984, 254 loans had been approved and processed by the company. This year I put in the figures versus the year before. In 1983 that figure was 280. The number of dollars for the period to March 31, 1984, is $28,745,000, compared to $47,199,000 for 1983. Since the inception of AOC, the number of loans is roughly 3,000 — 2,998 to be exact. The number of dollars that have been provided to small- and medium-sized business in the province from the inception of the company to the end of March 1984 is $325,100,000. The average loan since inception is $108,400. The average loan last year was $113,000.

Of course we also included in that an item of interest, I believe — in 1983 there were some 45 receiverships; in 1984, 54; there was a slight increase of nine — and certainly one that we're concerned about as well. There are 1,721 outstanding loans at this point. The percentage of loans that are in arrears is basically almost the same as last year: 15.3 percent last year, 15.6 percent this year.

Having said that, the bases for loan approvals have not changed at this particular point in time. If the loans are between $30,000 to $50,000, they can be approved by the branch managers; $60,000, by the credit superintendents; up to $75,000, by the deputy managing directors; up to $100,000, by the managing director; up to $250,000, by the loans committee, which is made up of the managing director, deputy managing directors, senior management, and branch managers. Over $250,000, management will make a judgment and then make a recommendation to the board of directors. That occurs twice a month. Loans over $1 million go through that same process but are then recommended from the board of directors, through me, to my cabinet colleagues. We have branches operating in Brooks, Calgary, Edmonton, Edson, Grande Prairie, Lethbridge, Medicine Hat, Peace River, Red Deer, St. Paul, Vermilion, and the Ponoka head office.

One loan was of interest a year ago, and I think it should be pointed out in the annual report. If you'd go to page 6 of the annual report in Note 3, Allowance for Doubtful Accounts, in the area of accounts written off . . .

MR. CHAIRMAN: Mr. Adair, you mean the Alberta Opportunity Company annual report.

MR. ADAIR: I'm sorry, the annual report of the Alberta Opportunity Company, yes. Thanks for correcting me.

In that accounts written off figure in brackets, $8.2 million, $2.6 million was as a result of the Ram Steel package. Of course that is offset by the fact that there is $2.1 million worth of guarantees by the shareholders, and the Alberta Opportunity Company is actively pursuing the collection of those particular guarantees against that $2.6 million that was written off.

Having said that, it might also be pointed out that at the present time, as of this past week, Ram Steel is operating in the Red Deer area with three full shifts — 90 employees employed at the plant — and they have a $2 million to $2.5 million payroll. So that's the present disposition of the Ram Steel package that was included and did command some attention during the period we are talking about.

Having said that, I think it's been a year of concern expressed by all of us relative to what has occurred in the small business community and the tightening up of finances for all of them. The Alberta Opportunity Company has of course worked with a good number of the businesses. Another point that bears mention is the fact that within the company they have the capacity to provide business counselling to their accounts and have done that very effectively, assisting a good number of those accounts who were, for whatever reasons, getting into some difficulty to right themselves and get back on track. The Alberta Opportunity Company works very closely in the business counselling area with our people in the small business division of Alberta Tourism and Small Business. So that service is provided to those people who have received moneys by way of loans from the Alberta Opportunity Company.

MR. CHAIRMAN: We will proceed to questions in the following order. Mr. Moore to be followed by Mr. Hyland, Mr. Notley, and three other members.

MR. R. MOORE: Thank you, Mr. Chairman. In light of the Olympics coming up — and there has been a lot of publicity on the Olympics, the dollar cost and so on — has there been any calculation as to the economic benefit of the Olympics to our tourist industries?

MR. CHAIRMAN: [Inaudible] the Alberta Opportunity Company directly under Mr. Adair's portfolio responsibility. Perhaps you might want to rethink that, Mr. Moore. We'll go on to Mr. Hyland to be followed by Mr. Notley and Mr. Martin.

MR. HYLAND: [Several seconds not recorded] . . . do any refinancing of existing loans, either their own in some cases or mostly refinancing from banks or other institutions. Does AOC now do some refinancing to attempt to keep businesses operating?

MR. ADAIR: The part that I picked up was the last part about AOC doing refinancing. I'm not sure what the first part of your question was.

MR. HYLAND: The first part was just adding to the question.

MR. ADAIR: Yes, relative to refinancing I would venture to say, and I'd ask Mr. Parker to expand on it, that about 20 months ago — I may be wrong on that timing — we gave direction to AOC to look at refinancing on the basis that if refinancing of an existing business was such that the terms of AOC and the repayment to AOC was significantly better than what they were getting, in other words that there was a net benefit to the business, it could be considered. There was one other factor that had to be taken into place as well and that was competition in the area. I might ask Mr. Parker to respond as to the numbers that might be considered refinanced in that period. I don't have that figure.

MR. PARKER: I don't have the specific figure on refinancing either, but it's a relatively small proportion of our total loan approvals; I would say 10 to 15 percent maximum. To go a little further on the explanation of the policy, if we have a business apply to us and we see that it can be saved — either break even or operate at a profit — with the type of financing we have, we will approve it. If it cannot be saved but its ultimate demise prolonged slightly, we would decline it. Or if it is evident from the financing it has on hand that it can survive, then we would decline that, as we would be taking business from private-sector taxpaying lenders and we don't think that is part of our mandate.

MR. HYLAND: I guess that follows partly onto my second question and that's relating to — from a lot of the businesses I've talked to, my understanding of the problem they face right now is that in the last five or 10 years, maybe not even 10 years, a lot of the financing in business has been on demand loans. With the way some of the major lending institutions are acting now, they're getting very nervous. There are very few, if any, institutions with long-term, fixed commercial lending rates. Has AOC changed its format or lending policies to assist these kinds of people? In some cases they're quite viable if they could even maintain the same payment, if they know they're not going to pull the rug on them when they look cross-eyed at the bank manager or something. Has AOC looked at any way of assisting these people or changing the program to provide assistance for them?

MR. PARKER: We do assist those people. During the past year and a half, we have undertaken a program of visiting the regional offices of the banks in both Edmonton/Calgary and other areas of the province, as well as the branch managers, and have attempted to work with them where there is a viable business which, for whatever reason, the bank feels they can no longer go along with. As you can understand, this is fairly tricky and a good bit of delicate negotiations, because we don't want to holus-bolus take over accounts of the bank. Yet if there is a good business that can be saved and it is going to suffer significantly by some bank policies, then we will review it and in many cases we will help.

MR. HYLAND: Okay. I guess that's part of the problem. They may not be in trouble with the bank, but the nervousness businesses have with the banks' quick reactions in the last little while — they're looking for other answers.

My third question is: in ADC they have a guarantee of up to $100,000 or $125,000, I think, for operating capital, where a farmer can borrow and receive some guarantee for his operating capital. Yet in my understanding of AOC, you can borrow to build and for equipment, but you can't borrow for stock, for example. Is the corporation considering changing that or looking at an alternative something like ADC's where they'll guarantee — maybe not lend directly but guarantee — to a bank on that kind of money?

MR. PARKER: That is really a misconception, because we do provide — and we have for almost 10 years — residual guarantees on bank operating credits where it is appropriate and where we're convinced the business needs the funds they're requesting. We work together with them and the bank to do so. We don't provide a 100 percent guarantee; we provide a percentage guarantee, with the bank running the show and with them having something to lose in the event of the demise of the business. So we're more than happy to look at these things.

On occasion we will also provide a supplement of working capital whereby if the operations of the business are tight in the current assets versus current liabilities section, for instance, a proportion of our funds can go there to help ease that and let them operate with their normal bank credit within normal margins to a much easier degree.

MR. ADAIR: If I might, it should maybe go a little further in the sense that the initial application for a loan may include the capital to put up a building and some of the stock and some of the equipment and the likes of that; but a separate loan specifically for operating, no. In essence the prime role has been in the capital area rather than in operating.

One of the other things Roy mentioned was the ability to work with other lending institutions to pick up or share some of that responsibility. In other words, one of the private-sector lending institutions will take up to a maximum of X number of dollars; AOC may come in for some additional funds as well. Then you look at the options. I guess the best example would be something like Ram Steel where — what's the term you use? — the lending institution had first call, we were in a second position, and the likes of that. That facilitated the project getting off the ground. Without any question about it, that again puts us in that sort of high-risk area, but we certainly do look at those particular kinds of requests for funds.

MR. HYLAND: [Inaudible]

MR. ADAIR; [Inaudible] and that can apply to a small trucking company, for example, with less than six figures, which has seen that type of an operation involved.

Two other things come out of that of course. Historically, one of the major problems we've had is the heavy debt financing that almost all businesses have gotten into. The creation of the small business equity corporation program will have some benefit toward that particular area by, in essence, reducing debt and increasing the equity position. One of the other programs we recently had, which finished during this period as well, was the interest shielding program that applied to loans that may have been with both AOC or any other lending institutions above that 14.5 figure.

MR. NOTLEY: Mr. Chairman, I notice in the AOC annual report that there's quite a decline in the amount of money allocated for establishing new businesses, from 38 percent in 1981 to 10 percent in 1984. To either the minister or Mr. Parker: what has been our experience with growth projections in the early '80s, which were much more optimistic? Let me give you an example of a situation in my own constituency and ask if you would perhaps comment on the implications for the province as a whole. This particular example was the hospitality business, a major hotel in the town of Fairview. It might have made a great deal of sense at the time but, with the economy going down, the perceived impact by other motel and hotel owners in the area has been that an AOC loan to this one operation has in fact jeopardized their operations. I know Mr. Parker would be aware that one of these firms has been in serious trouble; in fact all of them are in trouble. I guess the question is, what has been our experience with new businesses that have been perceived as unfair competition by other businesses in the same area? The hospitality is the most obvious, but there are other examples I suppose one might cite.

MR. ADAIR: Might I just ask clarification of that? Is that perceived before the fact or, say, five years after the fact, when something has occurred that maybe wasn't part of that decision at the time? What I'd like to ask Mr. Parker to do is explain the process they go through on that, if he will, and then indicate the kind of information they base the judgment on.

MR. NOTLEY: Just to sort of explain without running into another question, Mr. Chairman — no one is arguing the fact that when the loan was made the outlook was somewhat brighter. The question is, to what extent has that been a problem? Because the economy has changed significantly, we now find the perception of these motel owners, for example, who are saying: this other firm is using government money, we're using our own money, and it's unfair competition.

MR. PARKER: In regard to the forecasts of three or four years ago, in most cases they haven't been reached because the economy had a downturn, and this is widespread. I think it was widespread throughout the country for that matter. To our surprise, to a degree the level of loans in arrears has not increased as sharply as I would have expected. As the minister said, a year ago it was 15.03 percent. This year, as of the end of August, it's 15.68 percent. That is not a significant increase.

As far as the perception of unfair competition, I have been aware of from possibly four to half a dozen situations in the past year where people have come to us and said: you lent them money; that was unfair competition. However, in all cases when we made the loans, the future outlook was bright. In the particular case you're mentioning, we went to people in that industry in that town and to others in the community. At that time we were encouraged to provide the funding, because there was a need at that time and a perceived much greater need about the time the motel was to come on stream. Obviously things changed in the interim, and some of the memories are a little shorter than maybe they should be.

But to kind of get to what I think you're driving at, one of our major policies is and has been that if we perceive that by providing funding to a business, it will do significant harm to an existing business, even if it looks as though it's going to be positive and successful, then we will not provide the funding. We have had more static from people that we've turned down because we were afraid they would do harm to existing taxpaying businesses than we have had from those who are concerned about loans that we've made in the past. In fact, there are a great many businesses that are available because of the previous owners' failing in them, that can now be bought for a much lower price but where there's still an element of significant competition. We're avoiding those where we think they could do damage.

MR. NOTLEY: [Inaudible] . . . in your annual report that there has been a rather significant shift from new businesses to the purchase of existing businesses, in the figures that I see. My question really hearkens back to the point Mr. Hyland made, where you have at least widespread perception that a loan to a new business is causing problems. And those problems are real; in the case of the Fairview hospitality business, I don't think there's any doubt that the problems of the other hotel and motel owners in that area are real. It's not a question of us losing the government's money in the new inn, because it's a shining new facility; for the time being it's going to do rather well compared to its competition. The perception of the other businessmen is not us losing the government's money, but them losing their money. My question is, to what extent are we prepared then to look at short-term financing to get away from heavy demand notes or higher interest than necessary for some of these other businesses that may now be in trouble as a result of the downturn in the economy, that you didn't notice and they didn't notice? It's just as wrong for you to blame them as it is for them to blame you. The economy has changed, and that's a fact of life. To what extent are we prepared then to deal with some of those problems which arise as a result of significant investment in one area that impacts adversely on legitimate businessmen in the same area?

MR. PARKER: We will deal with them on the same basis as anyone else in our refinancing program. That is, if they can indicate to us that with the funding and terms we have available, they can survive, whereas they can't with their existing financing, we will provide funding for them. But if in some cases they are overextended, for example, whether it's our money or their existing financing, and they still can't make a go of it, then we will leave them with their existing financing in place.

MR. NOTLEY: Just to finalize this set of questions then. If a situation develops where in your assessment there just isn't any way, regardless of whether it may be that our investment has jeopardized their position, these people may in fact be the inadvertent recipients of bad news as a result of somebody else getting good news from the government.

MR. PARKER: First of all, there's an assumption that our customers are going to survive and prosper, and everyone else isn't.

MR. NOTLEY: A new business as opposed to an old, a new hotel as opposed to an old — there are obvious advantages.

MR. PARKER: I can't discuss the financial matters of any of them, but I can assure you that our customers have problems as well as anyone else's and that we will deal with a new or existing business on the same basis, in this particular instance or any others where there's a high level of competition. If we can see that a business can be saved with the term and interest rate we have available to us, then we will attempt to do so, and we have done a number of those. But if they are at a point where they're going to fail, whether it's our money or someone else's, then we prefer not to lose our money but to leave it to the existing lender who is already in there.

MR. MARTIN: Just to follow up on a couple of things. Perhaps part of the problem might be the concept of lender of last resort and what that means. I expect it was a little easier to determine when times were good than it is when we fall into a recession.

My question to the minister is: in this day and age, what is a lender of last resort?

MR. ADAIR: Basically it means what it did before. To go into that in detail, if the funds can be obtained from the private sector by the applicant and he can meet the terms and conditions of that lender, then he or she would get the funds from that particular institution. If they weren't able to get those funds — in other words, if they were turned down by a number of lending institutions — they could make application to the Alberta Opportunity Company, which hasn't changed in that sense from that time.

What has changed is the number of applications the company is now receiving. Many of them are going by choice to the Alberta Opportunity Company because of two particular things: the fact that there is a fixed term for, in the case right now, five years; and the fact that it can be amortized over the 10- to 15-year range. That's more appealing to them than where they can now get it. So we do get more applications that are what I'll call coming to the company by choice, saying: we would like to have your terms; we have money now from the institution, but we're not necessarily happy with those terms. In essence, we're obligated to allow that to carry on.

When you get into the refinancing area that we talked about earlier, two things occur. If in the refinancing process the advantage goes to the small-business man — in other words, he can handle the lower payment and it will benefit his or her business to some degree — and all other things are equal, that can be looked at. If it doesn't, then the Opportunity Company is in the position not to proceed; in other words, not to transfer the liability from a bank to the Alberta Opportunity Company and then, say, having that particular one then become a big problem for the company somewhere down the line.

In essence, the definition of lender of last resort has not significantly changed. If anything we've broadened it to include some refinancing, which we weren't doing — as I said, I believe it was about 20 months ago; I'm not sure of the exact time we made that change, but it was in that range — to broaden the opportunity for the small-business man to obtain financing.

MR. MARTIN: Just to follow up even further, if I may, Mr. Chairman. Because there's been somewhat of a broadening of the mandate — and I expect that has to do mainly with the economy's changing; it's getting hard to find out which is a viable business and which isn't in many areas of the province. Has any thought been given to abolishing the concept, because of the economy and the change from when AOC was brought in? I think the minister would agree that it was roughly at much better times. Has there been any discussion or thought within the department or within cabinet about abolishing loans being extended as the lender of last resort and changing the concept totally? You mentioned that we broadened it somewhat.

MR. ADAIR: I think it would be fair to say that historically that concept has been discussed at almost every session that I've appeared before this committee and, to some degree, during budgetary debate. There have been two sides to the issue, whether we should get into what you might call direct competition with the private sector by being a "bank" or remain as a lender of last resort and assist the applicant and the bank where we can by maybe playing a small part in being there with them. But although we've had a great number of suggestions, by our members, other members, and some of the private sector, that that might be considered, there has been a reluctance in the majority to move from the lender of last resort concept, particularly because of our role as government. In other words, back when it was first set up it was structured to fill a gap that the private sector was in fact not filling. The only thing we have done since then, as a result of the downturn, is to expand that role to refinancing, which we were not initially into.

MR. MARTIN: Just to follow up, Mr. Chairman. I guess there's an even bigger gap that the banks are not filling now, at least talking to many small businesses. I'm sure you're getting the same sorts of complaints. I'm just sort of curious to go into the figures a bit. I believe you said 15.6 percent were in arrears last year.

MR. ADAIR: Yes.

MR. MARTIN: I'm sure they do some ongoing monitoring, because we are a lender of last resort. How would that compare generally with, say, the private sector and their loans? Are they much lower? Is it in the 5 to 6 percent range? Do you have any comparison of that?

MR. PARKER: No, we don't have specific comparisons. But in our discussions with bank people, they seem quite surprised that we keep it at this level, because they have large numbers and percentages of what are called nonperforming loans. We don't deal with them as the bank as a whole but maybe with a portion of the Calgary region, a portion of the Edmonton region, or so on. So we just get snapshots of specific areas. I think ours is undoubtedly higher than theirs, but I think they would be at least in the 10 percent range.

MR. COOK: Mr. Chairman, one of the policy assumptions of the Alberta Opportunity Company is a decentralization component, that loans from outside major metropolitan areas are treated more favourably in the loans decision than requests from inside Edmonton or Calgary. The question I have is this: should we re-examine that policy now that we have regional centres like Lethbridge, Medicine Hat, Red Deer, Grande Prairie, and Fort McMurray growing in population and economic maturity? Are the needs of decentralization so great now that we should be treating an applicant from Red Deer or Lethbridge any differently than Edmonton or Calgary?

MR. ADAIR: Mr. Chairman, there are two things that might come from that. I had a bit of a smile on my face, because every year I get the question from the metropolitan centres of why there might be a discriminatory difference in rate. In essence, what the company was set up for initially was to try to fill that gap where the private sector lending institutions were not working or, for whatever reasons there may be, were not interested. That obviously gave them a direction to go to rural Alberta, in the main. But by not excluding the metropolitan centres . . . In other words, as our rate stands — base rate 12, up 3 and down 2 — based on all the other factors relative to the size of the business, the size of the community, the other factors that go there, you obviously end up with the largest percentage of private-sector loans in the metropolitan centres because of a number of factors: the population, the ability and the accessibility to servicing, and things like that. We've looked at that. I think we've discussed what the options may be, and it's something that certainly can be raised. At the present time, the direction I as minister responsible for the Alberta Opportunity Company get is that we remain in that particular capacity; in other words, that we operate from a base rate. If it's the metropolitan centres of Edmonton and Calgary, their rate is from there up as high as 3, and in the balance of the province it's from there down to as low as 2. In other words, it could be as low as 10 or as high as 15, depending on the project, the applicant, and the application.

I think I recognize what you're saying. Possibly in the interest of the changes that have occurred, you might look at page 11. The percentages have really not differed that much in almost the entire history of the company. For example, this year the percentages of the loans are 27 percent in northern Alberta, 25 percent in central, 26 percent in southern, 10 percent in Edmonton, and 12 percent in Calgary. If you look over that, they've remained very, very close to that over the history of the company.

I would certainly venture to say that it's a very interesting discussion point, but at this stage the direction I have is to be a lender of last resort. In the areas of the two metropolitan centres — I give the direction to the Alberta Opportunity Company and they carry it out, in the sense of base rate plus for the two metropolitan centres, base rate minus for all other centres.

MR. COOK: Mr. Chairman, could I ask a supplementary question? Would it be reasonable for us to extend the decentralization differential in loan rates, which discriminates against the metropolitan areas, so that it would also include loans from what I think are major urban centres: Red Deer at 50,000, Lethbridge at 60,000? Those areas surely have a maturing economy, and financial institutions are available to a citizen in Red Deer just as they are in Edmonton. The same bank is offering the same rates in those communities. Would it be reasonable for us to say that our decentralization policy is going to change to derecognize those large urban centres outside the metropolitan centres and concentrate on smaller centres that have 5,000 to 10,000 in population rather than 50,000 and above?

MR. ADAIR: It hasn't to this particular point, but I might ask Mr. Parker to respond as to the number of loans that collectively or individually might be in the other cities of the province.

MR. PARKER: There seems to be a misconception here in that these interest rates are kind of the maximum and the minimum they can be charged. It's not written in stone that it shall be this high or this low. There are many other factors that come in, such as competition, availability of funds from other lenders, and so on. A small business in a small town — and our definition of a small town is 10,000 or less. So these smaller centres, just as you suggested, are the ones that would get the 10 or 11 percent, assuming they weren't reasonably strong and in competition with others, whereby this would be an unfair advantage. In the centres over 10,000, but excluding Calgary and Edmonton, you're in a slightly different range, where it would likely be 11 to 13 or 14 percent, because you don't get that extra bonus 1 knocked off at the bottom because your community is larger than 10,000.

When you get into the cities, if you have a small business that is struggling and is not faced with significant competition, you're likely looking at a rate of 12 or 13 percent for Calgary or Edmonton. In this day and age of prime being 13 percent, that's not a bad rate. The ones who get the 15 percent are generally the very large, successful businesses, that due to kind of an inexplicable reason aren't able to get the funds from the private sector. They come to us, we think it's worth while, and they are the ones who pay the 14, 15 percent.

So there are a wide variety of factors that come into play, and we attempt to assist the smaller, newer businesses in any size municipality as best we can within the general framework I've described.

MR. COOK: Mr. Chairman, I'll leave this subject alone. I don't think I'm going to get anywhere, but I have a concern there.

The third question I'd like to ask is: does the corporation target industries where, for example in the white paper, we've suggested there is the potential for solid growth? The petrochemical industry, particularly in the plastics upgrading area, the forestry industry, and agricultural processing are noted as opportunities for expansion for the province. Would the corporation complement the government's economic development thrusts and try to favourably view loans in those kinds of activities as opposed to loans in other activities?

MR. PARKER: The answer generally is yes. We want to help any business — if it can't get the funds elsewhere — which is either in Alberta now or expects to be started, that looks as though it's going to be successful and have a positive impact. To this point in time we have had no shortage of funds, and therefore we haven't had to spotlight industry A or industry B to the exclusion of industries C and D. So we try to make ourselves known to people in various industries. We talk to trade groups. We have one particular gentleman working for us, and the bulk of his time is spent letting people know who we are and what we do. We are most interested in helping the tourist industry, plastics upgrading, but anybody else who's going to be successful and can't get the funding.

I would say the only one minor point in agricultural processing, that would be agribusiness and ag. development, and we would hand that over to them.

MR. ADAIR: One of the other things that maybe should be pointed out too is that the board of directors of the Alberta Opportunity Company meet throughout the province. I believe they're going into the north this next — is it High Prairie and Grande Prairie?

MR. PARKER: Yes, the northwest.

MR. ADAIR: They meet with chamber presidents, mayors, and business people in the area. Obviously clients are invited as well, so they get the message out and get a feel for what is going on in that particular region, which I think lends itself to keeping their ears tuned to the business climate of that area. They get a pretty good feel for that, and they do that on a regular basis.

MR. NELSON: Mr. Chairman, I'd like to get into the area of the amount of loans that have actually been put out there. It seems that we have a fund that's not to exceed $300 million. If I'm reading the statement correctly, we have a balance of some $168 million out there. The company has been going since 1972. The amount of money available for lending has grown since 1972 from $50 million to $300 million. I guess my question is along the same avenue as I asked the Minister of Economic Development last week, with regard to venture capital. Why have we not been a little more aggressive in seeing that this amount of money is loaned out so that we can recycle those moneys that are repaid a little better, to encourage other investment?

MR. ADAIR: I was going to get a cup of coffee. Was the question why are we not aggressively soliciting more loans?

MR. NELSON: Yes. Why are we not a little more aggressive so we can use this $300 million, get it out in the marketplace, and then we can recycle the debts that are being repaid?

MR. ADAIR: That is occurring now, and possibly Mr. Parker can explain the disposition of the funds that have been lent out historically. If you recall, I mentioned at the opening of the meeting that some $325,100,000 has in fact been lent out from the start of the company to March 31 of this year. Of course as that money is repaid, that is funnelled back into the operation on a cyclical basis.

Mr. Parker, you might add to that, in the sense that really when it comes right down it . . . One of the key things that I think I have to put back out there is that as a lender of last resort and as a company, we are there to serve the public but not necessarily to seek from; in other words, promote. It's a fine line that we operate on when, for example, we might make a case by way of some of the advertisements, if I can use that, that the Alberta Opportunity Company uses. In other words, they're indicating that someone in some community has obtained a loan, and that particular business is going well. That's indicating that that service is there and, if you should require it and aren't able to get it from other lending institutions, we're there. It's a fine line we try to operate on. I'll turn it over to Mr. Parker.

MR. PARKER: I think there are two points to the question. One is making ourselves known to the public, the business community, which we attempt to do in a number of ways. We have an advertising program, which I'm sure most of you have seen from time to time. We have spring flights and fall flights. There's one starting right now of the type the minister has mentioned. We also call on bankers, accountants, and lawyers. We attend chambers of commerce. We have our board of directors meet periodically through the year in various communities throughout the province. We do our very best to make ourselves known so people will come forward. We think it's inappropriate for us to go down main street Alberta knocking on doors and saying, "Do you want to borrow money?" Then if we have to turn them down, for one thing it causes a certain amount of hostility, which we can do without I'm sure. Beyond that, we haven't been turning people down that we think can make a go of things, unless we're sure they can get the money elsewhere or they're going to do harm to their competitors.

You can see from page 11 or 12 that during the past five years shown here, the number of applications we have dealt with has risen until last year when it fell slightly to 1,095. Those are full applications that we've reviewed. So we have been growing over the years. These are probably only 10 percent of the number of inquiries we have. If we start making significantly many more loans than we have shown here, then we're getting into the segment where we're pretty darn sure they're going to fail no matter what we do. We think that would not be prudent management of the money entrusted to us. But we will gratefully accept any suggestions that anyone has as to how we can make ourselves better known to the business community of Alberta.

MR. NELSON: I have a suggestion through a question to the minister, I guess. Why would we not take the Alberta Opportunity Company and join it to the treasury branch and make the treasury branch a little more widely acceptable, change the rules they operate under, so they could offer a full banking service to the community and allow this lending of last resort to be part of that banking institution?

MR. ADAIR: That's an interesting question that I might add is not new. It has been asked on a number of occasions. I guess what really starts to stem from that . . . My response would be that if that were the direction I was given, certainly that would be the direction we would go. I sense that the last resort concept fills a gap that is not within the private sector and so continues to provide a service.

I can recall an interview I did a number of years ago where I believe the word "annihilate" was used — and I don't usually use that; I have a more precise word you can use than that one — in a discussion relative to how long AOC would operate. My response was something along the line that it's not written in stone. If the day should ever come when the private sector is filling that gap, we would then have to seriously look at continuing the Opportunity Company. At that point, whenever that may be, it may be one of melding it to the treasury branch or the likes of that. At the present time, the general consensus is that there is a very successful operation in the Alberta Opportunity Company and that it is serving a very precise role for the small- and medium-sized businesses in the province and, as a result of that, we would continue in that fashion, unless I was given other direction.

MR. NELSON: Mr. Chairman, when the term "successful" is being used, if I were a nasty person I might even question that. Being that I'm not a nasty person, I'll leave it with that comment.

I guess one further question related to that is that when we're talking — the mandate is to encourage small business, to promote diversification, to encourage decentralization — in other words, the emphasis is away from Calgary and Edmonton — and as a lender of last resort. Certainly there are a lot of comments coming from the urban centres. As Mr. Cook indicated, we get a lot of comment from Edmonton and Calgary regarding diversification, especially in Calgary McCall, Mr. Lethbridge. Because of the discrimination that seems to be emphasized in this area of decentralization, I'm just wondering if we would not be giving the people of Edmonton and Calgary the same opportunity to diversify in those two cities as we do in the area of decentralized communities.

MR. ADAIR: The perception that we aren't, in essence, should be questioned. Two things that occur are that the private-sector lending institutions generally provide that service to a much greater extent than they do in the rural or isolated parts of the province of Alberta and, as a result, the business community is basically able to in fact put those dollars together. In some cases there's no question that — we have quite a number of loans and . . . I venture to be corrected on it, Roy. The loans in the metropolitan centres are larger per loan. They're fairly significant ones, and that service is there and certainly is provided.

The inference that there is a discriminatory factor is one that has been discussed each year since the inception of the company. Obviously one of the answers that has been given is that there is the treasury branch in those areas, as well as the private-sector lending institutions, plus the opportunity for the lender of last resort concept to fit in should none of those fit. But it's fitting in at the base-plus, whereas in rural Alberta in the smaller areas — Indian Cabins or Etzikom, the two places I usually use by name — they would be on the smaller applications and the smaller number of employees and the fact that no one in essence has been interested. Very many times no one has been interested.

MR. R. MOORE: Mr. Chairman, I'm still concerned about the tourist industry's ability to finance the funding that's required for the '88 Olympics. I would like to know, Mr. Minister, does AOC have a policy in place to deal with businesses that will be involved with the '88 Olympics?

MR. ADAIR: My first reaction as the minister, and I'll turn it over to the managing director, is that any business that would make an application to the Alberta Opportunity Company as a lender of last resort, having been turned down by some private-sector lending institutions, would be looked at seriously by the company whether they were involved in Universiade, the Commonwealth Games, the Olympics of 1988, the Western Canada Games of 1983 or '82, or whatever; in other words, from a specific direction. I don't know that we've had any applications from any companies relative to the '88 Olympics but, if they were received, they would be looked at.

MR. R. MOORE: I understand that you believe in dealing with the broad range of demands, not in being specific on any given area. Even though you can see tremendous demand coming down the road for funding, you know there are going to be funding requirements out there, and they're going to be considerable, do you believe it's better for AOC to maintain that broad perspective and treat everyone alike, or do you think there is a need that we should target specific sectors like that, especially when we realize that the potential is there and that the tourism area is one of our major industries?

MR. ADAIR: That's an interesting question for me, as the minister responsible for tourism, the Alberta Opportunity Company, and small business. In that sense it fits all three categories. I think it's important for us to recognize and maybe clear up any misconception there is. I don't think it's the tourism industry that's going to be responsible for the creation of the moneys for the paying of the Olympics. Obviously there's a major contribution by the government of Alberta, but I would assume that you're referring to those businesses that would be associated, directly or indirectly. Again, from the standpoint of the Alberta Opportunity Company, I would suggest that our role — I'm speaking now of my role as a minister to the company, through the managing director and chairman of the board — is to alert them to the fact that the '88 Olympics are coming, that applications may well be made to them, and that they should take that into consideration.

It wouldn't be much different from our suggestion, if I could use the term, to the Alberta Opportunity Company board some years ago as we developed the project in Kananaskis: the private sector will be tendered a number of projects, and they may be coming to you; it might be in your best interests as a company to go down and look at it so you understand what in fact is being done there, ask us any questions, or whatever the case may be. And that did occur some time ago. I guess there have been some discussions between some proponents in Kananaskis and yourselves. That's really the basis for what I would suggest would be the business community, that may or may not be interested in applying to the Alberta Opportunity Company, if they can't get any funds from the private sector for a project that may involve the '88 Olympics.

MRS. CRIPPS: Please don't use "lender of last resort" to me. It makes my hair stand on end, and you've used it 12 times. I really do disapprove of "lender of last resort", because I think all borrowers should be treated equally.

I might say that if you're holding your meetings throughout the province, maybe Drayton Valley would be a good place to hold one in view of the fact that the oil and gas industry probably represents 50 percent of your revenues.

Just so it's not all negative, I'd like to give a compliment to the financial analysts and economic consultants that you have in the small business department. My information is that they do an excellent job.

You made a comment earlier that you haven't turned people down if they can succeed. Yet in this annual report, you've got 69 percent of all applicants being turned down. Are you telling me that 70 percent of the applications that you have are not viable and can't possibly succeed?

MR. PARKER: In most of those, yes, that is the case, because we're a lender of that type you don't like to hear about. The people who come to us have been to other lending institutions and have been declined. Most of them have been declined for good and valid reasons, whether it's overcapacity in the industry, undercapitalization, or what have you. They are turned down because we don't believe they can succeed. There are some that we think can succeed, but to the detriment of other people already in business. That's an area that we think is inappropriate for us to finance, where we put out taxpaying businesses that are already in operation.

MR. ADAIR: I should also point out that you're comparing the dollar figures against the application figures. I think it's important that we clarify for you that the applications declined were 58 percent of the applications; applications withdrawn, 14 percent; and applications withdrawn after authorization were 18 percent, for whatever reasons they may have had. Things may have changed, they were not able to proceed, and it was their choice to withdraw. So there was that 32 percent in there that in essence was what we'll call voluntary withdrawal by the applicant for whatever reasons there may be.

I believe the figure you were using was the dollar figure relative to the dollar figure above. In other words, 69 percent of the applications, $146 million of the $211 million, was the total value of the applications that were in fact turned down. The percentage of actual applications was 58 percent. It's a small point, but I think it should be made there in that sense.

I think that partly goes back to the point I made earlier. As we got into the more difficult times, there were applications made by choice, because it appeared the choice of the fixed rate was better than the bank rate. When in fact they could get it from the lending institutions, we were out; so it was automatically declined.

MRS. CRIPPS: If I can just say something in support of fixed rate — as far as I'm concerned, if a business is on a fluctuating interest rate, where they don't know tomorrow what their interest rate may be, I don't care if 10 banks will lend it to them; it may not be viable to borrow from that bank. In that case, that is then one of the terms I hate, lender of last resort, because of the fixed rate available.

You said, if there's "overcapacity in the industry". The only loans that I know of, particularly where I think a misjudgment was made, were based on something like that. How do you do an estimate of capacity in the industry in, say, Drayton Valley, Breton, or Warburg?

MR. PARKER: It depends which particular industry we're looking at. If it's the hospitality industry, whether it be motels or restaurants, then we see how many are in business in that area and we attempt to find out, in motels for instance, what their occupancy rate is. Industry standards are known that generally if you go below a certain rate, you're going to be losing money. So if everybody is operating at or near break-even, it would be pointless for us at that time to go ahead and add capacity.

Another area where we've had quite a number of applications, which are really good business applications but which we've had to turn down, is in the restaurant industry in Calgary. There have been quite a number of restaurants in Calgary that have gone broke. People can go in at 25 or 15 cents on the dollar and pick them up — leasehold improvements, good location, and virtually no debt. But if we finance some of those, the other poor souls who are hanging on with their higher debt load would suffer. We think that is inappropriate.

So that's the type of survey we attempt to undertake. We take advantage of information from the Department of Tourism and Small Business, other departments, trade groups, and associations. We go to anybody we can get realistic information from to try to come to a rational conclusion.

MRS. CRIPPS: Thank you. I notice from page 9 of the report that you've operated at anywhere from 173 percent to 141 percent on total expenses. How many years do you think that total excess of expense can continue?

MR. PARKER: That's an interesting point, because that includes our cost of money, which at 92 to 93 percent is exceedingly high, and is before any bad debt expense. We have made the arrangement that in lieu of equity, which we had at one time, we now receive an annual grant of 5 percent of the preceding year's outstanding balance of loan accounts. That is provided to us and pays the difference between the cost of our money and write-offs, and it's in support of small business.

Beyond that, we also have a five-year grant which will eliminate our deficit, which was incurred over a period of years because we didn't have any equity. A business which operates without equity is invariably going to lose money. If they don't, they've got something pretty neat going for them, and that's just one in a thousand.

We have this financial arrangement, and I would anticipate that — we're in the second year of this arrangement and, by the time we get to the end of five years, we will be operating at break-even or at a modest profit from then on.

MR. GOGO: Minister, I'm a very, very strong supporter of the Opportunity Company, both in concept and its operations. And how the worm turns. Calgary and Edmonton, with their red-faced bankers who weren't able to predict business, are now saying: hey, don't favour the rest of Alberta; we want 90 percent of them in Calgary and Edmonton. Clearly AOC was part of the instrument of government policy to help the province be viable. I'm very strongly supportive of that. However, I have a couple of questions.

We've seen our society go from agricultural to industrial, Minister, and now we seem to be in the information age. I note there are more full-time employees in the U.S. university system than in the total U.S. agricultural system. So I would say that the information society is upon us, and you're probably faced with some new types of applications. I wonder whether or not AOC is prepared to handle them; i.e., they're not producing anything in terms of manufacturing, they're not the so-called service industry, but they're this information society, which seems to be growing in leaps and bounds. I wonder if the criteria of AOC in terms of lending — and I'm now talking about high tech or its equivalent. Are you getting many applications with regard to that type of thing, where you don't have the traditional bricks and mortar structure or people who have done a market analysis or had prepaid orders, and so on? My question, Minister, to you or Mr. Parker: have you had many of those applications? If indeed you do experience them, if this prognosis is correct, is AOC, in its present policy position, able to accept them?

MR. ADAIR: I would ask Mr. Parker to respond. I'm not sure of the number. That's the number of applications related to high-tech or information services, as the question was posed.

MR. PARKER: We've not had a significant number but, I would suggest, a reasonable number of applications from businesses which are kind of brainpower businesses, creating software and things of this nature for various industry sectors. Most of them have been reasonably successful. Some haven't, obviously. The category we look at and feel comfortable dealing with are the ones that have developed their proposal and their software, if that's what it is, beyond the kernel of an idea stage to the point where they can do some testing and it looks good to the industry. Then we can work with them to develop it further, and hopefully they will be able to sell it to a variety of industries in Alberta and across the country.

But as far as the high tech industry in its earliest stages, those types of businesses which are developing new ideas and new concepts require equity. They don't require debt. If they have debt, they just can't operate. They have a historical pattern of requiring far more money than was originally anticipated to develop the idea, and the only way they can survive is to find a group of people with money who have a belief in what they're trying to do and will put in more venture capital equity until the kernel of the idea has developed to something that appears to be salable to industry.

MR. GOGO: I appreciate that comment, Mr. Parker. There are those who don't have anything but a good idea, borrow $400,000 on a $400,000 asset, and suddenly think they're owners of something, when in effect they're owners of nothing but the idea.

Minister, I am exposed fairly frequently with your Lethbridge office. I think they are just super people. When I have inquiries from people, put them on to that office, and ask them to call me back, they get nothing but excellent service, and I think you should be aware of that. You have super people down there.

The one question, though, in terms of criticism would be the turnaround time. With the line banks, from the time someone makes an application, you're generally looking at 48 hours for a decision. As you know, your policy requires a pretty high amount of paperwork in order to make a decision, assuming the loan is not a large loan, by the way. The turnaround time seems to be a long time. That would have to be the major complaint. Do you frequently hear that complaint? If you do, Mr. Parker, are you taking any steps to speed up or simplify the process?

MR. ADAIR: If I might just comment on that first. There is the perception that there's still a problem there. I'll ask Mr. Parker to respond as to what the turnaround times are now compared to what they were in the past. I should point out that I don't get the number of concerns relative to delay in approval times that we did, say, two years ago or even longer. After discussions between the chairman, myself, and Mr. Parker, about two or two and a half years ago — and Mr. McDonald was involved in those as well — there was a marked effort by the company to do everything we could to speed up the process. The one area where there is a fairly lengthy approval stage is the larger loan that must go through everybody. I say that in the sense of through management, through the board, through the minister to finance and priorities, and then on to cabinet. On occasion, that still causes me some concern, because I have the difficulty of getting it on the agenda and they meet only every Monday.

But generally it's been reasonably good — I won't say very good — and there is a continuing effort. I'm not sure of the times now, Roy. Would you mind explaining that?

MR. PARKER: There are two areas that have caused us this concern. The first one is from date of receipt of sufficient information on which to base a judgment to date of authorization. Quite often the time between receiving information on which we make a judgment and when the first inquiry is made is a considerable period of time. When a businessman goes to a bank, they know him; he's been dealing with them for years. There's a track record so that in most cases they know pretty well what's going to happen after they hear his proposal. With us, we've never seen the people before, we know nothing about them, and they've been turned down by a banker. So it's incumbent upon us to be a little more prudent in our dealings with the money entrusted to us, and we require a significantly greater amount of information on which to base our decision.

Slightly along the same vein, most loans that we're talking about — in our case, anyway — are term loans for fixed assets. A lot of the decisions in banks relate to operating credits. That's a different kettle of fish, because the bank is looking at the ins and outs of the account every day. They can keep good control of it, and they know what's going on. If we lend our fellow the money and he's 50 miles away, until his cheque bounces or we hear something, we don't know what he's doing until we get his financial statement.

The other area of concern relates to the time between when a loan is approved and the funds are disbursed, and that is the drawing up of security. In many cases it is too long. However, three to four years ago we changed our system, whereby we made our loans officer responsible for looking after the loan from first interview until after disbursement, and there was continuity. That cut the time taken to disburse the loan by 40 percent over what our system was previously. Since we've done that, the complaints in that area of our operation have declined.

We have on occasion, although not within the past four years, increased our individual authorizing limits within the company, and to my way of thinking that is probably the key factor in cutting down on time for a decision because it's one loans officer dealing with one person in management. You can talk over the phone for half an hour, clear away all the concerns, and away you do it.

Today and tomorrow we're having our annual loans officers' meeting in Red Deer. This morning I opened it with some remarks, and at that time I made several challenges to them. One of the challenges was for the loans officers to form a committee among themselves and to come up with some ideas whereby we can cut down our paperwork, maintain our high quality of information, and reduce the time taken to get loan approvals and loan disbursements out. Over the period of the next three to six months, I hope we'll get this information and can make further improvements.

MR. GOGO: A final question, Chairman, to the minister. First of all, I endorse the subsidy of $700,000 a year towards the corporation from general revenue. I think it's quite appropriate.

The board of directors of the Opportunity Company are certainly friends of government, to put it mildly. They are people whom this government has confidence in or the cabinet wouldn't have appointed them. Minister, in addition to having the board of directors approve loans, do you seek their counsel — because they represent all parts of Alberta — as to what policy changes, if any, should be made in terms of the corporation?

MR. ADAIR: Recently — and I have to say that in that particular sense; as recently as about a year, a year and a half ago — that was one of the challenges, I guess you could say, that I issued to the chairman to assist us. Obviously if they're out there, close to the people, they have a different vibration in the sense that they're not government, to one degree, and they may be able to assist us. For example, we have asked them for input to the likes of the paper that's before us and a couple of other areas.

I think I should also say that I'm not sure we've utilized that expertise as well as we could have in the past, but we are starting to do it to a much greater extent now.

MR. GOGO: Thank you, Mr. Chairman.

MR. MUSGREAVE: Mr. Chairman, I recently had the opportunity to discuss the lending policies of the Alberta Opportunity Company with companies in a major metropolitan area and also in small communities. I guess the would-be lenders and myself were both misinformed. I thought the Alberta Opportunity Company would lend money to those companies with just an idea. The complaint I had was that you as a lender of last resort are as tough as any bank. This may be sour grapes. My first question is: what is your reaction to that, that you are ultraconservative and just won't lend money unless you're almost one hundred percent guaranteed to get it back?

MR. ADAIR: If that were the case, I wouldn't have concerns expressed about a number of accounts going down because we took the risk — "we" being the Alberta Opportunity Company. My first response to the ultraconservative concept is that as a lender of last resort, yes, I think there are probably extra questions that must be asked. But in the same sense, when you look at the history of the company and the number of loans and the amount of dollars that are out, there isn't any question in my mind that it's . . . [inaudible], debatable with whoever may want to work on that one.

Obviously one of the areas where I think we, as well as the management and the company themselves, are concerned is in those applications that are turned down. That's basically where you hear the concern, about either the length of time or the conditions that are in fact to be met. From the company's point of view — I would like to say with a great deal of pride that they display a great deal of flexibility in attempting to put together terms that are compatible for the company, and in some cases the company and another lender, so that the parties, be they three, two, or whoever, may be able to work something out in the interest of that business. But there is obviously a perception out there that we have difficulty in working with: one, that you can't get money or, two, that it's 100 or 200 pages of information, and all of those aspects.

In some cases I think the company has to and does ask for additional information. For example, the application that comes to the company and is basically put in place and all the information is primarily there, is really dealt with quite expeditiously. There is obviously some assistance that can be provided by our small-business analysts and our small-business development representatives in working with the client and with the Alberta Opportunity Company branch managers and loans officers. That kind of co-operation does exist, and we can continue to strive to improve that. I think that's something we should always do, to improve the ability to respond both positively and negatively.

One of the concerns I sense in your question is the fact that you can't get any money there. There's no question; the record is there. There's a tremendous amount of money out there in both the metropolitan centres and the rural part. I express that because when you look at the dollar amounts, there's generally a difference between the dollar amounts in the metropolitan centres because they're usually larger loans, obviously for reasons of the applicant, than in the smaller centres, where it might be a welder with three employees or the likes of that.

MR. MUSGREAVE: Mr. Chairman, I guess the concern is not so much you can't get the money; it's that you can't get the money for new kinds of industries that we're all nervous about because we don't know if they're going to succeed.

The other question I have — I note you said that you visit with bankers, accountants, and chambers of commerce. Have you ever had an independent survey done as to your image in the loaning community? Have you asked that question of a group of business people that would be potential borrowers? How do they see you as a lender in the community?

MR. ADAIR: I'd have to ask Mr. Parker if that has occurred within the company.

MR. PARKER: It's a very good question. We attempt to find out from the bankers what their view of us is. In most cases it's from "they really don't care" to "modestly positive", particularly if we've assisted them in solving a problem they've had. When we refuse to assist them in solving a problem, then it becomes negative. Again, in my opening remarks today at our loans officers' meeting, I challenged them on another point, and that was to consider a method in which we talk to people we have dealt with to get their view of us on a basis which hopefully would not be swayed one way or the other. We don't want to ask people while we're in the midst of negotiating with them, because they're going to say we're the greatest thing that ever came down the pike. Somebody we have turned down is going to take the other point of view. So I have some ideas on it, and that's something that we're going to go forward on. But we have to do it in a studied manner, so we don't appear to be setting it up one way or the other.

Quite frankly, I think most people don't think about us at all until they need money. They see our ads, and it just kind of goes in one ear and out the other; the same with virtually anybody else who's advertising, when you're not interested in their product. I worked for the federal counterpart for 13 years before I joined AOC, and they had been in business for almost 30 years at that time. Even though we advertised nationwide, the people we talked to didn't have a clue who we were until such time as they suddenly needed some money, and then it came forth.

MR. ADAIR: I think one other thing should be pointed out. There's a bit of a higher profile in the centres where our board members are from, because of the individual. They also provide us with a bit of a peek in the window, I guess you could say, as to what kind of feeling is out there. That's one of the things they attempt to pick up by having those public meetings with both prospective lenders and private-sector people in the various regions that they go to. For example, they won't go into High Prairie without inviting people from, say, Slave Lake, Valleyview, Falher, and around there. They will have them all there at the table with them for a luncheon, or whatever the case may be, and get into a question and answer period in most cases.

MR. PARKER: I think your point is well taken, because it's my perception that we're far better known outside Calgary and Edmonton than we are in those two centres. It's just because of the bombardment of the media and the overwhelming number of people in both those centres. We have an office in each city but, with our advertising and the staff we have, it's virtually impossible to have the impact you can have in a smaller centre.

MR. HYLAND: Mr. Chairman, my first question is . . . I don't know if it was Mr. Parker or the minister who said that they periodically meet with banks and bankers throughout the province. I wonder if I could get that clarified a little bit. Is it with the central office or the managing director of the board meeting with Alberta heads, or is it just the loans officers meeting with the local branch managers?

MR. PARKER: It's both. We have a series of visits each year whereby virtually every bank manager in Alberta is called on — I'm sure not every one. We have our loans officers and our general manager of business development working on this. Beyond this, we also have meetings with the regional credit people, who are largely located in Calgary and Edmonton. As a matter of fact, we have just finished a series of meetings with them — I guess the last one was in April or May — to make our presence known, to answer questions. We've had meetings where we've had from eight to 50 head office credit people, depending on the way the bank is set up. We intend to continue to do this on an annual or biannual basis.

MR. ADAIR: Mr. Chairman, add to that the Department of Tourism and Small Business. We too meet primarily with almost all the regional banking people at some stage or another over a year period. That may involve — I guess the term is vice-presidents, Al, is it not? — vice-presidents of various institutions as well to discuss the role of government and what they're doing and sometimes why they're doing it, from our standpoint, to see if we can get a better understanding on both sides as to what we perceive their role to be or what they perceive our role to be.

MR. PARKER: If I may add another point, a number of our people in senior management are former chartered bankers of virtually every bank that's around. They have connections and former colleagues at high levels in all the banks in Alberta. When a question of concern on a particular account or any other matter comes up, they can pick up the phone and get right through to them. So we have these personal relationships that have been developed over 15, 20, 25 years, that stand us in good stead in knowing what's going on and them knowing about us.

MR. HYLAND: I hope that helps — and you all seem to feel it does — especially at the lower level where it's the small-business person that's just generally dealing with his banker. I think that's where the real work can occur. That's really where the jobs are. When you start dealing at higher levels, I think anything that could be done to encourage senior bank people to treat the small-business man, the farmer, like they treat Dome or some of the third world countries, where they owe hundreds of millions of dollars and say, "That's okay, boys; just let 'er ride for a little while longer," instead of squeezing them and squeezing them and squeezing them. Maybe we'd be in better shape, and maybe it would be a little easier for us to do our jobs and for you to do your jobs.

MR. ZIP: Mr. Chairman, like the hon. Member for Drayton Valley, I too would like to see AOC viewed as a business facilitator rather than as a lender of last resort and, as a result, open up opportunities for Alberta businesses, that are not being opened up by private-sector financial institutions. One particular example that comes to my mind is in the area where firms are pursuing foreign trade and foreign contractual opportunities. I notice that it's very difficult for smaller firms to obtain letters of credit and performance guarantees that are required before business can be done in these countries. As a result, opportunities for Alberta companies to create employment and make money in these areas is lost. Has AOC given consideration to helping facilitate business in this area by providing letters of credit and performance guarantees to firms wishing to pursue foreign business opportunities?

MR. PARKER: In a nutshell, yes we have. That hasn't been a large proportion of our business, but we've had multimillion dollar contracts where we have provided guarantees on letters of credit or financing of some sort for large foreign sales. When we pursue this, in most cases we have found there isn't a need for it. Either the Export Development Corporation, which is obviously well versed in this and plays a major role, does the job or other arrangements can be made. But certainly we have made it known in the banks and to businesses when they approach us that yes, we will consider these. We work as closely with them and their major financier as we can to try to help complete the sales, some of which have been made and have been very beneficial to the economy.

MR. ZIP: Thank you. What about contractual arrangements where a a contracting firm has an opportunity to get a foreign contract and they require a performance bond? Has that area been approached by you people?

MR. PARKER: About six years ago, we looked into that quite seriously with these firms that provide bonding, to see if there was any little extra thing we could do to help contractors, whether it be in Alberta or in contracting for jobs outside Alberta. The response we received indicated to us that they were only interested in a 100 percent guarantee for these large contracts if they didn't like them. We felt we just weren't capable of handling that. Once you have a 100 percent guarantee, there's no interest for you as the bonding agency to see that the thing is completed and the loss minimized. We don't have the capacity within our group to do that, so we felt that was an area we couldn't get involved in on the basis the bonding companies wanted us to.

We've done a few. The majority of them are the type I dealt with earlier, where there's a contract. There was a water well drilling contract in excess of $1.5 million to Indonesia where we provided bonding, the sale of some major equipment to Mexico, and the manufacturer of oil well servicing equipment that ultimately sold a significant amount to the Soviet Union. Without our funding and bonding ability, the company would not have been able to follow through. So we look at them on an each-case scenario and, if we can help, great. We like to try to do it.

MR. ZIP: Thank you very much, Mr. Parker. That's excellent.

MR. NELSON: Mr. Chairman, to the minister or Mr. Parker, I guess. I have a hypothetical case that I'd like you to — actually it's not really hypothetical. If a person were to be refused a loan at a private-sector lending institution, would Alberta Opportunity examine that individual, who may for example only wish to invest some capital to obtain materials but has a very large contract and could probably assign a contract to Alberta Opportunity for a specific job. Would Alberta Opportunity look favourably on that type of application?

MR. PARKER: I'm not sure I understand what you said, unfortunately.

MR. NELSON: Let's assume — and I'm going into a hypothetical assumption now — that an individual or two individuals were to obtain a contract from Imperial Oil to paint all those great big tanks in Strathcona. Would you look at an opportunity like that with an individual? Say he has a contract worth $100,000 and, over the life of that contract, he may need an initial borrowing of $25,000.

MR. PARKER: We would likely go to his bank with him and say: look, unless you can show us that there's some flaw in this thing that we haven't seen, we should provide a partial guarantee for your operating credit, if you don't feel comfortable. These operating credits allow you to go up and down and minimize your interest payments. Our guarantee would give the bank some sort of comfort that if the people did make a mess of things and the receivables weren't collectible, at least they wouldn't be solely out of the picture.

What you say sounds like something we could certainly consider very seriously, but there are so many factors that can be involved — the background of the people, what they've done or haven't done before — that you'd have to look at all the information before a judgment could be made.

MR. ADAIR: Notwithstanding that, if there's a contract like that available and that particular person has that written contract in their hand, generally there is someone in the private-sector lending institutions who would honour that. In most cases it'll be honoured. I think what you're suggesting is in the case where it may not have been honoured, what would we do? Is that what I was following from your question?

MR. NELSON: I know that what you'd do is nothing, because that already happened. The reason I asked it was because — it was somewhat hypothetical, but it was a factual case that nothing happened.

MR. ADAIR: Can I just interject? Nothing happened in the sense that with a written contract they weren't able to get it from the private sector? There must have been something other than the written contract.

MR. PARKER: Certainly if you want to give me the information privately, I can look into it and let you know our side of the story if we were involved.

MR. ADAIR: I'd like to.

MR. PARKER: I'd be more than happy to.

MR. NELSON: I have just a couple of other very short ones. First of all, do you have a personal guarantee form that you give individuals to get personal guarantees? That being the case, could you send me a copy of one?

MR. PARKER: Sure can. We do, and each guarantor gets independent advice on that before we will accept it.

MR. NELSON: I think that does me for the moment, Mr. Chairman.

MR. CHAIRMAN: Would there be additional questions forthcoming from committee members?

MR. HYLAND: Mr. Chairman, it's one that — in the answer to the last question I asked, Mr. Parker outlined contacts the former employees of the Opportunity Company would have because they've worked in almost every banking institution that's there. I guess the one concern I have is, how many people who have been in business at one time or another are employed there? I know you often hear from business people, and I often felt when I was farming, that when you go in to see the bankers, they don't always understand farming or the business. It takes a couple of years for them to get to know that. Then they get transferred, so you start all over teaching a new guy the whole thing. That always concerned me with that and with business: they know the bank and banking well, but how well do they know business?

When I hear that a number of employees are former bank people, how many do you have in business? Has anybody ever promoted the idea — I'm not sure; maybe you do it now. You have people that go and advise you on business if you're in trouble and how to get out of the problems that you're in. Would those people be employees of the Opportunity Company? Would they again be ex-bankers? Do we have any forum where we can take, say, retired business people who are mid-50s and on, who have had real actual hard-nosed experience, and let them help somebody that is having problems? Do we have anything like that?

MR. PARKER: Some of our employees have previously been in businesses other than lending institutions. We also have our board of directors, the majority of whom have been in business on their own as independent businessmen. They are very generous in letting our people use their advice freely in specific cases where their background will be of assistance to us. The consultants we have on board AOC have all been in various areas of business, and we can take advantage of the consultants in the department.

Beyond that, we have a wide variety of people that we contact when we're doing our investigation to determine how these people are held in esteem by their peers, what the marketing aspects of the business are, their forecasts — are they realistic, are the expenses they tell us they can operate within realistic from the point of view of the industry. For instance, if you come to us and want to establish a bakery in your community and you give us all these facts and figures, aside from the records of 3,000-odd businesses that we have on file, we know a number of bakers around the province who won't be in competition with you, may not know you, and really don't care. We can find out from them whether your proposal is realistic within the terms of the industry, whether your costs of equipment are realistic, and all other factors. So we don't just sit down, look at the numbers, and say, "Yup, it adds up," or "No, it doesn't". We dig behind the scene and attempt to see if the industry you're going into or expanding in agrees with what you're saying you can do. That is part of the reason we sometimes take longer than others; we want to get the true facts. Sometimes we make a mistake. If we didn't, we wouldn't be doing a heck of a lot of anything. But most of the time, we have pretty good information on which to base our decisions.

MR. ADAIR: In some cases we also utilize the services of CASE. If you are familiar with CASE, it is a group of retired business people under the federal government program, which is available to assist businesses. Most of our business analysts and BDRs, business development representatives, were private-sector small-business men in the past.

MR. HYLAND: My concern is with the lower amount of loans, especially those approved by the local officer in his own office. What kind of people are they? Have they got a feel of business, or is it a banking attitude? That's a comment I've sometimes heard that affects the approval or disapproval of loans, and that's where my concern was.

MR. PARKER: All our branch managers have been loans officers with the company for a period of anywhere from three to eight years, depending on their previous experience and the opportunities available at the time. Of course during the period of time you're a loans officer, you're constantly in contact with management at an intermediate and senior level and with others who provide you with some of this background information. The fact that you may never have run a motel, for instance, doesn't prevent you from picking up, over a period of time, a significant amount of information on what is realistic and what is pie in the sky as far as motel costs — land, buildings, and equipment costs, dollar cost per unit, and so on. So when you get the forecast in, you know whether it's realistic, pie in the sky, or so on. You have the basis of our existing accounts to look through to see how they're doing and other experts that are available to us. We're not perfect, and we do make mistakes. But we certainly attempt to learn from them and attempt to help the businessman and investor as much as we can.

MR. CHAIRMAN: That now exhausts my list of committee members who wanted to raise issues with you this afternoon, Mr. Adair. So we thank you once again for being with us and being very, very frank. I want to apologize that we are not going to exercise the option of asking you to come back again in 1984, as we did in 1983. If all goes well, we'll look forward to meeting with you and your officials once again one year hence. Thank you very much.

Committee members, I was just going to ask you for final confirmation of those members who are interested in going to Kananaskis on September 20. It's my information that we have nine who have expressed an interest in it. Only one or two expressed an interest to remain in Kananaskis on the morning of September 21, so I think we'll just do away with that proposal. If there is any change whatsoever, please notify Miss Conroy now, because she'll be making hotel reservations later on today.

We'll adjourn now and reconvene tomorrow at 2 o'clock with the Hon. John Zaozirny, Minister of Energy and Natural Resources.

[The committee adjourned at 3:48 p.m.]