

[Chairman: Mr. Oldring]

[10 a.m.]

MR. CHAIRMAN: Good morning everyone, and welcome to another meeting of the Standing Committee on the Alberta Heritage Savings Trust Fund Act. It's nice to note that we're getting towards the completion of the first round of our hearings. Later this morning we'll be joined by the Hon. Larry Shaben. Perhaps we can begin by dealing with any additional recommendations that members might have, beginning with the Member for Lacombe, followed by the Member for Calgary Fish Creek and the Member for Lethbridge West.

MR. R. MOORE: Mr. Chairman, I have two recommendations to read into the record this morning.

The first one: that adequate funding be provided to expand grazing reserves as the demand dictates and/or to provide an alternate to expanding the number of cattle grazing in the green area.

The second one: that reports related to heritage trust fund supported research projects indicate that our research results can be applied in the private sector to the benefit of the general public.

MR. CHAIRMAN: Thank you. Any questions on that? If not, the Member for Calgary Fish Creek, followed by the Member for Lethbridge West.

MR. PAYNE: Mr. Chairman, on two or three occasions in the past few weeks as our committee has met, there has been reference made to serious misunderstandings about the fund in other parts of Canada, which have made it more difficult for us to achieve a national consensus as to the plight of our economy in general and our oil industry in particular. With that in mind, I would like to put forward the following recommendation: recommended that the Provincial Treasurer undertake a number of speaking engagements and news media conferences in eastern Canada to correct serious misconceptions about the heritage fund which distort eastern Canadian attitudes toward Alberta's current economic difficulties.

MR. CHAIRMAN: Thank you very much. That brings us to 30 recommendations so far.

MR. GOGO: Chairman, this deals with the question of housing of senior citizens and is based on the responses from ministers who have appeared before the committee. I would move that ministries that presently deal with senior citizens' accommodation -- for example, lodges, nursing homes, and self-contained housing -- be the responsibility of one minister. Mr. Chairman and members of the committee, when we're looking at the number of ministries that impact on the senior citizen -- in total I think there are eight or nine -- and then just deal with the housing alone, which involves capital expenditures, I think that should be under the responsibility of one minister of the government.

My second recommendation is that the government consider borrowing funds by selling Alberta savings bonds to the citizens of Alberta and these funds be held in the Alberta investment division of the Alberta Heritage Savings Trust Fund. They would be known as Alberta heritage bonds. Again, Mr. Chairman, maybe in debate on this at a later time I'll straighten out the difference between nonrenewable resource revenue going to the fund and the government raising money by going to the public. It just seems to me that Canada Savings Bonds are extremely successful in the country in acquiring citizens to invest in their own nation, and I believe that we should give serious thought to the Alberta government doing the same.

MR. CHAIRMAN: Thank you very much. Are there any further recommendations at this time?

MR. McEACHERN: Yes, we have a few. Actually, we'll have copies here in a very few minutes. There are just some last-minute additions.

MR. CHAIRMAN: Do you want to wait for a few minutes?

MR. McEACHERN: No, it's okay. I have the corrected copy here, and I'll start reading them in, if that's okay, and you can have copies.

MR. CHAIRMAN: Will you be reading them verbatim? The only reason I ask is that it makes it a little easier for our secretary, who is

trying to record all this. So she'll be provided with a copy?

MR. McEACHERN: Yes, in a very few minutes.

MR. CHAIRMAN: Okay.

MR. McEACHERN: There were some last-minute corrections we had to get through the processor, and it wasn't quite done when I came in.

MR. GOGO: The food processor?

MR. McEACHERN: Yes, the food processor. We thought they should be chopped up so we could digest them more easily.

MR. CHAIRMAN: We heard they might be hard to swallow.

MR. McEACHERN: Oh, I think you'll find some of them agreeable to some of the ones we've already had.

MR. GOGO: Laxative in nature.

MR. McEACHERN: I didn't hear that comment, so I'll just ignore it.

MR. CHAIRMAN: Member for Edmonton Kingsway, please proceed with your recommendations.

MR. McEACHERN: Thank you, Mr. Chairman.

Number 1(a): that a comprehensive audit and review be made of the structure, investment performance, management, and economic impact of the Alberta Heritage Savings Trust Fund by an independent accounting and consulting firm and that this evaluation be tabled in the Legislature within 15 sitting days of its receipt by the Provincial Treasurer.

Number 1(b): that whereas the end of the first 10-year period for the Alberta Heritage Savings Trust Fund presents an important opportunity for an extensive review of the trust fund's performance and whereas this milestone also presents an opportunity to consider new directions and emphasis for the trust fund, the standing committee, as part of the 10-year review, should hold and attend public hearings at locations in the province that it considers necessary, which shall: one, be advertised in

advance and open to the public; two, have as their primary function the solicitation of observations by the public on the current management of the trust fund and future alternatives; three, be held at no fewer than 12 separate locations within the province; and four, be held in accordance with such other guidelines as the committee may establish.

Number 2: that the cumulative amount of nonrecoverable money expended by the Alberta Heritage Savings Trust Fund on capital projects at the end of the fiscal year ended March 31, 1987, be written off to fund equity, that no further nonrecoverable money expended on capital projects after that date be capitalized, and that the deemed assets be included as a separate schedule to the financial statements, as was recommended by the Auditor General in principle in his report since 1979 and specifically in his report for the year ended March 31, 1985.

Number 3: that the Treasury Department establish an internal audit group with an appropriate mandate and reporting structure to review the administrative and performance measurement systems of the Alberta Heritage Savings Trust Fund on an accounting basis, as was recommended by the Auditor General in his report for the year ended March 31, 1981.

Number 4: that Treasury Department retain the services of an independent investment analyst capable of providing regular comparisons of the performance of the Alberta investment division, the commercial investment division and deposits, and marketable securities division of the Alberta Heritage Savings Trust Fund with the performance of other similar investment entities, and that the performance comparison information obtained from the independent investment analyst be made available to the standing committee, as was recommended by the Auditor General in his report of the year ended March 31, 1981.

Number 5: that the Premier and Provincial Treasurer appear before the standing committee prior to the appearance of other members of Executive Council and again after the appearance of all other executive members called to appear before the committee.

Number 6: that the standing committee request each member of Executive Council appearing before the committee to present in written form an update from the end of the previous fiscal year on the expenditures in the

current year and a forecast of future expenditures in respect of the Alberta Heritage Savings Trust Fund investments and projects coming under his or her portfolio.

Number 7: that after his or her appearance before the standing committee, members of Executive Council, when requested, provide the committee with written answers to questions he or she was unable to answer during his or her appearance within five working days of his or her appearance.

Number 8: that sufficient resources be allocated to the standing committee for research, thereby enhancing the committee's research capacity and ensuring the better discharge of the committee's mandate.

Number 9: that the Alberta Heritage Savings Trust Fund Act, RSA 1980, cA-27, be amended so as to require prior legislative approval before investment decisions concerning the energy investment division and the Alberta investment division of the fund are implemented by the investment committee.

Number 10: that the Alberta government should increase its efforts to persuade the federal government to significantly increase support for Albertans through such agencies as the Central Mortgage and Housing Corporation and the Farm Credit Corporation, thus reducing pressure on the trust fund and allowing the Alberta government more flexibility in its use of the trust fund for the benefit of Albertans.

Number 11: that in those instances where significant amounts of trust fund money have been invested in debentures, shares, and other securities of private-sector corporations, the government endeavour to obtain a seat on the boards of directors of such corporations so as to ensure that such investments of public dollars are well protected.

Number 12: that for the 1987-88 fiscal year only, a cap be placed on the amount of nonrenewable resource revenue transferred to the Alberta Heritage Savings Trust Fund and that such moneys be retained in the General Revenue Fund of the government for the reduction of its deficit.

Number 13: that the loan programs implemented and administered by the Alberta Agricultural Development Corporation and the Alberta Opportunity Company be transferred to the Alberta Treasury Branches.

Number 14: that the investment committee use the trust fund's position as a holder of a

\$200 million debenture in Vencap Equities Alberta Ltd. to encourage the officers and directors of Vencap to preserve its original mandate for the diversification of Alberta's economy and creation of employment, not the maximization of shareholder profit.

Number 15: that the investment committee use the trust fund's position as a holder of a \$200 million debenture in Vencap Equities Alberta Ltd. to encourage the officers and directors of Vencap to reduce its minimum for equity investment from \$1 million to \$50,000.

Number 16: that the investment committee use the trust fund's position as a holder of a \$200 million debenture in Vencap Equities Alberta Ltd. to encourage the officers and directors of Vencap to make all equity investments over the sum of \$1 million contingent upon the appointment of a director nominated by Vencap to the board of the recipient corporation.

Number 17: that the investment committee use the trust fund's position as a holder of a \$200 million debenture in Vencap Equities Alberta Ltd. to encourage the officers and directors of Vencap to make investments only in corporations that are registered with the corporate registry.

Number 18: that Crown corporations in which the trust fund has invested provide the standing committee with copies of the annual report for the preceding fiscal year prior to the committee's annual meeting and, in the event an annual report is unavailable, provide the committee with unaudited financial statements and/or quarterly investment reports.

Number 19: that the Alberta Agricultural Development Corporation and the Alberta Mortgage and Housing Corporation dispose of unsold properties acquired through quitclaims and foreclosures in an orderly manner, having consideration for prevailing real estate market conditions and, where such properties are not salable, lease such unsold properties in an orderly manner, having consideration for prevailing rental market conditions.

Number 20: that an individual whose land has been acquired by the Alberta Agricultural Development Corporation through foreclosure or quitclaim have a right of first refusal in respect of his or her former home quarter section in the event that the same is offered for lease or disposal to the public by AADC.

Number 21: that the trust fund, as the

holders of Alberta Opportunity Company series B debentures, accept early repayment of the debentures, thereby allowing AOC to refinance the debt and save money through interest rate reductions.

Number 22: that the Alberta Oil Sands Technology and Research Authority explore new methods and develop new contacts to increase its sales of technology.

Number 23: that the standing committee recommend to the board of trustees of the Alberta Heritage Scholarship Fund that it consider awarding to the recipients of the Charles S. Noble award for student leadership a small token cash award in addition to the plaque and letter of commendation which they now receive.

Number 24: that the standing committee recommend to the board of trustees of the Alberta Heritage Scholarship Fund the establishment of a new category of scholarships to reward the outstanding achievements of postsecondary students in each of the areas of fine arts, applied arts, visual arts, and the performing arts, and that the number of scholarships awarded each year be limited and awarded on a competition basis.

Number 25: that all medical research activity funded by the trust fund be consolidated into the Alberta Heritage Foundation for Medical Research.

Number 26: that the standing committee recommend to the board of trustees of the occupational health and safety research and education fund that it pursue research into the evaluation of procedures, equipment, and safety regulations in the oil and gas industry.

Number 27: that a registry for medical research be established by the Alberta Heritage Foundation for Medical Research; that proposals for research by the Medical Research Council, the province of Alberta, the Alberta Heritage Foundation for Medical Research, Alberta universities and hospitals, and other agencies be registered therein; that any interim status reports, final reports, and any publications be filed therein; and that the registry records be made available to any agency funding medical research.

If I could have a copy of that, there is one more. This will be number 28: that the Alberta Heritage Savings Trust Fund Act be amended to make clear that one of the two major purposes of the fund, along with acting as a savings

account for the future needs of Alberta, is to encourage the diversification of the Alberta provincial economy. One of the principal means of achieving the latter is the provision of assistance to Albertans to ensure success in their chosen enterprises through the direct provision of adequate capital at reasonable rates of interest. Another is equity investment in government or joint government/private enterprise energy projects.

Those are our recommendations, Mr. Chairman. Thank you.

MR. CHAIRMAN: Thank you. Are there any further recommendations?

MR. McEACHERN: I beg your pardon. I have two more.

Number 29: that in the event that the province of Alberta makes any lease, partnership, or other agreement with a private-sector corporation, the terms and copies of any said agreement will be made available to the public with respect to Kananaskis park.

Number 30: that the province of Alberta adopt a policy to enhance the rate of return on its investment in Kananaskis park.

That's all. Thank you.

MR. GOGO: Mr. Chairman, to Mr. McEachern, it might be helpful for the secretary of the committee, or the Clerk Assistant could do this. You made reference to "his or her" in terms of one of the recommendations, the implication being if a minister was male or female. Do you recall that in one of your early ones?

MR. McEACHERN: I suppose that in another year the . . .

MR. GOGO: I was just going to say -- and I'm sure the Clerk Assistant could clear it up -- that the Interpretation Act says you can use one or the other.

MR. CHAIRMAN: Maybe the Chair can point out that this morning everybody received a copy of the 27 recommendations submitted to date. The Clerk Assistant has been very helpful, and I have asked him to edit all the recommendations to an appropriate form. If you're concerned about the editing that has been done when you receive copies back, you can certainly meet

with Mr. Bubba and resolve it. But I think you'll find it most satisfactory.

MR. GOGO: Then the other comment, Chairman, because the public is going to be reading this, is that I believe Kingsway mentioned the Central Mortgage and Housing Corporation, which I think is really the Canada Mortgage and Housing Corporation.

MR. McEACHERN: Did I say "central"? I'm sure I was talking about the Alberta Mortgage and Housing Corporation. Oh, maybe one of them was talking about . . .

MR. GOGO: Again, Mr. Chairman, I just think -- I don't know how Mr. Bubba would pick that up, but clearly Mr. McEachern, if he checks it out, will find that it's "Canada" and not "central."

MR. McEACHERN: It could easily be corrected.

MR. CHAIRMAN: Again, Mr. Bubba has assured me that he will watch for those kinds of things and make sure that we pick them up. We have a lot of confidence in Mr. Bubba. There's no problem there at all.

Are there any further recommendations at this time?

MR. R. MOORE: Mr. Chairman, I understand that Mr. Shaben is reappearing before us at eleven. If there are no further recommendations, I would move that we adjourn until eleven, when Mr. Shaben appears.

MR. CHAIRMAN: Just before we do that, the chairman would like to provide for the members copies of the Provincial Treasurer's responses to last year's recommendations. Perhaps we can have those distributed right now for you.

MR. McEACHERN: John, you were quite right about that comment in there. I did not notice that.

MR. GOGO: Perhaps you could advise the secretary.

MR. McEACHERN: Okay. That would be on number 11. Central Mortgage and Housing Corporation should be Canada Mortgage and

Housing Corporation.

MR. CHAIRMAN: If there is no further business at this time, I think it would be appropriate to adjourn until 11 o'clock, at which time we'll reconvene to hear from the Minister of Economic Development and Trade.

HON. MEMBERS: Agreed.

[The committee recessed from 10:23 a.m. to 11:04 a.m.]

MR. CHAIRMAN: We'll call the meeting to order. I want to begin by thanking the Hon. Larry Shaben for returning once again to the standing committee. With the hon. Mr. Shaben this morning is Clarence Roth, the Deputy Minister of Economic Development and Trade.

Mr. Minister, before we go on to questions, maybe we can take just one moment to read through a final recommendation from the Member for Athabasca-Lac La Biche.

MR. PIQUETTE: Thanks a lot, John.

This is number 31: that the Alberta Heritage Foundation for Medical Research be encouraged to initiate a research project to determine the cause, environmental or genetic, of geographical areas in Alberta suffering from a much higher than normal cancer rate among its population.

MR. CHAIRMAN: Thank you.

We'll now open it up to questions. Do you have any comments you'd like to make at this time, Mr. Minister, before we go to questions?

MR. SHABEN: No, I don't, Chairman.

MR. McEACHERN: Mr. Minister, I'd like to take you back to the last question I asked you the other day, because it sets the stage for two or three of the questions to come. I asked a question about the possibility of stacking, since the government has a number of different programs. I mentioned the Churchill Corporation, which has an SBEC and also a Vencap loan. We had been discussing the arm's length policy on Vencap. The minister replied that this example, where the SBEC came first and the Vencap loan came second, pretty well answers your question with respect to the wisdom of the company

being arm's length and not arm's length. That's where the advantage of its being arm's length occurs.

In setting up the next few questions, I would like to disagree. If both of those companies were arm's length, they very well could have been the other way around. To give somebody money and then have them use that money to qualify for an SBEC would be totally unconscionable, I believe. Even the fact that they qualified under two different government programs should be at least cause for concern. We should be looking at that and saying, "Is that okay or isn't it?" The sort of background question is: should one company get two or three benefits under different programs?

But my specific question is: is the minister aware that five of the senior officers and employees of Vencap received interest-free loans from Vencap for the purpose of exercising their option to purchase Vencap class B preferred shares, series 1, on February 23, 1984, worth some \$255,000? Have these loans been repaid?

MR. SHABEN: Chairman, in the past when we discussed Vencap and its legislation and the way it was structured and in the debate that went on prior to the establishment of Vencap as a venture capital company, there was a lot of consideration as to how it was best to develop pools of equity in Alberta. All of us recognized that that was an area that needed strengthening, so a great deal of thought went into how the legislation was cast and how the company was structured. It is in fact and in legislation a private-sector company run by a private-sector board.

The relationship between Vencap and the government is one where we provided a loan to the company through the heritage fund, \$200 million, and the terms of that loan were laid out. The protection to the taxpayers was the opportunity for us to convert and take over the company should we feel they are not performing. In addition to that, a letter was tabled in the Legislature by the then Premier outlining those areas that the government wished them to focus on and those areas that we felt they should stay away from.

Beyond that there is no involvement by the government in Vencap, and they operate as any public corporation would. There is a large number of shareholders, principally Albertans.

They hold their annual meetings, and any shareholder has the opportunity to raise any issue. With respect, Mr. McEachern, I think that's an issue that should be raised by a shareholder at a shareholders' meeting.

MR. McEACHERN: We did give them \$200 million, so how they operate and what they do should be of concern to the government. Perhaps you should start exercising that option.

There was a Mr. Percy on the board who is no longer with them. I can't help wondering: has he paid back his \$35,000 loan? Are there presently any outstanding interest-free loans to officers or employees in the company? Is it time to take away that arm's length arrangement?

MR. SHABEN: I can't answer your specific questions, and I would repeat that I think that's an appropriate question to be raised with the company.

MR. McEACHERN: I'm not one of the shareholders.

MR. SHABEN: There are thousands of shareholders. As a result of your provoking the interest, some of the shareholders might ask.

MR. McEACHERN: The \$200 million the government gave to Vencap has not really been used. They're still operating at some \$62 million in loans, they've raised that much with the \$44 million they started with, and we're only getting 4.5 percent on that. I think it's time we relooked at the arm's length arrangement and decided whether or not we could use the \$200 million in terms of the deficit problems we've got today.

MR. SHABEN: That goes back to my earlier comment about how the company was structured and the conscious decision of the government as to whether or not it should be a hands-on situation where the government was involved with individual applications for equity funding or whether or we should set it up at arm's length. The decision was that it would be far better not having an involvement of politics in the business decisions. I continue to concur with that.

Obviously, there has been some frustration by a lot of us with the pace at which the

investments have been made, and that's the point you're raising. In recent months Vencap has accelerated their pace of investments. I believe the most recent was announced this morning, an equity investment of some \$5 million in a very good Alberta company, Strathcona Industries. In the early days of Vencap there was some frustration at the pace of investments. The board of directors, I'm sure, were balancing that with the interests of the thousands of Albertans who had bought shares, in terms of having the company be a success. I met on two occasions with the chairman of the board and urged him that we had received the views of many Albertans that Vencap had not been aggressive enough in terms of its investments. I think they have responded very well in recent months in terms of their activities.

MR. PIQUETTE: On that same series of questions, I was speaking to one of the shareholders of Vencap. His reasoning for why Vencap has not been more aggressive in terms of equity lending was that with the low interest rate the government is giving to Vencap, 4.5 percent, they can actually sit on that money and make a lot of money without even taking any chances at all on the market. In his mind, maybe that low-interest loan was one of the reasons and there should have been a different arrangement with Vencap for how that money would be advanced, because it seemed to him to some extent that the executive or the people running Vencap could actually go out there and invest that money. Is that perhaps a true reason for the lack of aggressiveness?

MR. SHABEN: I can't see how that would be a primary consideration or even a secondary consideration of the board of Vencap, because clearly their responsibilities are legislated in terms of their mandate and also as outlined in the letter. One of the things I think we talked about the last time we had a meeting is what has happened in Alberta with respect to the availability of venture capital, the application of that venture capital as opposed to what's happening elsewhere in Canada, and the amount of venture capital that has been placed in Alberta in the past year by Vencap through the small business equity corporations and through other venture capital corporations, whether it's Spurt or — what's the one that AGT has an

interest in? There's a high-tech venture capital company.

MR. McEACHERN: Telecom or something.

MR. SHABEN: Alta-Can Telecom is another venture capital company. Mr. Piquette, there has been a significant sum of money placed in ventures in Alberta. I am sure that you would recognize that you don't simply place money in order to say that you have invested it. Each venture has to be examined in terms of its potential for success and the risks and the opportunities that exist. The total amount of venture funds that has been invested in Alberta is about equal to what was invested in Ontario, having four times our population, by way of venture funds in the past year. So there is an active — and I think it's really helpful to the Alberta economy.

MR. PIQUETTE: My questions here would be on the Prince Rupert grain terminal. I believe we tried to ask that question of the wrong minister yesterday. We understand that the Ridley company is behind in its interest payments to the Alberta heritage trust fund. Is that correct, or has that information changed in the last few months?

MR. SHABEN: They are not current in their interest payments. However, it was anticipated in the agreement that this could occur in the early years of operation. In the agreement it was agreed that they would pay on the basis of their generated cash flow and that there was an opportunity to capitalize interest. You will recall that the design capacity of Prince Rupert Grain is about 3.5 million tonnes annually. With the drought and other circumstances that hit the prairies in the last two years, they have not reached their design capacity. So there is that built-in provision in the agreement to capitalize interest as the company approaches its design capacity.

MR. PIQUETTE: How much is Ridley behind in its interest payments?

MR. SHABEN: I'm not sure of that. I know they have paid against their interest obligations in the current year some three-quarters of a million dollars. I'd have to check and find out what the shortfall is in terms of meeting it

fully. But I want to make it clear that we anticipated this could be a problem in the early years, so it was built into the agreement that they could capitalize interest in the early years.

MR. PIQUETTE: Because Ridley is behind in its interest payments, is the government perhaps using this fact to try to get Ridley to sell the old terminal to Alberta Terminals, which is a Crown corporation? Is there any such exchange trying to occur here for the purchasing of the old terminal because of the fact that they're behind in interest payments?

MR. SHABEN: I've written a letter to John Crosbie, the federal Minister of Transport, asking him to prevail upon the consortium to delay the demolition of PRG1 for nine months. The reason I've asked for that delay is that we've had discussions with Alberta Terminals, and they retained a consultant to have a look at PRG1 to determine whether or not it could be used as a transfer house, with particular emphasis on its use to move canola through Rupert in addition to moving it through the port of Vancouver. The study commissioned by Alberta Terminals indicated that if it were used as a transfer house, it would require minimal upgrading. So as I say, we've asked the federal government to prevail upon the consortium to hold off demolition for nine months so that we have an opportunity to examine the validity of the arguments that it would serve Alberta farmers effectively and economically to retain it and continue its use as a transfer house. We're not fully knowledgeable on whether it would work or not, but we think the idea warrants examination, so we've made that request. Obviously, the decision as to whether or not they agree to delay the demolition is with the consortium.

MR. PIQUETTE: What's the position of the wheat pools in relation to that? You're looking at perhaps beating competition if you're going to have Alberta Terminals handling the canola, which was not part of the original agreement.

MR. SHABEN: I'm not sure, Mr. Piquette, that the proposal by ATL is that Alberta Terminals run the transfer house. They're not necessarily advocating ATL; they believe it could be run by other grain companies. It's not necessarily an ATL acquisition or proposed acquisition. But

they brought it to our attention believing that it might be helpful, so we've asked for a delay. I'm not sure whether we're going to be granted that delay to fully examine the proposal, but I think it warrants having a look at it.

MR. PIQUETTE: Could you keep us posted on that development?

MR. SHABEN: I'm sure you'll know. If the tenders for demolition are called, the thing is all over. Basically, the decision as to whether or not PRG1 is demolished is between the federal government and the consortium.

MR. McEACHERN: Mr. Chairman, I want to get back to Vencap. A number of the officers of Vencap sit on the boards of directors of many of the corporations that Vencap invests in. In cases where Vencap sort of says to the company they're investing in, "We want a member on your board to keep an eye on the investment," that sounds to me a pretty reasonable thing to do. But, of course, with the number of interlocking directorships, it's a little hard to tell which came first and which came second. If there are many instances where the person was on that board and on the Vencap board and then the loan went through, it sort of raises questions of cronyism or possible patronage, that they got the loan because the person was there and it was a sort of personal thing.

I think that leaves the arm's length policy of the government in a bit of trouble, because they aren't in a position to be able to control that. In fact, I think it leaves them in a somewhat unfair position. As you said, you've had talks with the president of Vencap now and again, so it sort of gives the government an in to suggest that maybe this person or that person or this company or that company could use some money. Quite apart from whether it's a good investment or not, the reasons it may be done may be other than just straight economic. And then because it's an arm's length company, the government could say, "Well, we're not responsible; we didn't make the decisions." So I think an arm's length approach has built in some potential real difficulties, and I'd like to get a comment on some of those possibilities.

MR. SHABEN: I believe now that Vencap's venture capital investments -- keep in mind that venture capitalists are precisely that:

generally higher risk, where conventional lenders won't go or where a company can't support debt. So obviously any venture company looks at an awful lot of proposals that come to them before they make a decision to invest. Vencap is now at a point where they've invested about \$70 million. My recent reading of their financial statement is that out of that \$70 million, they've sustained losses of about \$900,000. It's an amazing record for a venture capital company, although venture capital companies generally look to the long pull to achieve their success in their investments and the early track record is sometimes deceiving. But those numbers and those comparisons would lead me to believe that they have been quite careful in their investments and making investments based not on friendships but on business decisions.

As I said, Mr. McEachern, I believe that questions with respect to particular investments and those that relate to interlocking directorships, which aren't unusual in Canada's business sector, should really be directed to the board.

MR. McEACHERN: I wasn't raising any specific names or the kinds of details that one might ask at a directors' meeting. I'm more interested in the process and the relationships. I think it was a legitimate question in the sense that, yes, they've been fairly cautious; some people have said too cautious and have accused them of that too. I'm just saying that the arrangement is one that is open to abuse.

I wonder if the minister is aware that a number of the companies Vencap has invested in are not incorporated or registered in Alberta. I have here a list of about half a dozen companies, and we could find absolutely no incorporation or registration for them in the province of Alberta. Surely the companies that are operating here and are getting government money should be registered in this province as to who their directors are and the kinds of things that go with the registration.

MR. SHABEN: The mandate of Vencap does not prevent them from making investments in companies that are not registered in Alberta. But I believe their predominant investments have been in companies registered in Alberta. They're not prevented by either legislation or the guidelines from investing in companies that

aren't registered in Alberta.

MR. McEACHERN: I guess it's part of the arm's length relationship. I would hope that the government, having given them \$200 million at 4.5 percent, has an obligation to at least set some guidelines, and one of them should be that the company has to be at least registered in this province to qualify. I guess that's really the end of my questions. Thank you.

MR. CHAIRMAN: If there are no further questions, Mr. Minister, I want to thank you for finding time to come back and reappear before the committee.

MR. SHABEN: Thank you, Mr. Chairman. I've left you a letter that you might like to make available to the members. It deals with a couple of questions that arose in the previous meeting that I said I would respond to, and I have provided the chairman with the letter.

MR. CHAIRMAN: Thank you, Mr. Minister. I have passed that on to the secretary, and she will be providing copies to all members of the committee as quickly as possible.

MR. SHABEN: Thank you.

MR. CHAIRMAN: The Chair would just like to remind members that there is really no need to reconvene this afternoon. So the next meeting will be December 11.

A motion to adjourn?

MR. HYLAND: I have a question first. Is the secretary going to circulate another list, including the recommendations . . .

MR. CHAIRMAN: Yes.

MR. R. MOORE: Mr. Chairman, is there a firm cut-off date for our recommendations?

MR. CHAIRMAN: December 11.

MR. R. MOORE: December 11. Will we debate them on that day if they come up that morning?

MR. CHAIRMAN: No. Those that come in on December 11 won't be debated until January 5 at the earliest.

MR. R. MOORE: Mr. Chairman, I move we adjourn.

[The committee adjourned at 11:30 a.m.]