

10:02 a.m.

Wednesday, October 17, 1990

[Chairman: Mr. Ady]

MR. CHAIRMAN: We'd like to call the meeting to order and welcome the Hon. Peter Elzinga, the Minister of Economic Development and Trade, to appear before the committee this morning. We appreciate him and his government officials taking time to come and meet with the committee to discuss the funding that they have accessed from the Alberta Heritage Savings Trust Fund. We would like to ask the hon. minister to lead off by introducing his colleagues that he has with him and then to make whatever opening remarks he might choose. Following that, we'll move to the question portion of our committee meeting.

Hon. minister.

MR. ELZINGA: Thank you very much, Mr. Chairman and members. May I indicate my thanks to you, too, for allowing me to appear before you. My remarks will be very brief to make myself as accessible to yourselves as possible so that we can deal with whatever questions you wish us to respond to. Following your advice, sir, may I take this opportunity, too, to introduce the officials I have with me: Mr. Al McDonald, our deputy minister within the department, who is on my immediate left; Mr. Terry Eliuk, who is the director of finance within our department, on my immediate right; Mr. Laurie Pushor, who is my executive assistant in my office here in the Legislature Building.

I should share with you one regret. Because of the scheduling and your desire to have me at this time, we could not have Roy Parker, who is traditionally here with us, who is the president of Alberta Opportunity Company. But for those questions that we cannot respond to as it relates to the Alberta Opportunity Company, I leave you with the commitment that we will get back to you in written form, as we have done in the past, through his office under my signature or his so that no questions will go unanswered.

Let me report to you, too, that this past year we did not enter into any new ventures. We continued to administer a couple of ongoing projects. Two projects that were previously under us have now been shifted to Agriculture. I'll go through those projects with you, the ones that we are continuing to administer and those that have been shifted.

The rail hopper cars have been shifted to the responsibility of the Minister of Agriculture. I'll give you a brief overview as it relates to them because they did shift - I'm looking at the exact date here - in August. They transferred to the Minister of Agriculture. We moved approximately 1 million tons through the Vancouver, Prince Rupert, and Thunder Bay ports during the '89-90 crop year with these cars. This is an increase of approximately 12.4 percent from the 89,000 tons moved during the '88-89 crop year. Nine cars were damaged during the '89-90 year, but they were repaired. Presently there are 994 cars still in active service. Again, as I indicated to you, this responsibility has been transferred to the Minister of Agriculture, and future reports will come to you from his department.

As it relates to Vencap Equities, another area that is indirectly our responsibility, you are aware that they do have a participating loan from the heritage trust fund which was established in '83-84 with an investment focus on companies whose business operations will significantly benefit Alberta's economic development. For the year ended March 31, 1990, Vencap recorded revenues of \$19.8 million and a net income of approximately \$6.3

million. The company held venture investments totaling \$82.4 million in some 37 companies as of March 31, 1990. Those are under the capital projects division.

Under the Alberta investment division we have the Alberta Opportunity Company, and again my regrets that Roy Parker is not here. If it is your desire for us to reappear with him, we're in your hands, sir, but any questions that come as it relates to the Alberta Opportunity Company, we will get the answers for you. I leave that with you as a firm commitment. Just as it relates to the Alberta Opportunity Company, the company introduced in 1988-89 venture and seed capital funding to make equity investments in developing businesses, and both programs are financed by repayable advances from the General Revenue Fund. An update on it: AOC has some 405 loans, guarantees, and venture investments in which they participated during '89-90.

I will leave that and go on to our next Alberta investment through the Alberta investment division - and that is Millar Western Pulp Ltd. - and share with you that during the '88-89 year some \$69 million was advanced to the company, bringing the total loan at March 31, 1989, to \$120 million. This level has been maintained during the '89-90 year.

Dealing with the Prince Rupert grain terminal, Ridley Grain Ltd., this, again, has been transferred to the Minister of Agriculture. It's in its fifth full year of operation. I can go through some figures if you wish as it relates to Prince Rupert grain terminal, but this we felt would more appropriately rest under the Minister of Agriculture and has been transferred to him.

The small business term assistance plan. This program was established to make fixed-rate financing to Alberta small businesses. You're all familiar with the program. I should share with you that promissory notes issued to fund this program were fully repaid by March 31, 1990.

All the projects and investments made in prior years under the auspices of Economic Development and Trade we believe have continued to play a very important role in the further diversification of our province. We're delighted that we can play a role in spurring economic development in this great province of ours.

With those introductory comments, sir, I shall put myself in the hands of the committee.

MR. CHAIRMAN: Okay. The Chair would just like to reiterate two points that the minister made, those being that the obligation of the Prince Rupert grain terminal has been transferred to the Department of Agriculture, as have the rail hopper cars. So questions relating to those two items should be directed to the Minister of Agriculture. Fortunately, the Minister of Agriculture and the associate minister have yet to appear before the committee, so it will work out well for the committee to hold those questions for those ministers when they appear.

MR. DOYLE: Mr. Chairman?

MR. CHAIRMAN: Yes?

MR. DOYLE: Did the minister say it was in August of this year that it was transferred to Agriculture?

MR. CHAIRMAN: Mr. Minister, can you respond to that?

MR. ELZINGA: Yes, it was August of this year, and if you do have any questions, I'll . . .

MR. DOYLE: So there could be questions about prior to August; am I correct?

MR. CHAIRMAN: Well, there could inasmuch as this report certainly is prior to that time, so we could entertain questions if the committee feels the need to do that.

MR. ELZINGA: Sure. I'll do my utmost, Mr. Chairman, to respond. If I can't, we'll get it through Agriculture for you. I'm in your hands, sir.

MR. CHAIRMAN: Okay. All right. The Chair will accept questions on them with a request that the committee bear in mind the comments of the minister about the transfer.

For the first question, we'll recognize the Member for Edmonton-Meadowlark, followed by the Member for Calgary-Fish Creek.

MR. MITCHELL: Thank you, Mr. Chairman. I appreciate getting the opportunity to go first.

To the minister. I would like to pursue with the minister his response or thoughts about two recommendations which would affect his portfolio, recommendations last year by the heritage trust fund committee. My first question would concern recommendation 2:

that a new division be created in the Alberta Heritage Savings Trust Fund – the Economic Diversification Division – and that investments from this division be made in projects designed to expedite the diversification of the economy of Alberta.

I'm wondering whether the minister could give us an update on what steps he's taking to encourage the government, the Treasurer, or the Premier to accept this particular recommendation and whether there's any chance for it.

MR. ELZINGA: Mr. Chairman, to the hon. member: we are doing some work on it. We have not met with a great deal of progress to date. We are very supportive of it, and I'm encouraged with the resolution that the committee brought forward. I'm more than happy, if the hon. member would allow me, to give him a report in about three or four months as to the complete package as to what has been resolved. We have had discussions with the Provincial Treasurer. They have not been in-depth discussions. We're still doing some internal work within our department on this proposal prior to making a presentation to the heritage trust fund and to cabinet and to the Provincial Treasurer.

I'm more than happy to give the hon. member the commitment of an update in a couple of months when a little more work has been done on it, and the work from our end will have been completed by that time.

10:12

MR. MITCHELL: Perhaps I could, rather than waste a question on this, just encourage the minister to give us an update as well on recommendation 6, which concerns the Alberta science centre, which would have an impact on economic development.

My second question, then, would concern the Millar Western investment. We had a tour of Millar Western, and the facility is extremely impressive. The people there were very impressive. I think they demonstrated the efficiency of their operation, its cleanliness, and so on. But the one question that was never answered was: are they or are they not making money on that particular plant? That's, of course, a critical question in assessing the security of our investment with Millar Western.

Could you give us an idea of whether or not that project is viable economically in the short term or the long term?

MR. ELZINGA: We believe the economics are viable. I will give the hon. member the commitment to get back to him with more details as it relates to Millar Western.

Just a bit of history, too, as it relates to Millar Western. The hon. member probably is aware that at the time we involved ourselves, this was the only pulp mill operating in the province that utilized aspen as a fibre source. That is why we committed our involvement to it at that time. The agreement that we have with Millar Western provides for a return on our investment of up to 10 percent and is done on the basis – maybe I could get you to help me here a bit, Terry – that we also have an option to purchase up to 10 percent of the common shares if we so desire.

As it relates to the finances, I think the company is experiencing, as a number of companies are, some financial difficulties, but I don't think they're severe financial difficulties. We are doing some work with them. We presently have the opportunity to appoint a couple of members to their board of directors. I will get an update for the hon. member as it relates to the financial specifics of Millar Western.

MR. MITCHELL: Great. Thank you. My third question in a sense is a philosophical question, and I know your party and you have been debating it. I think most governments, most political parties, in the '70s and early '80s felt that intervention through grants, directly picking winners over losers in the marketplace, was an economic development philosophy that seemed reasonable and certainly had to be tried. It's important now, I think, that we are reassessing. We're reassessing; I think we all are. But what kind of direct research or specific empirical evidence do you have to support or deny that initiative one way or the other with respect to the Food Processing Development Centre, for example, or the Electronics Test Centre, the microchip design and fabrication centre? It's one thing to put money into those. It's also acceptable to lose on some of those; you have to take chances perhaps. But at an overall philosophical level have you got empirical evidence? Are you assessing those kinds of investments to say, "Is that an approach that works, that has a place in economic development, economic stimulation by government, or isn't it?"

MR. ELZINGA: We have evidence that we feel is fairly conclusive that supports the premise on which we've operated for a number of years. Because of the downturn in the economy we were more interventionist. I support totally what you have indicated, and I've indicated publicly that during the downturn we had an obligation to involve ourselves so that we could create jobs for Albertans. Now that the economy is improving, we're going to pull back, and we have pulled back drastically. On a weekly basis we have several people come to us with a request for our involvement. I've indicated on a fairly consistent basis that we are pulling back. Occasionally we have still involved ourselves, as you are aware.

I can give you data which shows you the success of a number of our programs. One that I referred to on a fairly regular basis is not one that's directly under the auspices of the heritage trust fund: our export loan guarantee program, which has had a success rate of 96 percent. We have calculated the jobs that have been created. It's been estimated that for every billion dollars' worth of exports, we create somewhere around 19,000 jobs. This program itself – and I'm going by memory; I don't

have the data in front of me, but I'll get you the data – has caused the exportation of somewhere in excess of half a billion dollars of products, I believe. I'm going by memory, so please don't hold me to that figure. But it has been successful; it has created jobs.

With some of our other initiatives, too, we've met with some failures, but we've met with more successes. The food processing laboratory – I had it just a short while ago again even though it's not under our jurisdiction; I was involved with it when I was in Agriculture. They've worked with a number of researchers. One that I visited with recently at the University of Alberta has developed a chocolate bar for cold climates that causes the body to generate greater heat when you are in these cold climates, which I think is an amazing discovery, and they are doing testing with it at the Leduc food processing centre. So there has been success. We just met with a group this morning that complimented us on our commitment to further biomedical and pharmaceutical research. I throw these out just as examples as to what we are doing within the province.

MR. MITCHELL: Okay. Thank you.

MR. CHAIRMAN: Thank you.

Just a caution to the committee members. Again, your questions should be focused on those particular projects that are funded through this department from the Alberta Heritage Savings Trust Fund and refrain from generalities or philosophical questions about the direction the department might be taking on items that do not impact on the Heritage Savings Trust Fund.

The Member for Calgary-Fish Creek, followed by the Member for Athabasca-Lac La Biche.

MR. PAYNE: Thank you, Mr. Chairman. I'd like to ask the minister a question or two with respect to the return on the heritage fund investment in Vencap Equities. I was reading earlier this week, in the *Hansard* report of the minister's meeting with our committee last year, that the minister estimated that in lieu of interest payments on the fund's \$200 million, or whatever it is, participating loan, Vencap paid half of its pretax profits, resulting in a rate of return on that investment of about 5 percent. I wasn't present at the meeting; I'm just going by the *Hansard* report. Now, in this year's report on page 14 in the Vencap section I read that the percentage participation in Vencap's pretax income amounted to \$5.6 million. This is perhaps a naive question, but I'm having difficulty comparing one apple with one orange. I'm wondering: can the minister make a comparison between the rate of return this year – the '89-90 year – and the previous year?

MR. ELZINGA: Mr. Chairman, in response to the hon. Member for Calgary-Fish Creek the information that I have – and I will substantiate it, too, and get back to the hon. member – is consistent this year as to what it was last year in that the return on the loan is approximately 5 percent again this year. The same circumstance exists whereby Vencap pays approximately 50 percent of its pretax profits to the government in lieu of interest, which comes out to approximately 5 percent again this year. That is the information I received from Vencap prior to coming here, and I will substantiate that and get back to you further.

MR. PAYNE: Thank you.

If I could refer just one more time to page 14 of the heritage fund annual report, the statement is made that the investment

focus of Vencap "is on companies whose business operations will significantly benefit Alberta's economic development and diversification." I'm sure the minister is aware that there still is widespread skepticism that Vencap's mandated goal of assisting those companies with an obvious diversification focus is, in fact, happening, and I wonder if the minister in this forum could respond to that skepticism.

MR. ELZINGA: It's always difficult to judge. If I can elaborate a wee bit for the hon. member as to the significance of the role, I compliment Vencap on their involvement. I think they've done an admirable job. Again, they've met with many more successes than they have failures. It's important that we reflect on the original objective that was established for Vencap. The objective was one of economic diversification for the province, but there were also some restrictions placed on them as to where they could be involved.

10:22

In reading from the restrictions, I should share with you that they were not allowed to invest in either conventional oil and gas nor in primary agriculture. The reason that restriction was placed at the time was so that it would encourage further diversification in the Alberta economy. They've invested in a number of start-up companies and in advanced technologies, computer companies, secondary agriculture, processing companies, and a number of manufacturing concerns, which we feel has added to the diversification of our province. I mentioned last year when I was here before the committee, too, my desire to investigate – and I stand to be corrected – I believe a recommendation of your committee also, whereby the government put some individuals on their board of directors. I'm not sure if it was a recommendation or if it was a suggestion that was put to me when I appeared before the committee. We are having ongoing discussions with the board of directors of Vencap as to how we can work more closely together to further our mutual aims, but at the same time we want to be careful so that we're not overly involved as a government. A number of you folks are much more aware of it than I am, since I've only been here for four years, but when it was originally established, it was established on the basis that it would be at arm's length and there would be no political interference but rather a direction. We'd like to maintain that offering of a direction to further diversify the province without political interference. We are having discussions with them as to the possibility of maybe having the government appoint a couple of individuals to their board of directors, but I regret that I don't have anything conclusive to report to you at this time as it relates to those negotiations either.

MR. PAYNE: Thank you. If I could have a final supp, Mr. Chairman. In the early years – you know, mid-80s – after the formation of Vencap I think the most frequently heard criticism was that they were far too conservative, almost unprepared, to really get in the market mix and that they were preoccupied with somehow preserving the sanctity of this participating loan from the fund rather than rolling up their sleeves and getting the job done. I wonder: can the minister comment this morning as to whether he feels that Vencap now is sufficiently aggressive and creative to meet its original goal and its original reason for being?

MR. ELZINGA: I believe they are, Mr. Chairman, in response to the hon. Member for Calgary-Fish Creek. They have been

more proactive in seeking out investment opportunities. I think that if you analyze the record, too, since Mr. Slator has assumed the responsibilities there – and I don't say this in a negative way to his predecessor – they have been much more proactive in seeking out investment opportunities for the benefit of the province of Alberta. It's important to note, though, that it is an independent, private-sector corporation, so there are some limits other than overall policy directions that we can offer them, and we want to abide by those limits. But they have been more aggressive in involving themselves, as I mentioned earlier, to create what we consider long-term investments that will benefit the province of Alberta.

MR. PAYNE: I certainly agree with the minister. However, I would remind him that he who pays the piper should have some influence on the tune.

MR. ELZINGA: Good point.

MR. CHAIRMAN: The Member for Athabasca-Lac La Biche, followed by the Member for West Yellowhead.

MR. CARDINAL: Thank you. You may have partially answered this question already on Millar Western Pulp Ltd. I noticed the total cost of the project was \$204 million and we gave a loan of \$120 million, which is a considerable amount on the total project. I'm just wondering why we had such a large commitment on this.

MR. ELZINGA: Again, the hon. member will allow me to repeat just a wee bit of what I indicated. If we look at what prompted our involvement in the history of the project in '87-'88, at that time there was only one pulp mill operating in the province that would utilize aspen fibre as a source. Recognizing too that we do have a lot of poplar trees, we felt it important to use that natural resource we have an abundance of within the province and to put it to good use. It's also noteworthy that the 1984 white paper on science, industry, and technology calls for the development of this vast resource. Because of that we did involve ourselves in that venture.

MR. CARDINAL: I have one supplementary. What has been the spin-off in dollars and economic activity specifically on that project? Is there a way of measuring that?

MR. ELZINGA: It's been substantial. I don't have the details at my fingertips, but I will get back through the chairman as it relates to the overview we have dealing with the economic stimulus that the project itself did cause to take place.

MR. CARDINAL: Okay. Thanks.

MR. CHAIRMAN: The Member for West Yellowhead, followed by the Member for Three Hills.

MR. DOYLE: Thank you, Mr. Chairman. I want to thank the minister for taking the time to come before the committee. Of course, this is my first term on this committee, Mr. Minister, and I'm grasping as quickly as I can all the ventures the government has taken through the heritage trust fund. Your department is one that I haven't analyzed to the fullest, having just returned from Jasper this morning. But I do have a question in regards to the rail hopper cars. Perhaps it might not be exactly in line with the questions, the fact that the minister was involved with

these rail hopper cars until August 1990. I wonder if the minister could inform me if in fact those rail hopper cars, when pulled on CN or CP lines, are subject to the same high cost Via Rail must pay, somewhere around \$11 per mile per car, as they haul passengers on the CN lines.

MR. ELZINGA: I'm not sure of that. Terry, would you . . .

MR. ELIUK: I don't know either.

MR. ELZINGA: I don't know what the cost of that is; forgive me. As I indicated in my opening remarks, the expertise now is with Agriculture since we transferred a couple of people from our department to Agriculture when the actual transfer took place. But I will find that out for the hon. member. What is your question? You're curious as to the haulage costs?

MR. DOYLE: The haulage cost of goods as it compares to passengers because of the fact that Via Rail has now put a new car, a new train in fact, electric heat rather than steam, on the rails.

MR. McDONALD: Mr. Minister, I could answer some of that and get back to you, but the cars are charged similar to what all the other grain cars are charged on a freight line – nothing to do with passenger cars at all. The passenger cars on the passenger train take up the rail away from the freight trains. This is part of the freight train, and it's charged that way. But we can get the actual charges.

MR. DOYLE: Okay. Thank you.

I guess I should turn to page 14, Vencap, Mr. Chairman. It's my understanding, according to the annual report of Vencap, that the government received a mere 2.8 percent on companies they invested in through Vencap this year. I wonder if the minister feels this is prudent investment of taxpayers' dollars out of the heritage trust fund. Is there any way this investment could be increased to a more reliable percentage for investment?

MR. ELZINGA: I should share with the hon. member – and this is not to do so in defence of Vencap, because they're very capable of defending themselves – if you look at venture or seed capital involvements, they're always more risky than traditional business involvements. Vencap is a venture company. The purpose was to help further diversify the province. It's natural that the return would not be as high as a traditional return. We have to assess it on the further diversification of the province of Alberta and the jobs that are created. There are a number of aspects other than just solely the return on the investment that we look at. I agree with the hon. member that the investment return is not as high as what a traditional return would be, but there are a number of offshoots that I think more than make up for the lack of a return.

10:32

MR. DOYLE: Thank you, Mr. Minister. My final question, Mr. Chairman, has to do with Vencap and some of the investments it has made. In fact, the minister did say that it's an independent, private-sector corporation. If it was an independent, private-sector corporation returning only 2.8 percent, I think we'd be better off getting our \$200 million back out of it and letting it operate as a private-sector corporation. It appears by some of the investments to certain companies that have contributed over \$60,000 to the PC Party fund-raising that they're

the very same people that have benefited in many million dollars from Vencap. I wonder if Vencap was established to invest in companies who are having a hard time to survive – that was my understanding of why Vencap was created – not to provide loans to those who, in fact, pay the piper or the person who put the money into Vencap.

MR. CHAIRMAN: Hon. member, I'm not sure that your question is appropriately phrased. I have a little trouble with that.

MR. DOYLE: Mr. Chairman, I wonder how . . .

MR. CHAIRMAN: I think it's a fair question to ask something about the investment in a given company on the part of Vencap, but to endeavour to tie ulterior motives to it I believe is really out of order.

MR. DOYLE: Thank you, Mr. Chairman. Could I reword my question?

MR. CHAIRMAN: I would hope that you would withdraw and reword.

MR. DOYLE: Mr. Chairman, my question then would be: does the department have any involvement in how the Vencap loans are made?

MR. ELZINGA: No, we don't have any direct involvement whatsoever. As I indicated to the hon. Member for Calgary-Fish Creek, I believe it was, we do liaise in the event that we have a private sector come to us. We on occasion will refer them to Vencap. It's their decision and their decision alone. We are hopeful that we can have a greater liaison with them, recognizing that there is a substantial amount of the Alberta population's money involved. We believe, as I indicated earlier – and I'm not sure what more to add to the questions that were put earlier – that they are performing their job well. They're involved in a number of companies. It's more high risk, as I indicated to the hon. member. It's natural that their return would be somewhat smaller than if the risk was not there. But they are doing an admirable job and we commend them for the job they are doing.

MR. CHAIRMAN: Thank you.

The Member for Three Hills, followed by the Member for Ponoka-Rimbey.

MRS. OSTERMAN: Thank you, Mr. Chairman, and again good morning, gentlemen. I envy you operating in a very exciting area of economic development. I think while it can be exciting in terms of translating into anxiety, when the discussion is about tough times, the times also present opportunities. So I think it will be a matter of hopefully wisdom in all the officials and yourself in using the opportunity that's presenting itself as a result of a shakeout in the Canadian economy and potentially some obvious effects in Alberta.

One of those areas, Mr. Chairman, obviously is agriculture. I had not realized that the terminals were transferred to the Minister of Agriculture, but I do have a question I think this minister could respond to in terms of the terminals. In the data that's been collected over the years, I'm wondering if there's been an analysis of the direct or indirect benefits to western Canadian farmers of having the Prince Rupert terminal in place.

Having made that investment, has that really been looked at in that light?

MR. ELZINGA: Mr. Chairman, in response to the hon. Member for Three Hills, yes, we have done some analysis on it. The results have proven to be very positive for the primary producer within the province of Alberta. A couple of examples of that: the demurrage charges have decreased substantially because of our involvement in the port facility. We would be more than happy – and I'll do it with all the questions – to again give a more in-depth answer to the chairman and in turn to the hon. Member for Three Hills, but there are a number of examples whereby this has offered additional income flow to our primary producers. Sometimes admittedly it's very marginal, but, yes, we feel it has had a positive impact.

MRS. OSTERMAN: Well, I would appreciate that. I'd appreciate getting that information. I think it's the kind of thing – especially as members of this committee, we're expected possibly to have more information at our fingertips. I'm sure the hon. minister knows that in the agricultural community right now there is high anxiety about the future until the GATT negotiations and other things may be settled. When anything appears to block or to be adding extra costs on to the movement of grain, I hear discussions. I recall farmers talking about going out and moving the grain themselves – again, the discussion about demurrage charges. Of course, that comes back to us.

In a different mode, you've mentioned that you may not be able to respond to questions about Alberta Opportunity Company, but I think this question to some degree rests with the minister. With the new policy of the company taking equity positions, could you briefly describe what types of guidelines, or direction, as I think you like to put it, with respect to the somewhat arm's-length groups out there have been discussed or are in place in terms of their looking at what might potentially bring this policy into play as opposed to a loan?

MR. ELZINGA: Forgive me. I can't . . .

MRS. OSTERMAN: When the company takes an equity position as opposed to making a loan, what type of guidelines or what kind of direction has been given for them to sort of frame the decision they're making?

MR. ELZINGA: They have a fairly specific set of guidelines that they use when they go through this process themselves, and I will ask Mr. Roy Parker to again distribute to the committee those guidelines as it relates to venture and seed funding. In essence, they do an analysis as to whether a new company can carry the interest of the debt burden, and in the event that they feel that over a number of years it will prove to be a very viable company yet for the short term and the start-up they cannot carry the additional burden of the interest costs of a debt, they will give consideration to an equity injection so it will not have to carry that additional debt and, in turn, the additional interest costs. That's a brief summary, but I'll get you a more detailed explanation of it all, if the hon. member is agreeable to that.

MRS. OSTERMAN: Okay; thank you.

I guess the other question flows a little bit from that. In the overall policy with respect to taking an equity position in a number of organizations that have benefited from heritage fund investment, is there a point at which the minister considers we should be selling that equity position, freeing up money for

additional investment in other areas? In other words, if you look at the preferred shares or whatever that we're participating in, at what point can we look at selling those?

MR. ELZINGA: Once the company itself is on its feet and there is an opportunity for profit in that investment, yes, they do look at it. We encourage them to look at the sale of their equity investment, because they are there in a role more as a banker than as an actual operator. So once the company is on its feet, they do look at the opportunity for making a profit for themselves plus divesting themselves of their involvement in that operation. That's only done on the basis - I shouldn't say "only," because in some cases it has been done even when they haven't turned a profit yet, whereby an interest has been expressed by an outside company and they have looked at dissolving their relationship with it. They do that, yes. I'm more than happy, if the hon. member would like, to get her some specific examples of that.

MRS. OSTERMAN: Just for clarification, my understanding is that this is a passive investment to facilitate, so on an ongoing basis we're not going to be giving direction. Therefore, once our job is done and it's stabilized, you're saying that, yes, in fact there is consideration given.

MR. ELZINGA: Very much so.

MRS. OSTERMAN: Thank you.

MR. CHAIRMAN: The Member for Ponoka-Rimbey, followed by the Member for Wainwright.

10:42

MR. JONSON: Good morning, Mr. Minister. Mr. Chairman, I'd like to just ask some questions on the Small Business Term Assistance Fund. I know that in the minister's introductory remarks he mentioned that the money that had been provided from the heritage fund had been paid back or paid off. First of all, just to refresh my memory and the committee's memory, what were the mechanics of this particular \$150 million, I believe it was, that was provided as financing for the small business term assistance program? What was the rate of return and so on that was provided for in that arrangement?

MR. ELZINGA: As the hon. member indicated, this was to assist new businesses or to expand existing businesses. I don't recall exactly. You're talking about the financing?

MR. ELIUK: It's 9 percent.

MR. ELZINGA: Yeah, it was at 9 percent that we offered the money. But are you asking as to what we had to pay for it or what the business community had to pay for it?

MR. JONSON: No, I'm aware of that. I'm interested in what the return to the fund was. Wasn't there a return on this particular investment?

MR. ELZINGA: To the heritage trust fund?

MR. JONSON: Yes.

MR. ELIUK: Zero.

MR. ELZINGA: Yeah, I believe it was zero, but I'm not sure. It was under the capital projects division, not the investment division, so there was not expected to be a return.

MR. JONSON: I'm a little confused. I'm sorry. I guess I'm not much of an accountant, but it's listed under the Alberta investment division.

MR. ELZINGA: Terry just kindly indicated to me that I screwed up on that. I'm sorry. It is under the investment division rather than the capital division.

MR. JONSON: Page 17.

MR. ELZINGA: Right. I'm not sure what the return was. I'm not sure if it indicates it in the overview that was tabled by the Provincial Treasurer or not. I'll find that out for the hon. member. I'm not sure what the return was.

MR. JONSON: Well, I guess I'm sort of stopped there, Mr. Chairman, in that I was wanting the rationale for this particular kind of transaction being listed on the Alberta investment division section of the report.

AN HON. MEMBER: Good question.

MR. JONSON: I'm glad it's paid back, particularly considering we didn't get any return on it.

MR. ELZINGA: Well, I'm not sure myself whether there was any return on it or not. As the hon. member is aware, this program was implemented prior to my entry into the department, so I'm not familiar with the history of it all, but I will find out the history of it. I'll find out if there was any specific return. Off the top of my head, I don't think there was, but I stand to be corrected on that. The purpose of it was to offer an opportunity for the small business sector to have funding available to it at a reduced rate of interest. It proved very valuable to the small business community. As to the specific question dealing with a return to the Alberta investment division of the Alberta heritage trust fund, forgive me, I don't have that at my fingertips.

MR. JONSON: I guess I'll get an answer later on, Mr. Chairman.

I had some follow-up questions. The second question I was going to ask is that I was wondering why we had this method of handling this money to the Small Business Term Assistance Fund and then another approach when we're talking about the Alberta farm credit stability program, whereas I understand that there is supposed to be a rate of return coming back to the fund. Anyway, I'll leave it for that and await my answers.

MR. CHAIRMAN: Okay.

The Member for Wainwright.

MR. FISCHER: Well, thank you and good morning to the minister and his staff. It's always nice to have a little visit with you on the heritage fund, eh. Halvar got talking a bit about my question here, but I'd like to know: do you have any idea what the failure or success rate of that small business term assistance program is?

MR. ELZINGA: Yeah. I understand – and I will defer to Terry if he's got any additional information for me – that again the success rate was very good. I don't know if we've got that detail here with us, Mr. Chairman.

MR. ELIUK: Mr. Chairman, what detail we do have is that we know that in excess of 63 percent of the loans that were applied for under that program were for a term of 10 years, which tells us that it was going towards improving their operations and business activities.

MR. FISCHER: But people are keeping up with their payments and so on? We guarantee those loans, eh? We don't have to call our guarantees once in a while? I guess that's . . .

MR. ELZINGA: Well, I'm assuming that there is some failure rate. I've never known any involvement whereby there wasn't some failure. The overall success rate, though, far outweighs it. Again, we don't have the specific figures with us here, at least not to my knowledge.

MR. ELIUK: No.

MR. FISCHER: I think maybe I have to jump around a little bit on my supplementary question, because with the other one Halvar got on to my topic a bit. The other one is with the Ridley Grain company. Apparently we capitalized the interest payments; we have a total of \$27 million that has been capitalized. I just somehow or other maybe don't understand the agreement too well, but we put out \$134 million originally to help those people get going. They have not paid back their interest payments in low years. Can they continually do this? What kind of agreement do we have that they can forgo their interest payments?

MR. ELZINGA: Well, in the event that they do – and again, since we've transferred this to the Minister of Agriculture, I'll let him elaborate on a more detailed basis – on an ongoing basis we are always open to discussions with them as it relates to additional costs because they haven't run on a profitable basis and the interest costs were very burdensome. So there has been some renegotiation as it relates to the specifics of our involvement. Again, with the transfer to the Minister of Agriculture, I don't have that information here with me.

MR. FISCHER: Thank you.

Thank you, Mr. Chairman. I'm finished.

MR. CHAIRMAN: The Member for Calgary-Foothills, followed by the Member for Lloydminster.

MRS. BLACK: Thank you, Mr. Chairman. I'd like to welcome the minister and his department as well. It's enjoyable to have you here.

I guess my questions have been basically introduced, but I'd like to carry them a little further this morning. They relate to venture capital. I guess I go back to a concern. If we're looking at a diversification program in the province – and there obviously is some form of strategic plan in place to develop that diversification – on one side you have Vencap, a venture capital company in the purest sense, that is going out with venture capital to look for partners and do some matching, and on the other side you have Alberta Opportunity Company that has introduced a venturing portfolio within its domain and is also

looking at some venture capitaling, and you've got federal bodies that are doing the same type of thing, FBDB and RoyNat and companies like that, I'm wondering: is there a strategic plan for the type of investment the province is hoping to attract that will provide that sought after diversification that possibly all these companies are gearing their investments towards? Or how do you feel that they're following through with our goal for diversification in this province?

MR. ELZINGA: Well, as it relates to the private-sector companies the hon. member mentions, Mr. Chairman, we have no role to play whatsoever. We liaise with them and on a regular basis I will meet with them, but those are strictly investment decisions that they make themselves.

As it relates to Vencap and AOC, the thrusts these two companies have are different. Vencap does it on a much larger basis, whereas AOC involves itself with the smaller companies. During the last fiscal year they had 16 venture investments totaling slightly in excess of \$10 million through AOC.

10:52

In my meetings with the small business community, the concern that is raised most often with me is the lack of equity capital. They do have concerns that the traditional lending institutions don't offer the equity capital, especially for some of the ventures that are a little more high-risk. This is why we extended the involvement of AOC to both seed and venture funding so that it would help offset – and I recognize we haven't answered by any means all the concerns of the small business community. Just last week when I was in Calgary at the Rotary Club, it was raised again with me: a concern as it relates to the opportunity to access funds for equity investments.

I understand we've got some examples, too, of Vencap's involvements in a number of companies, if you wish those examples. Vencap has involved itself in companies such as Agri Trends Research, which a number of you are familiar with here; Alberta Television Network; a number of biotechnology firms; fine linens. So there's a real variance of involvement that Vencap has been involved with.

AOC, on the other hand, is just starting to get involved, and I believe they hope to expand their involvement as time goes on. But as I indicated, they've been involved this past year in some 16 venture involvements.

MRS. BLACK: May I have a supplementary?

MR. CHAIRMAN: Yes.

MRS. BLACK: Mr. Chairman, I guess in a purer sense I'd like to drive down the highway from Edmonton to Calgary and see factories evolving; that would be something I would probably jump for joy to see. We seem to be getting into the high-tech side of things very much, in telecommunications and technology and television, in food processing, and things like that, and I'm wondering if that really is fitted into our diversification program, to provide new industry as opposed to a research component of quite a long-range plan of a new industry coming here.

I'm wondering if we should be suggesting to Alberta Opportunity Company that they possibly look at something that will provide a direct, almost an immediate diversification: a shoe factory or something to come to Alberta. That's sort of what I'm hoping we'll see: a factory all of a sudden evolve that will really show a different type of business venture than what we've traditionally had in Alberta, that will provide opportunities not

only in the marketplace for businesses to come here to support that but also jobs. I guess I'm a little impatient. I'm anxious to see, as I drive down the highway, a couple of factories starting to go up. Is that something you have a feel that we're accomplishing and we're going to meet that end goal?

MR. ELZINGA: Yes, and AOC can point to a couple of involvements where they have done exactly that, whereby because of their investment companies have moved to the province of Alberta and created jobs. I can think of one example that's in the music industry. Because of their encouragement of this company they have transferred from another province to the province of Alberta, and because of the involvement of Vencap. AOC was originally going to be involved and then did not involve themselves because it wasn't required. But there are companies we can point to that, because of the involvement of Alberta Opportunity Company, have been establishing and creating jobs.

It's interesting to note, though, that you point to factories. If we look at the last five to six years, 60 percent of the jobs that have been created within this province are in the small business sector. They're not the large projects. The small business sector has created the greatest opportunity for employment, and we're encouraged by that because that says our diversification plan is working. Rather than our involvement with a number of these massive projects, we've got the small business community being much more active. Ninety percent of the employment in the private sector within the province of Alberta is small business. Again, we're encouraged by that, because it stabilizes the economy of the province and that has contributed substantially to our economic well-being and our stabilization.

MRS. BLACK: A second supplement. I noticed the overall investment in Alberta Opportunity has actually decreased as of March 31, 1990, from the previous year: \$164 million down to \$157 million. I noticed in the financial statements that there was disposal or divestiture of some form that had taken place. Can you tell me what the disposal or divestiture was about?

MR. ELZINGA: I can't off the top of my head, but I will follow through . . .

MRS. BLACK: It was \$38 million.

MR. ELZINGA: . . . with Roy Parker and get that information back to you. Just as you indicated, too – and I notice you've got a copy of the annual report there. If you look at the annual report, it highlights a number of those companies as it related to your previous question: King Kuby Sausage, and you can go through Kuby's Leather Manufacturing Company. They carry some of the profiles of companies they have been involved with.

As it relates to your specific question, I'll get Roy Parker to give us that answer.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster, followed by the Member for Edmonton-Meadowlark.

MR. CHERRY: Thanks, Mr. Chairman, and good morning, Mr. Minister and staff. I guess I want to look at AOC again. Your department has seen fit to put an office in the Lloydminster area there, which we're very thankful for, because when you're at the end of the road, the services don't come that easy. So again we're thankful that we have an office there with AOC.

I've certainly sent people to AOC, and I guess one of the questions I would have with it is: what is lost to the company itself in loans going down? Do you have any figures on that?

MR. ELZINGA: Yeah, I have an overview of the loss rate for AOC's portfolio, and I will give the hon. member the overview. Let me just restate what I indicated at the start: my regret that Roy Parker isn't here, because I know he would give you a much more detailed answer on it. But just to give you a brief summation as to the success – and this is information that Roy was kind enough to pass on to me that I could share with the committee in the event that it was asked – since 1973 the experience has been that over 88 percent of all funds disbursed have been repaid. AOC, as the hon. member is aware, currently provides for an allowance for potential loss equivalent to 10 percent of the total loan portfolio. This is a reduction of 1 percent during the past year.

Just as it relates to the venture funding division, there have been six losses on 28 investments since inception, and to March 31, 1990, there have been no losses in the seed funding division, which began operations in August of 1989. But the success rate I think is very good notwithstanding the fact that AOC is a sort of lender of last resort and the risk is naturally higher than a traditional lending institution's.

MR. CHERRY: Well, that is good news.

It may be difficult for you to answer this: what would be the largest type of loan to an individual such as myself coming to you? Have you got the guidelines on the specs on the amount of dollars that the company can loan out?

MR. ELZINGA: Well, I'll go by memory here. I believe they can go up to a maximum of \$5 million under the Alberta Opportunity Company. They themselves can go up to \$1 million. In the event that there is to be an involvement greater than \$1 million, it has to be approved by order in council. So it comes through our office. Again I'm going by memory, and I stand to be corrected on that, but I believe that to be the fact.

MR. CHERRY: Thank you very much.

Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Edmonton-Meadowlark, followed by Calgary-Fish Creek.

11:02

MR. MITCHELL: Thank you, Mr. Chairman. I'd like to pursue the Alberta Opportunity Company issue as well. I note in the trust fund report that Alberta Opportunity Company received a subsidy from the General Revenue Fund of \$11 million in '89-90. I note that they have a debenture to the Heritage Savings Trust Fund of about \$157 million, which would mean that, roughly speaking, they'd be paying to the heritage trust fund about \$15 million or \$16 million. Could the minister confirm that the only way they're able to meet their obligations to the heritage trust fund to pay that \$15 or \$16 million is because the General Revenue Fund in fact subsidizes them to the tune of \$11 million? So in effect what you have is Alberta Opportunity Company paying money to the Heritage Savings Trust Fund which pays money to the General Revenue Fund which pays money to the Opportunity Company so it can pay the money, rendering the quality of those earnings, in effect, very, very suspect.

MR. ELZINGA: I cannot substantiate the specific figures the hon. member indicates, but the process he has outlined is the process that is in place, the reason being so that nothing is hidden. We want to make sure that all the transactions of AOC are out and available to everybody, and we do. That's not uncommon, because it is, I gather, the same with Alberta development corporation. We want to make sure that the heritage trust fund remains consistent and viable, and if there is any shortfall, we do make it up through general revenue, yes.

MR. MITCHELL: Vencap has been raised and the question of the relationship. How is it that the investment in Olson Construction would be consistent with the mandate of Vencap? If it isn't, or an investment like that isn't, what recourse does the government of Alberta have?

MR. ELZINGA: We can always raise those objections with the Vencap board. If the hon. member feels there are some inconsistencies there, I'm more than happy to take them up on his behalf. To my knowledge there aren't. But if he has some information that he'd like me to pursue for him, I'm more than happy to do that.

MR. MITCHELL: With respect to the sale of Syncrude, which of course has tremendous economic development consequences, could the minister please tell us what the status of the government's thinking is on the sale of Syncrude and what his input into that decision is?

MR. ELZINGA: That falls directly under the Minister of Energy, and he would more appropriately be the individual to have the question put to. There have been discussions, but since it is directly under his jurisdiction, he is the best one to respond to that, if the hon. member is agreeable.

MR. CHAIRMAN: The Chair reminds the member that the Minister of Energy has yet to come before the committee, so that should . . .

MR. MITCHELL: Could I ask another question, then, in lieu of that?

SOME HON. MEMBERS: No. [interjections]

MR. MITCHELL: I can't believe it. I let you guys ask a question.

MR. CHAIRMAN: If the member will focus his last question . . .

MR. MITCHELL: Thank you very much, Mr. Chairman. I appreciate that.

The minister mentioned his support for pharmaceutical research earlier. I wonder whether that support is being reflected in support for the faculty of pharmacy at the University of Alberta, which has generated at least two high-tech bio research and development type firms, SynPhar and Biomira, neither of which have ever received money but have been generated out of a facility in the faculty of pharmacy which is terribly inadequate, which in fact contains labs which may be dangerous to the security of the people working in them. I wonder whether he could tell us: is he contemplating Heritage Savings Trust Fund investment in that faculty?

MR. ELZINGA: I mentioned to the hon. member that I met with a pharmaceutical company this morning, prior to this meeting, and we want to encourage their involvement here. As it relates to Biomira, I think if the hon. member would check the record there has been government support to Biomira, not through the heritage trust fund but through TRT. I'm aware of that because I'm very much aware of the company itself and the good work they are doing. There has been government support to them.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Fish Creek, followed by the Member for West Yellowhead.

MR. PAYNE: Mr. Chairman, I would like to open a small bag of sour grapes, and as I do so, I'd like to clarify that this has nothing whatsoever to do with Mr. Elzinga as minister of economic development. It has everything to do with those who prepare the annual report. It goes without saying that the select committee really has one job, and that is to review this document, the annual report, and then bring forward recommendations on existing and potential investments. That's our reason for being.

Now, page 7 indicates that the Alberta investment division "must" – and "must" is the document's word, not my word – "yield a reasonable return or profit." And then I go to page 17, the table referred to earlier by Mr. Jonson which is described at the top as a "summary of investment transactions," and we see this very limited entry indicating \$150 million out and \$150 million back in. That money, of course, was used to finance the small business term assistance plan. I then went to pages 42 and 43, which is schedule 3, the supporting schedule for this investment summary. I have now read those two pages three times, every line of small print, and all I can find is one single entry about the \$150 million and not a single word of explanatory comment. My rhetorical question to the committee is: how on earth can the committee do its job with respect to this particular use of that \$150 million? How can we evaluate its effectiveness, how can we respond to the Alberta investment division dictum that we should be looking at "return or profit," and how can we examine philosophically, I suppose, the appropriateness of the use of the heritage fund in this way for such a program?

Mr. Chairman, I do wish to indicate to you and the committee that I will be conveying this concern to the Provincial Treasurer when we have this informal meeting with him next week. I submit that this committee simply is not capable of rendering an informed judgment about that program and about this use of the heritage fund, and I frankly don't like being put in such a position.

Now I'll close up the bag of sour grapes. However, I would like to ask the minister just two questions with respect to that plan. I'm very supportive of that plan. I think it came at the time when a lot of our small businessmen and farmers and such were carrying loans as high as 21 percent, and we just simply had to do something. However, the overriding criticism I've got is that that \$150 million was not being used to assist new business or to expand existing business but rather was simply being used to refinance existing high interest debt. I'm wondering: would the minister be in a position now or later to be able to respond to that often heard criticism?

MR. ELZINGA: Yeah. That criticism had been suggested. The program was there to refinance existing debt, but I should

share with the hon. member that over 26 percent of the loans were for new acquisitions.

I appreciate, too, the frustration that the hon. member has raised, and it was started by Mr. Jonson. I leave the hon. member the commitment that we will get the information back to him as it relates to the \$150 million. Forgive my error too: it naturally falls under investment. When you look at the capital projects division, it says, "Projects may not necessarily by their nature yield a return." That is what prompted me to be so quick in responding to where I thought it would fall, because to my knowledge - and I will get the information back to the hon. member - I don't think it did show a return. It did show a substantial return and was a substantial help to the small business community throughout the province of Alberta, but there was a portion of this used for new acquisitions.

MR. PAYNE: Thank you. And again I want to emphasize that my comments were directed not at the minister today, who has consistently been extremely helpful in providing information, but rather to those involved in the preparation of this report who put us in this spot.

MR. CHAIRMAN: Thank you. You've finished your set of questions?

MR. PAYNE: Yes, sir.

MR. CHAIRMAN: The Member for West Yellowhead, followed by the Member for Three Hills.

MR. DOYLE: Mr. Chairman, in regards to AOC. When funding is given out to companies or organizations within the province, is it possible that Members of the Legislative Assembly can inquire of the minister who these loans are given to?

MR. ELZINGA: Absolutely.

MR. DOYLE: I see announcements and no names attached.

MR. ELZINGA: Usually there is a press release put out. Some companies themselves have some hesitation to this, but we believe that the information should be as public as possible. If there's any information the hon. member would like, I would request that from AOC and in turn get it for you.

MR. DOYLE: Thank you.

MR. CHAIRMAN: That would specifically be funds that were drawn from the Alberta Heritage Savings Trust Fund?

MR. DOYLE: From the Alberta heritage trust fund through AOC.

MR. CHAIRMAN: Hon. minister, are you clear on that question?

MR. ELZINGA: Right. To specific projects.

MR. DOYLE: Funded out of AOC; that money coming from the heritage trust fund.

MR. CHAIRMAN: All right.

11:12

MR. DOYLE: Thank you.

Mr. Chairman, with AOC giving these funds to several companies small and large throughout Alberta, do they take into consideration whether these are environmentally safe companies that they are funding through these programs?

MR. ELZINGA: They have a board of directors that assesses these, and I'm sure one of their considerations is to make sure that it is economically and environmentally sound. If there are environmental concerns the hon. member is aware of in some of the investments, I'm happy to raise that with the board of directors. I have not had any specific cases brought to my attention whereby there have been environmental concerns expressed as to AOC's involvement with a specific company.

MR. DOYLE: Mr. Chairman, I'd like to go to Vencap. Of course, Vencap has financed many companies that could very easily be financed by the corner bank or by other lending institutions. Would the minister consider taking back the money or the main portion of the money plus interest and get completely out of the financing of these organizations and companies to make sure that it certainly is a private-sector investment rather than a company having their fingers in investments to industry in the province?

MR. ELZINGA: Even if we were willing to examine that alternative - and I wish to stress the words "even if we were" because I'm not so sure we would want to - I would look at it thoroughly before I gave a commitment one way or the other. I don't think we have the luxury to renege on a commitment that has been given. There's an agreement that has been signed with the Vencap board of directors. We don't have the luxury of altering that agreement without their consent.

MR. CHAIRMAN: The Member for Three Hills.

MRS. OSTERMAN: Thank you, Mr. Chairman. Getting back to AOC, this is a sort of bigger-picture observation and question in terms of what thinking the minister may have done in terms of how he sees the role of AOC evolving. A number of years ago, in the early '80s, there was a lot of discussion in the fashion industry, some very, very talented people in this province. Because of the portfolio I happened to have at the time, I got together with them and in the end suggested that they form an Alberta organization. Since that time they've been working very hard, and I know that the minister's department has, in trying to promote the products that come out of Alberta that I think are just first-class: extraordinary talent in terms of design and then the fashioning of products. I wonder if there are specific industries that, again in terms of direction, the minister speaks with Alberta Opportunity board of directors about, and whether or not they actually go out in discussions with various sectors in the province and in particular gear their remarks and make advances to speak to sectors that we see have great potential but maybe are not yet moving and showing that potential that we think is there.

MR. ELZINGA: To my knowledge they don't target any specific industries or specific sectors. What they do is attempt in an indirect way to have a balanced approach to the entire province; they don't look at any specific sectors of involvement.

Usually, just the reverse is true, whereby the companies would come to them to seek involvement on behalf of AOC through some type of financial programs. I will follow through, though, with the board and enquire in a more detailed way, because I just shared with the hon. member my limited knowledge. What we do, though, as a department is attempt to encourage certain specific industries to come to the province. We have worked extensively with the fashion industry, as the hon. member has indicated. Again I must say in all honesty that it would be nice if we could do more for that industry because it is a large employer, when one looks at the apparel industry itself. We as a department do work with specific industries.

We're also giving some thought . . . Forgive me for sidetracking somewhat, Mr. Chairman, because this doesn't relate directly to the heritage fund except as it relates to the question that was put by the hon. Member for Edmonton-Meadowlark earlier as it relates to an economic diversification fund through the heritage trust fund investment whereby we could maybe target in a more specific way some of those companies if it was deemed advisable to come forward with a fund such as has been recommended by this committee so that we could be more aggressive in targeting some of these areas.

MRS. OSTERMAN: A follow-up question, maybe my last one, Mr. Chairman. I think I have two left, but . . . Again looking at Alberta Opportunity Company, I don't know whether it's appropriate to look at the role I want to describe for them or whether this is more a departmental role, but I suspect it could be Alberta Opportunity Company. I think all of us are aware, as we speak to inventors, designers, or whoever throughout the province that have the ideas but not necessarily the business expertise or the dollars to facilitate the development, that the department has played a great role. We see these entities that are being funded by the heritage fund in there now taking equity positions, not just lending. We also, I think, are aware of potential investors, people who are looking to make an investment. Is there any role for Alberta Opportunity Company to be the facilitator instead of it being entirely government investment and then reinvestment as the money comes back in – I mean, indirectly it's government – and playing a facilitative role? It couldn't speak to the quality of the investment but only in terms of splicing people together. Sometimes it's a matter of that kind of connection. Alberta Opportunity Company surely must have so much information there that a small amount more added would see them being able to possibly fulfill a function like that.

MR. ELZINGA: Mr. Chairman, the hon. member raises a superb concept which we're doing right now within our department. We do access information from AOC whereby we do provide somewhat of a matching service. And it is as the hon. member indicated too, whereby there is not going to be any liability held on our part in the event that it doesn't work out. We will just simply provide the information. I've got to admit that we do it in a very modest way at this time whereby we try to provide the information to those who are looking for equity injections so that they can have an avenue to the source, greater capital.

As the hon. member touched on, too, it's a real fine balance. We want to make individuals aware of investment opportunities, yet there is always risk associated with those investments, and we don't want to be held accountable for that risk.

MRS. OSTERMAN: Thank you.

MR. CHAIRMAN: Thank you.
The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. Again back on Vencap and AOC. I guess when you're looking at a situation in a province that has two and a half million people living here – 10 percent of the country's population, or a little less than that – it's difficult to attract major investors. Unfortunately, the Member for West Yellowhead has stepped out for a moment, but in all sincerity I really hope you don't consider pulling out of Vencap, because to get your hands on the opportunity as a small businessman to go into venture funding – you can't get it out of eastern Canada. They won't even consider it. It's ideal to have a firm right in your own backyard, so I really hope you don't consider backing out of Vencap, because I think it's critical that we have an Alberta company that people from the west can access. I've been involved in venture capital before, and they won't even look at the west. I hope you won't do that.

You're quite right, Mr. Minister, when you said that most of the investments that we make are in small business, and small business is the backbone of Alberta. I guess the frustration of small business is trying to access the right kind of information. When we had the Alberta Opportunity people with us, they talked about the data base they had developed from information that could be accessed by small businesses. I'm wondering: have they linked up that data base with your department and with other departments on the federal level and even on the municipal level to be able to provide information – not funds, but information – as to potential marketplaces that could exist within Alberta and western Canada that people could venture into?

MR. ELZINGA: I'll ask Mr. McDonald to respond to that. We are doing some work in that area.

MR. McDONALD: We are working with AOC and with the federal government relative to a complete listing of opportunities within western Canada for procurement of government contracts down east and a lot of data like that. The system is not functional right now, but I understand that there will be a system functioning fairly soon. It is on hard copy now but not on the computers. We work very closely with everybody to make sure those opportunities can flow through the department to the small businessman; absolutely.

11:22

MRS. BLACK: That's great. You can always tell when you go to the Small Business Week how grateful small entrepreneurs and businessmen are when they see Alberta Opportunity's involvement and some of the federal bodies' involvements, because they wouldn't be in business if it wasn't for AOC. AOC is, as you said, a lender of last resort.

There is a substantial difference, or a couple of points' spread, is there not, on the interest rate charged by AOC as opposed to a commercial lender?

MR. ELZINGA: Yeah. I'm going by memory again. Some of the ones that we've walked through cabinet that were above the million dollar level, I believe lately it's been somewhere around

14 or 14 and a half percent that we have lent the money out. So it is slightly above prime.

MRS. BLACK: But the majority of the loans in AOC – correct me if I'm wrong – are they not \$100,000 or less? They're for the mom-and-pop operations that are starting up in the community.

MR. ELZINGA: They are involved with the smaller companies; there's no denying that. As it relates to the specific dollar figure . . .

MRS. BLACK: But the majority of the loans through AOC are under \$100,000, are they not?

MR. ELZINGA: You're probably right. I don't have the exact information. Again I'll ask Mr. Parker to respond to that.

MR. CHAIRMAN: Thank you.
The Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. Just a couple of comments. First of all, these are with respect to the Alberta Opportunity Company. Perhaps it's presumptuous to say so, Mr. Minister, and maybe I didn't understand the response to the Member for West Yellowhead's question, but I would hope that we would not be publishing the actual list of loans from AOC and who they were to. It seems to me there's a certain privacy or confidentiality involved in people taking out loans, certainly the type of loan and so forth. We don't do that with the farm credit stability program. We don't do it with the Treasury Branches. I don't know what the status of that is. Certainly if there's concern with a particular action and so on . . . But I think the individual businessman involved might wonder about that.

The second comment is that I'd like to commend the Alberta Opportunity Company for some of their initiatives, there being questions this morning regarding providing information to small business and so on. I know that the Opportunity Company operates a very successful venture or entrepreneurs' conference every year that's well attended and, as far as I understand, is very well received. I don't know if I've got the right title of the conference, but it's a major business conference in the province. They're always providing that counseling role out of the AOC offices across the province as well as the actual financing.

My first question, Mr. Chairman, deals with the areas of venture capital and equity investments. Am I correct in assuming that the money for those two additional programs to the loan portfolio is provided under the debentures drawn from the Heritage Savings Trust Fund?

MR. ELZINGA: I'm under the impression that it's forwarded through general revenue, but I'll find that out from Mr. Parker. Terry indicates that he feels it is from the heritage trust fund.

MR. ELIUK: No; I think it is from the General Revenue Fund as well.

MR. JONSON: Well, I could understand that the venture part of it would be, but it's my understanding that the equity investment . . . [interjection]

MR. ELZINGA: I'm sorry; go ahead, Halvar.

MR. JONSON: I need to know the answer so I can ask my next question.

MR. CHERRY: You are having trouble this morning.

MR. JONSON: Yeah; I'm really having trouble this morning.

MR. ELZINGA: Well, I understand that it's advanced from the General Revenue Fund.

MR. JONSON: Both the equity financing and the venture capital money?

MR. ELZINGA: The venture and the seed capital.

MR. JONSON: Sorry; seed capital.

MR. ELZINGA: Now that you know the answer, I'm waiting for your question.

MR. JONSON: Well, now I'm wondering if my question is in order. I was . . .

MR. ELZINGA: That hasn't stopped anybody else.

MR. JONSON: The question was that there's not likely to be nor should there be expected to be any return since this is such a new program as far as the venture capital program is concerned. But the seed capital section has been going on a little bit longer, as I understand it; at least it was conceived a little bit earlier. I was just wondering what the rate of return is on the revolving debentures or bonds that they provide to companies in that seed capital division.

MR. ELZINGA: Both the seed and the venture capital began in August of 1989. It was a new initiative by AOC. The seed capital division has experienced no losses. The venture capital has experienced some losses. As I indicated, since the inception of venture funding AOC has lost on six investments out of 28. Of the remaining 22 active investments, 11 are considered to be strong and viable; the remaining 11 are ones that we keep a very close watch on. It's as you've indicated, and I concur totally with what you said earlier. Because they are in a stage of product development, there is a possibility of a greater failure rate in these areas – and we acknowledge that – because it's going to take a longer time period for them to become viable if they do become viable.

If you will allow me to come back to your suggestion earlier, as you mentioned, to the question of the hon. member from Yellowhead, I indicated to the hon. member from Yellowhead . . .

MR. DOYLE: West Yellowhead; excuse me.

MR. ELZINGA: I'm sorry; West Yellowhead.

. . . to the hon. Member for West Yellowhead that if he had a specific question on a specific investment, I'd be more than happy to get him the specific information back. I'm not about to have all the books of AOC exposed to anybody, because I don't think that's within our mandate. At the same time, I think we have an obligation, if there are specific questions raised, to do our utmost to get the detailed information to those who are making that inquiry. If there is any commercial confidentiality,

I'm sure that we all collectively recognize and respect that here. But if there's any way that we can get the information to the hon. member, I'm happy to do so.

Coming back to the previous questioner, too, if you'll allow me, she also asked a question – and forgive me for not responding to it – as it related to an inquiry by the hon. Member for West Yellowhead and his thoughts on Vencap. I hope I didn't leave any question in anybody's mind as to what our plan of attack was, because we don't have the luxury to alter it whatsoever. Plus the average loan under AOC is \$107,000.

I'm sorry, sir, for bootlegging in some responses to questions that haven't been your own.

MR. CHAIRMAN: Have you finished your set of questions?

MR. JONSON: I've got some more, but I have had my three.

MR. CHAIRMAN: Right.

The Member for Edmonton-Meadowlark.

MR. MITCHELL: Thanks, Mr. Chairman. I'd like to pursue the matter raised by the Member for Calgary-Fish Creek. He makes a very powerful point that the small business term assistance program does not qualify as a legitimate investment under the terms of reference for the Alberta investment division because it does not yield a return. Yet I assume that he, not to put words in his mouth, and certainly his Treasurer and his government do accept that the Alberta Opportunity Company debenture is a legitimate investment under that division, if only because you have thought to ask for a subsidy from the government and the General Revenue Fund so that you can pay the interest. Would it not therefore lead us to the point that the thin veneer of legitimacy as an investment could be achieved for the small business term assistance program simply by thinking to ask the government to pay you a \$15 million grant so that you could pay the interest and call this legitimate investment? In fact, this is a more legitimate investment than the Alberta Opportunity Company because it didn't lose any money. The Alberta Opportunity Company actually lost money on its debenture, \$11 million.

11:32

MR. ELZINGA: I should share with the hon. member that I as the hon. minister do not wish to put words in the Member for Calgary-Fish Creek's mouth, but I think you're misinterpreting his proposition, whereby his concern was the lack of information. If I misread what the hon. member indicated, I stand to be corrected. But his concern was a lack of information that is included in the annual report, and that bridges somewhat the concern that the hon. Member for Edmonton-Meadowlark is raising. Those would be more appropriately put to the Provincial Treasurer, who releases the report. I'm not sure if he has appeared or if he is appearing, but I'm sure he'd happily address that and take whatever concerns the members have here and expand upon the annual report. I'm happy to expand on the information that is given as it relates to our responsibilities by way of a letter through the chairman, and we are committed to doing that.

MR. MITCHELL: Maybe I can . . .

MR. CHAIRMAN: Is this your supplementary?

MR. MITCHELL: Yeah. Maybe I can rephrase the question. Is the Alberta Opportunity Company debenture viewed as a more legitimate investment under these terms of reference only because the government chose to subsidize it so it could pay the interest and forgot to subsidize the small business term assistance program so that it could pay some interest? Why couldn't we just do some bookkeeping entry with a circle? Then everything would be okay. What a great investment it would be.

MR. ELZINGA: I don't think it's quite as simple as the hon. member might suggest. I don't think the hon. member would . . .

MR. CHAIRMAN: The Chair hopes that the hon. Member for Edmonton-Meadowlark is not suggesting that some unorthodox method of bookkeeping or accounting be put out to the public in an annual report.

MR. MITCHELL: No. I'm just saying that if you apply it in the case of Alberta Opportunity Company, why don't you apply it in the case of the small business term assistance program? Why don't you apply it in the case of the Kananaskis golf course or the Walter Mackenzie hospital? Why don't we say they all . . .

MR. CHAIRMAN: Order. Hon. member, you've made your point, and I think the minister has responded. This question in all probability should be put to the Provincial Treasurer, and we can perhaps leave that issue at that point.

Your final supplementary.

MR. MITCHELL: I will. I have one more supplementary. I appreciate the minister's openness and responsiveness to my earlier question about the nature of a Vencap investment and that if I had information, he'd be happy to pursue it. I'm sure that's the case, but it begs the question, I guess, as to who is reviewing the nature of those investments on a regular basis so that it isn't just by some happenstance that somebody trips across an investment that may or may not be legitimate. Is there a process in your department to ensure that Vencap is meeting the requirements of its Act, and if it doesn't, is there a mechanism for taking some action?

MR. ELZINGA: Yes, we do monitor it. At the same time, if the hon. member's aware of anything that he feels is suspicious, we're happy to look at that also. But we do monitor it on an ongoing basis.

MR. MITCHELL: Okay. Thanks.

MR. CHAIRMAN: Thank you.

The Chair has no further questioners, and based on that, we'd like to express appreciation to the minister and his colleagues again for appearing and for the effort that's been put forward to respond to the questions of the committee and the commitment to come forward with information that . . .

MR. MITCHELL: I have more questions.

MR. CHAIRMAN: Hon. member, I'm way into the closing remarks of the committee. I'm surprised that you . . .

MR. MITCHELL: We have a half hour.

MR. CHAIRMAN: I understand that, but I didn't see you ask for an opportunity to put another question, and I'm way into the concluding remarks. I would have assumed . . .

MR. MITCHELL: In the history of this committee I think I've only ever had two sets of questions, but now if there's a chance, I'd be happy to pursue it further.

MRS. BLACK: You've been on three times today.

MR. MITCHELL: No; I think I've been up twice.

MR. CHAIRMAN: It's not the intention of the Chair to shut members off who have questions. It was the assumption of the Chair when no one came back on for additional questions that the questioning had been concluded. Hon. member, with your

concurrence, we could conclude the meeting?

MR. MITCHELL: I'd like to pursue my earlier questions to get some answers, but it's okay.

MR. CHAIRMAN: All right. Thank you.

Hon. minister, again, we appreciate your forthright answers today and your willingness to appear before the committee.

The Chair would entertain a motion for adjournment. The hon. Member for Lloydminster.

MR. CHERRY: I so move.

MR. CHAIRMAN: All those in favour? Thank you. The committee stands adjourned until 2 o'clock.

[The committee adjourned at 11:37 a.m.]