

10:02 a.m.

Wednesday, November 6, 1991

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the meeting to order. I'd like to welcome this morning the Hon. Fred Stewart, Minister of Technology, Research and Telecommunications, and his government officials. We appreciate them taking the time to come before our committee. In just a few moments we'll ask the minister to take a few minutes and give us a brief overview of his department's involvement with the Heritage Savings Trust Fund.

Prior to doing that, I'd like to give the committee an opportunity to read in recommendations, if they have some. The hon. members for Lacombe, Calgary-Fish Creek, and Ponoka-Rimbey, in that order, please.

MR. MOORE: Thank you, Mr. Chairman. This morning I'd like to read in two recommendations, the first being

that the fund's interest revenue remain in the Heritage Savings Trust Fund to offset expenditures in the capital projects division.

The second recommendation is

that consideration be given to developing a plan to return to the Heritage Savings Trust Fund a significant portion of the funds currently invested in Vencap Equities Ltd.

MR. CHAIRMAN: Calgary-Fish Creek.

MR. PAYNE: Thank you, Mr. Chairman. I'd like to read into the record the following recommendation:

Be it resolved that the underlying principles and structure of the Alberta Heritage Savings Trust Fund be comprehensively reviewed by a task force comprising government and opposition MLAs and government officials, assisted by academic and investment community leaders with relevant expertise and experience, and that their review procedures provide for public discussion.

MR. CHAIRMAN: Thank you.  
Ponoka-Rimbey.

MR. JONSON: Mr. Chairman, I'd like to put in two recommendations. First of all:

Be it resolved that consideration be given to periodically scheduling meetings of the Standing Committee on the Heritage Savings Trust Fund Act at suitable locations throughout the province.

Secondly:

Be it resolved that the procedures and materials used in conveying information on the fund to the public be reviewed and consideration given to developing an explanatory guidebook and instructive materials in order to provide better information to the public.

MR. CHAIRMAN: Thank you.

Are there others? If not, the Chair would remind the committee that tomorrow will be the last day of our hearings until the 19th and an opportunity for you to read in recommendations. However, the committee did agree that recommendations could be submitted to the Chair by 10 o'clock, November 12. We will not have a meeting that day, but you could just submit them, and that gives the committee an opportunity to have them at their disposal to prepare their debate. We will receive recommendations after the 19th on those two ministers who appear before us on the 19th. I believe the next morning at 10 o'clock was the agreed procedure on that.

Mr. Minister, again welcome. We would appreciate it if you would introduce your government officials to us this morning and perhaps give us a brief overview. Then we'll move to the question portion of our committee meeting this morning.

Mr. Minister.

MR. STEWART: Thank you very much, Mr. Chairman. It's a pleasure to be here with the committee again this year. I do want to introduce, as you suggest, my officials with me this morning: my deputy minister, Mr. Ken Broadfoot; the director of finance and budget administration, Mrs. Pauline Ma; and Assistant Deputy Minister Ken Murrice.

Mr. Chairman, what I propose to do, if it is the will of the committee, is to just take a few moments, probably a maximum of 15 minutes, to review a number of the areas that relate to my responsibilities as Minister of Technology, Research and Telecommunications and provide some of the basic information which I think is important to the members in the consideration of the Heritage Savings Trust Fund.

I obviously welcome the opportunity to speak to the contribution that the Heritage Savings Trust Fund has made to telecommunications, health care, and electronics in this province by providing funding and facilities in these areas. The trust fund has certainly given rural Albertans much greater telephone privacy and improved the business potential and to the rest of Alberta the promise of economic development and better health care. So it's a very comprehensive contribution that has been made in these areas by the Heritage Savings Trust Fund.

The fund investments administered by my department are, quite frankly, just that; they are investments. Every dollar that's spent shows or will show a return, certainly sometimes in terms of dollars, quantitative in that fashion, in other terms sometimes just quality of life, not only quality of life for us ourselves but as we look to the future for our children and grandchildren.

One of those investments obviously, and a major investment, has been the individual line service program. It is now officially finished. It was finished on time and \$4.5 million under budget. So the total cost for the ILS program including the rebates was \$225.7 million. Thanks to the heritage fund support more than 117,000 rural Albertans now enjoy the private telephone service that really a majority of us, certainly in the cities, have always taken for granted. In addition, in conjunction with that program 349 telephone exchanges were updated and modernized as we move towards individual digital electronic systems throughout Alberta. These people that have received this service can now have truly private conversations in their home. They no longer have to consider whether or not their neighbours are listening, and people in rural areas no longer have to wait their turn, as it were, on the line to use their own telephones to reach their family or obviously even to call for emergency services.

So the ILS program has meant a higher quality of telecommunications to rural Albertans. That means a higher quality of life because communication is really the essence of human interaction and it's also the essence now of modern business. The ILS program opens the doors of opportunity for those rural subscribers to better compete in that business environment of the '90s. Let's not forget that every farm, every market garden, and every cottage industry is a business in itself. I'm glad that with individual line service now those rural businesspeople can use fax machines and modems and other advances that make rural business more efficient and more competitive. It was a pleasure for me to participate along with AGT Limited and Ed Tel in the ceremony that marked the completion of the ILS program. Multiple line service is now a part of Alberta history, and the old party line phone is now installed in AGT's telecommunications museum, where it belongs.

Official completion of the ILS program doesn't mean our responsibilities have ended there. The \$3 million which has been granted from the Heritage Savings Trust Fund during this current fiscal year will meet the final rebate commitments to subscribers.

In other words, those moneys are going to subscribers of Alberta; they're not going to AGT or Telus. You may recall that the government initiated that rebate program to uniformly shield subscribers from an increase in conversion rates. That increase was approved by the Alberta Public Utilities Board. The rebates really made sure that subscribers were refunded the difference between the rate approved by the board and that promised by the government and the Premier when the program was announced in 1986. The government has a promise to keep to those rural Albertans who are still entitled to the rebates, and the funding for this fiscal year, as I say, is for that obligation.

Talking about telecommunications leads me to Telus Corporation, the holding company of AGT. The money that the heritage fund has invested in the former Alberta Government Telephones over the years has resulted in a sizable asset in the form of shares in the third largest telecommunications company in Canada. The trust fund no longer holds debentures in AGT. Those debentures were converted into tradable shares when AGT was privatized. The heritage fund now owns 59.8 million Telus shares; that's more than 43 percent of the outstanding shares. These shares represented a heritage fund asset of \$667.8 million, and that's on a book value basis. Today with the shares trading at well over \$14, I think as high as \$14.75, the value of that asset, in effect, has grown to \$885 million. The Alberta government is committed to offering the balance of those shares for sale at such time as market conditions are appropriate in order to maximize the return.

#### 10:12

Privatizing AGT spurred a great deal of discussion. Not all of the opinions were supportive, but I think we can look back and say that there's no doubt that it was the right move for a variety of reasons. When you look around the world and see what's happening in other countries in the world, you see that the privatization of telecommunications is a worldwide phenomenon. At the sort of world's fair of telecommunications in Geneva earlier this year, in fact, many of the speakers urged that any other telecommunications companies that were not privatized should be moving in that direction. When Michael Porter released his recent book, *Canada at the Crossroads*, he called the federal privatization of Crown corporations a positive move. So privatization of those sorts of corporations is important.

I think we can look at AGT's privatization with the benefit of a year's worth of hindsight and see that it was also a positive move for Alberta. Many of the concerns that were expressed so strongly at that time have been adequately answered certainly by the success of the privatization itself. The total cost of that privatization was only about 4 and a half percent of the value of that first share offering. Of this, the professional fees and advertising and other costs were only about 1 percent, so commissions came to only 3 and a half percent. That compares, for example, to Air Canada's privatization, which was more than 5 percent of the value of the Air Canada shares.

As far as the revenues go, the government-owned shares have earned more than \$52 million so far in dividends in Telus' first year, and that means that the entire cost of the share offering, including the commissions and fees and underwriting fees, all costs, have already been recovered just by dividends alone. In addition, as I indicated earlier, the value of those shares held by the Heritage Savings Trust Fund has appreciated approximately 20 percent.

Telecommunications is by no means the only heritage fund investment that we are looking at today. The heritage fund has foresightedly provided support to Alberta's electronics industry, an industry that has responded and has built upon this foundation of

confidence. Electronics is certainly one of the fastest growing industries in Alberta. You'll notice that the figures recently released by the Electronic Industry Association here in Alberta show that close to 200 companies are now active in electronics and telecommunications in this province. Of these, 56 percent are less than 10 years old. So this is a young and dynamic industry. Revenues reported by the association in 1990 were \$1.13 billion, and that's up \$800 million since 1987. That's a 41.4 percent growth rate in the electronics industry. At the same time, the value of export shipments climbed to \$822 million, and that's up 179 percent from \$295 million in 1987. Today's shipments of electronics and telecommunications products are half those of our primary agricultural shipments.

One of the foundation stones in this industry and certainly a catalyst of increasing importance is the Electronics Test Centre. The ETC, as it's called, operates under the Alberta Research Council at the Mill Woods site here in Edmonton and employs 15 people. It's a small organization, but it's doing some big things for Alberta. The ETC performed work on 326 projects in the 1990-91 year and increased its contract revenue from 5 percent while reducing its operating budget. The ETC upgraded its lab facilities to better meet the growing demand for avionics testing, which has led to some new defence contracts.

To expand the industry's dynamic potential even more, ETC has signed a memorandum of understanding with the government of India and their department of electronics, standardization and quality control directorate. This memorandum of understanding means that the Electronics Test Centre can, in fact, provide testing, evaluation, consulting, and certification services to Canadian and international manufacturers; in this case, Indian manufacturers. This means that it can now assist Alberta electronics companies that are trying to enter those other markets, those international markets, which are massive, in heavily populated areas of the world and can also serve non-Alberta corporations that may come here on a contract basis for testing and certification, and that's a revenue source for the centre.

Total quality control, of course, to which this is aimed, is a relatively new but exciting approach to creating a competitive advantage, which is obviously critical. The Electronics Test Centre is Alberta's edge in this new environment. The ETC can help Alberta and Canadian industry meet the standards of export markets and help business attain total quality control, firstly, by identifying what that quality is and, secondly, by providing assessments, advice, and feasibility studies to help companies engineer their products to consistently provide that level of quality. As total quality control becomes more accepted as the standard of business practice in industry, the Electronics Test Centre will play an even more important and necessary part in helping Alberta business attain total quality control.

Another cornerstone of our electronics industry in microelectronics is the Alberta Microelectronic Centre. The Stanford Research Institute, which is internationally regarded, recently finished a fifth-year review of AMC and its infrastructure to give us an overall assessment of exactly where it was insofar as its objectives and mandate. They awarded AMC top marks for its industrial assistance and educational programs and technology transfer as part of economic diversification. Last year I believe I told you that AMC was starting to strengthen its focus on applied research. It's now leaving the wafer processing and fabrication to the commercial concerns, such as LSI Logic, and it's now reconfiguring its microchip fabrication facilities. With this move, AMC will be reconcentrating its efforts on the area that really has been its greatest strength, identified by the SRI, and the greatest support to

Alberta industry, and that is in the research and product development side.

This assistance has helped Alberta companies such as Risely Equipment and Global Laser Systems establish new product-based equipment and microchips. But the AMC cannot rest on its laurels. To do so would certainly leave it far behind. It's a very dynamic and fast moving area. By reconcentrating on research, AMC's facilities will be fully integrated with the University of Alberta and its thin film laboratory to develop new technology that will better serve the needs of Alberta industry in the future.

Mr. Chairman, we can see through all these activities that the Heritage Savings Trust Fund investments in telecommunications, electronics, and microelectronics are indeed investments in Alberta's future. Not only do the investments represent sizable redeemable assets, as in the case of the Telus stockholding, but they also represent a return in competitive advantage for Alberta businesses and in jobs for Alberta workers and in quality of life for all of us as Alberta wins in this competitive struggle for world markets. The importance of this cannot be underestimated. Our ability to maintain our economic advantages and our standard of living depends as never before on trade. In today's marketplace and the marketplace of tomorrow trade means international trade with advanced technology as its primary commodity. [interjection]

10:22

MR. CHAIRMAN: Mr. Minister, the committee has asked that the ministers be reasonably brief with their overviews so it gives them an opportunity for questions.

MR. STEWART: I'd be happy to cease there. I was going to make some comments that relate to the Porter report, which I think is very significant and jibes with the type of approaches that we're taking, and to also just make reference to the Alberta medical research foundation. But you will have a greater opportunity when the chairman, Mr. Alvin Libin, and the president of the medical research foundation, Dr. Matt Spence, appear before you, as is customary.

MR. HAWKESWORTH: I'd make a motion that the minister continue.

MR. CHAIRMAN: If the committee concurs, then, Mr. Minister, please continue. Apparently, the things that you mentioned that you were going to cover are of interest, so they'd like you to continue with what you were going to do.

MR. STEWART: Well, I was just going to mention, insofar as the Porter report is concerned, that it says that Canada is at the crossroads, and it tells us that we still enjoy a trade surplus in resource-based exports, but we are in a trade deficit position in the advanced technologies at the present time. As a nation we are not producing enough technology at the present time for export to balance what we currently use, let alone create that trade surplus. If Michael Porter's report does nothing else, it certainly legitimizes the stand that the Alberta government has taken with its heritage fund investments in advanced technology. It legitimizes the message that we have been delivering for years, and that is that prosperity depends upon competitiveness. World export markets will certainly not wait for us to catch up, and we must therefore stay on top of the technological developments if we want to stay ahead.

I mentioned the Alberta medical research foundation, and I'll just say this, really just a word: it has accomplished a great deal

of exciting things for Alberta. In the past year they've improved testing for hearing impairment, a pacemaker and defibrillator – if I'm pronouncing that correctly – for improved heart regulation, and a patented synthetic vaccine for a common, highly resistant bacterium. The Alberta medical research foundation, which was established over 10 years ago with an endowment of \$300 million, has indeed grown and appreciated, in order to keep up with inflation, to over \$500 million. It's brought over 150 scientists and researchers here to Alberta to participate in the important medical research projects that are ongoing. I know that Dr. Spence and Mr. Libin are looking forward to meeting with the committee and receiving the committee's suggestions and advice and fully advising them with respect to the nature of the projects that are being undertaken through the Alberta medical research foundation.

With that, Mr. Chairman, I'd be glad to take questions.

MR. CHAIRMAN: Thank you. For the benefit of the committee, projects that would be appropriate to question the minister on would be the Alberta Heritage Foundation for Medical Research, the individual line service, the Electronics Test Centre, and the Alberta Microelectronic Centre. Although not all of them received funding in the last year, they have received funding from the Alberta Heritage Savings Trust Fund and are not totally divorced for that reason. So those projects would be appropriate for questions.

The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Well, Mr. Chairman, the minister also made reference to Telus and AGT, and certainly at the time under review here, the fiscal year 1990-91, the trust fund had debentures in Alberta Government Telephones, whose wholly-owned subsidiary was NovAtel. So I'd like to ask the minister some questions about a matter that he didn't discuss but which we did discuss in this committee a year ago. He didn't address the situation with NovAtel, so I presume that he doesn't have any good news that he could share with us today. Given that the financial year for NovAtel was the year ended December 31, 1990, which is almost 10 months ago, has the minister yet received the audited financial statements for NovAtel for the year ended December 31, 1990?

MR. CHAIRMAN: Hon. member, I'm not sure that NovAtel is appropriate for this. NovAtel will impact on the general revenue of the province and will come from the General Revenue Fund, whatever. It will not impact on the Alberta Heritage Savings Trust Fund. Consequently, it would be more appropriately dealt with in budget estimates.

MR. HAWKESWORTH: Mr. Chairman, as I said to you in my opening comments, we're reviewing the financial year for 1990-91. During that year NovAtel was a wholly owned subsidiary of Alberta Government Telephones. We discussed it in this committee a year ago, and I will say to you, sir, that I do believe that this is a pertinent question for our discussions this morning.

MR. CHAIRMAN: Well, with respect, hon. member, the Alberta Heritage Savings Trust Fund held a debenture from Alberta Government Telephones, and the debenture is the thing that was in question. Now, the debenture is not in question anymore because it's been paid off to the Alberta Heritage Savings Trust Fund, either through stock or cash. NovAtel is now not a part of that, and NovAtel will impact on the general revenue of the province.

MR. HAWKESWORTH: Mr. Chairman, the minister was responsible under the Alberta Government Telephones for NovAtel for the fiscal year that we're reviewing, and the financial statements for NovAtel fall into the fiscal year for the Heritage Savings Trust Fund for the period under consideration. Now, you're making statements about NovAtel and its relationship to debentures of AGT and all that kind of stuff, but if we don't have the financial statements, we don't know what that full relationship was at the termination of the debentures held by the fund and AGT. I think it's quite pertinent; the minister was responsible for NovAtel for the period of time under consideration. So, sir, I intend to put my questions.

MR. CHAIRMAN: With respect, perhaps we could ask the minister to clarify for the benefit of the committee what the relationship is since the public offering and the debenture of NovAtel to Telus was dealt with. Can the minister perhaps deal with that for the benefit of the committee?

MR. STEWART: I think, Mr. Chairman, you've summarized the situation accurately. The asset of the Heritage Savings Trust Fund prior to privatization was a debenture instrument held by the Heritage Savings Trust Fund. That debenture was exchanged for Telus shares of \$1.2 billion. That fully replaced the previous interest that the Heritage Savings Trust Fund had in that debenture instrument. The Telus shares were then sold to some extent by the Heritage Savings Trust Fund. At the present time the Heritage Savings Trust Fund, therefore, holds shares which, as I indicated, have a value of some \$667 million on their books, and they have received cash for the balance of the shares that were sold in that first issue.

I can say to the hon. member, Mr. Chairman, that NovAtel currently comes under the old AGT Commission, which was an entity in itself. AGT Commission reports to the Legislature. All of the financial information with respect to NovAtel will, therefore, be forwarded and tabled in the Legislature in the same fashion as AGT Commission was before, so all that information will become public information. There's no big secret about it. It will be finalized in the appropriate way and before the appropriate body. The appropriate body is the Legislature.

MR. CHAIRMAN: Just for clarification purposes, NovAtel does not impact on the shares of Telus that are held by the Alberta Heritage Savings Trust Fund in any way.

MR. STEWART: Because Telus does not own any portion of NovAtel. They have been paid, and that's it insofar as Telus is concerned.

MR. CHAIRMAN: For further clarification, NovAtel does not have any impact on the fund.

MR. HAWKESWORTH: Maybe, maybe not. I think the public has the right to know what's in those financial statements, and I'd like to . . .

10:32

MR. CHAIRMAN: Hon. member, the Chair will accept questions to the minister along the lines of whether there is still a connection and an impact of NovAtel with Telus, because Telus is the security the Alberta Heritage Savings Trust Fund holds. So if you have some questions along those lines, I think they would be acceptable.

MR. HAWKESWORTH: Mr. Chairman, the minister in his responsibility was responsible in the fiscal year under consideration for NovAtel. I wonder if he has in his possession the audited financial statements for NovAtel for the period of January 1 to December 31, 1990.

MR. STEWART: Mr. Chairman, the financial information with respect to NovAtel which we have received will be tabled in the Legislature in the normal, customary fashion and in accordance with my responsibilities to the Legislature.

MR. CHAIRMAN: Supplementary.

MR. HAWKESWORTH: There's nothing to prevent the minister from tabling those or from releasing them publicly before the Legislature is in session. Will the minister tell us when he will release those financial statements prior to the Legislature going back into session? What may be as late as March or April of 1992 to get financial statements for the year ending 1990 sounds to me to be quite outrageous, actually, if the minister has the ability to release them publicly before then. I'm wondering whether he'll give us the undertaking to release them as soon as possible.

MR. STEWART: Well, Mr. Chairman, I've answered the question. But let me just say as well that he's looking at 1990. In the last four months, from October 4 to the end of 1990, the government, even through the AGT Commission, did not even own NovAtel. It was owned at that point in time by Telus. We gave full information earlier with respect to the profit and loss position and write-offs of NovAtel for that year, and I think a lot of information certainly has been made available to hon. members. As I say, in fulfilling my responsibilities as minister to the Legislature, that will be filed in due course in a formal way before the Legislature.

MR. MITCHELL: Point of order, Mr. Chairman.

MR. CHAIRMAN: Point of order. The Member for Edmonton-Meadowlark.

MR. MITCHELL: I'd like to support the Member for Calgary-Mountain View's point here. It is a fact that . . .

MR. CHAIRMAN: Hon. member, I understand your point, but the member was able to put his question. The member put his question, so . . .

MR. MITCHELL: Mr. Chairman, I'm making a point. I have a right to make this point. The fact is that maybe he altered his point because of the discussion, but I think the point that needs to be made is that Telus' value to the fund could have been supported by the minister's taking NovAtel and its problems out of Telus and handing the problems to AGT and therefore the General Revenue Fund. So what we have here is an important issue about: how was it that the value of Telus was supported in order to support this transaction, which somehow was a benefit to the heritage trust fund? A good benefit if it is - I mean, it's nice to try that - but at what cost? In one sense you could argue that the minister supported investors in Telus to the disadvantage of taxpayers who support AGT and now NovAtel. So I think it is important for us to be able to question this transaction. If he's transferring a disadvantage from investors to taxpayers, isn't that something we should be looking into, Mr. Chairman?

MR. CHAIRMAN: I'm not sure, but you're really reaching a long way to accomplish your point, hon. member, in view of the fact that the Alberta Heritage Savings Trust Fund in fact had a debenture, which has been paid off through various means . . .

MR. TAYLOR: He's done it at a cost to the taxpayer.

MR. CHAIRMAN: Hon. member, if the taxpayer is at risk, then that should be dealt with through the General Revenue Fund of the province in the estimates that will come before the House. Certainly there will be an opportunity to do that.

Now, does the hon. member have a final supplementary?

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'll make it quite simple. Will the minister agree that the long delay in releasing these financial statements is because the losses at NovAtel are so great and the problems so extensive that the government would prefer to keep a shroud of secrecy around NovAtel operations to prevent the public from knowing really how much general revenue has lost as a result of this divestiture of NovAtel to the General Revenue Fund?

MR. STEWART: Mr. Chairman, the hon. member is way off base, and he should know it. The situation is that he's asking for financial information with respect to the 1990 calendar year, the fiscal year for the company, and we gave at the time that the put was exercised at the end of 1990 and thereafter in this Legislature information with respect to the financial situation of NovAtel: its losses for the year, the write-offs that were undertaken, the one-time-only write-offs. He knows very well that the losses were \$66 million in operating and there were one-time-only write-offs with respect to inventory and accounts receivable and things of that nature and depreciation items for about \$130 million. He knows that information; the public knows that information. He's just playing games with the committee.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much, Mr. Chairman.

Good morning. My question is on the individual line service. I just wonder: why should Albertans inject another \$3 million from the heritage fund into individual line service for '91-92 since AGT is now privatized?

MR. STEWART: Mr. Chairman, the individual line service was a five-year program and a commitment of the Alberta government to replace those multiparty lines, and part and parcel of that was to provide a uniform cost to all Albertans in connection with that and, indeed, a subsidized cost because the average cost per line I think was in the neighbourhood of about \$2,000. The Public Utilities Board order limited that cost to individual Albertans that would be hooked up to approximately \$450. So there is a rebate process in place, and although the individual line service has now been totally completed and everybody has received their hookup, there are still some rebates that lag over subsequent to the installation. So the \$3 million is not going to Telus or AGT Limited; it's in fact going to rural Albertans in response to the rebate program.

MR. CARDINAL: Mr. Chairman, my supplementary is on the cottagers in relation to individual line service. I believe I have 23 of the 46 summer villages in my constituency. Since the cottage

owners only use telephone services a short period of time during the year, why are they also required to convert to this service?

MR. STEWART: Mr. Chairman, that sort of relates to the nature of the program itself and more particularly the order of the Public Utilities Board. The whole program was approved on the basis that there would be basic services which would have to be mandatory in order to provide uniformity and to make the whole thing work from a cost standpoint. So cottage owners as well as individual farms and other areas that were on multiple party line service before were all treated on a uniform basis because that single line service to those particular places was deemed to be a basic service, and that was mandatory under the Public Utilities Board order.

MR. CARDINAL: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Westlock-Sturgeon, followed by Lacombe.

MR. TAYLOR: Thank you, Mr. Chairman.

My greetings also to the minister and his staff. I'd like to assure him that he looks quite at home sitting over there in the opposition.

My question's a bit of a follow-up on ILS, and it hinges on the minister's remark that it is a great help to rural development. I attended a conference a while ago in Camrose where some people from France, rural development economists, were pointing out that one of the big things that helped the rural economy develop was proximity in the installation of fibre-optic lines along with the ILS. The ILS brought on a certain amount of load that could be handled best by fibre optics rather than the old-fashioned magnetic system. My question to the minister is: is he prepared to turn over to the heritage trust fund a map of where the fibre-optic lines are in Alberta? It would be a help, I think. The public in general would like to know, too, because that helps development of the rural economy.

10:42

MR. STEWART: Well, Mr. Chairman, that information with respect to those lines obviously is AGT's information. They are essentially in the high-traffic areas, and they have not gone to the point of providing on a public basis the individual maps of all locations. The reason, quite frankly, is that sometimes they can be left open to destruction or other means by people that do not have good intentions relative to the services being provided. About all I can say to the hon. member is that I think there are approximately 3,000 kilometres of fibre-optic lines now in the province. That is being expanded by AGT; I just saw recently where Pincher Creek was receiving some fibre-line connections. The areas, as I say, are essentially high-traffic, high-volume areas, particularly because fibre optics carries data as well as voice, and soon maybe image; you never know. That's the situation on the fibre optics, Mr. Chairman.

MR. TAYLOR: I'm a little puzzled by your answer. You say it is the responsibility of AGT to release it, and you're the minister for AGT. Dodging back and forth here between ILS and AGT and Telus, you're as nimble as Nijinsky, but one of those hats you're wearing must answer. You know, to hold back the map of fibre-optic lines makes no more sense than the department of transport keeping all their road maps hidden because somebody might want to dig up a road. I don't understand your line. Could you repeat

why AGT or you or whoever it is would not release where the fibre-optic lines are?

MR. STEWART: Insofar as my responsibilities, Mr. Chairman, AGT is a privatized company. It is a private corporation offering telecommunications services throughout this province. The whole purpose was to move this telecommunications company into the private sector to be governed by private-sector people. At that point in time we gave a clear indication that it was not our intention to be involved in the operations and management of that company, so that's why I say that information is with AGT Limited, as it's now known, and is available only when they see fit to put it out there.

MR. TAYLOR: Mr. Chairman, we have to be the most passive shareholders I've ever heard of; \$600 million worth of shares and we're afraid to ask for a map of the fibre-optic lines. I wish I'd had shareholders like that back in my day.

Would the minister then be prepared to support my letter to the Telus executive asking them for a map of where the main fibre-optic lines are in Alberta?

MR. STEWART: I think the hon. member has every right and opportunity to put a question or a letter to AGT Limited . . .

MR. TAYLOR: I want to know if you'll support it though.

MR. STEWART: I don't know if my support's going to help you a lot, Mr. Taylor, but I'm sure AGT people, being very accommodating, will respond to your letter.

MR. CHAIRMAN: Thank you.

The Member for Lacombe, followed by Edmonton-Beverly.

MR. MOORE: Thanks, Mr. Chairman. Mr. Minister, in my understanding the Electronics Test Centre serves the private sector. It was developed to assist private firms in testing various programs. Does that test centre operate with a deficit?

MR. STEWART: The Electronics Test Centre operates as a department of the Alberta Research Council. There are 15 employees, and it takes its basic revenues from contract work it undertakes. Now, I'll let my deputy perhaps respond in more detail as to the accounting that relates to that, but I assume all matters with respect to the budgetary aspects of the Electronics Test Centre fall under the Alberta Research Council.

MR. BROADFOOT: Minister, the operating budget of the Electronics Test Centre, as I understand it, was \$1.35 million, of which \$550,000 came in contract revenues from something in the order of 326 projects from 97 clients. That's the bare statistics for ETC.

MR. MOORE: So it's evident, Mr. Chairman, that they are not generating the revenue to carry them; it has to be picked up from general revenue.

My next question to the minister is: seeing it serves exclusively that private sector, why aren't the contract rates such that it at least breaks even?

MR. STEWART: Sorry, Mr. Chairman. Would you say that again?

MR. MOORE: Seeing that the Electronics Test Centre serves the private sector, private businesses, why aren't the fees such that it at least breaks even?

MR. STEWART: Well, I would think that on a project-by-project basis all the projects do provide a net profit to ETC, but when you look at the global operations of the company or the test centre itself, it is providing a basic service not only for the private sector but for the ARC and is part of the infrastructural support system for the electronics business or industry generally. It is working towards increasing that contract revenue on a year-by-year basis - I believe it increased substantially in this last year - and at the same time pushing down its operating costs. So I think it's moving in the right direction to be totally self-sufficient in every respect, but it has a sort of broader global mandate at this point in time.

MR. MOORE: Final supplementary, Mr. Chairman. On the Electronics Test Centre, then, you say hopefully it's moving to where it will break even with its operations. At that point in time, would it be the policy to privatize it, to let the private sector take it over?

MR. STEWART: I think that is an option that would be considered as we go along, provided the test centre could be assured of continuing to be an infrastructural support for all industry in Alberta. It is an option that I think could be looked at at that particular point in time.

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

MR. EWASIUK: Thank you, Mr. Chairman, and good morning, Mr. Minister. My questions are similar to the one from the Member for Lacombe. Before I ask my questions, I want to express the opinion that I think the communications and electronics field is a very exciting, rapidly developing industry, and I tend to see that support from the heritage trust fund is proper. Like the Member for Lacombe, I am concerned about the kind of relationship we have with industry, whom we assist in the development of these electronics and communications facilities or projects. I was wondering what kind of financial arrangements we have with them to indeed help us offset the department's continued requirement of funding from the heritage trust fund. I think you may have answered that question.

MR. STEWART: I think the deputy minister, Mr. Broadfoot, indicated the nature of their budget, that in turn is part of the Alberta Research overall budget, being in the neighbourhood of \$1,350,000. Its contract revenues are growing, and I think they will continue to grow because it now is a facility that can service beyond the borders of Alberta. In other words, if there is a non-Alberta corporation even in the United States that wants certification, ETC has the accreditation in certain areas to grant that certification. Rather than stacking up in lines to some of the similar sorts of certification authorities in the United States, they can access the Electronics Test Centre right here in Alberta and get a type of certification in a number of areas, those areas related to defence primarily, that would be important to those companies. With this additional accreditation they now have an opportunity to market their services as an accreditation centre and to receive additional contract revenues from projects that are brought into the centre.

10:52

MR. EWASIUK: Mr. Chairman, I note that the MEC also works in conjunction with universities, industry, and so on. How is that facilitated?

MR. STEWART: The member brings up a very, very important point, because quite frankly, with these infrastructural support systems that are related to research, the types of linkages not only to the universities but to the private sector are extremely important. The Alberta Microelectronic Centre works very closely with the University of Alberta. It provides educational programs for the University of Alberta and a research component for design of microchips and so on. That's an example of that sort of linkage. I think it's important in all aspects of infrastructure to make sure there are those linkages of infrastructural support for the advanced technologies that are going to make co-operation and collaboration on research much more meaningful. So the linkages with universities, other academic postsecondary institutions involved, other related research infrastructure, and as well, of course, the private sector are very, very important.

MR. EWASIUK: My final supplementary, Mr. Chairman, deals with individual line service. As the minister has stated, the conversion has been pretty well completed. Of course, I understand that the long-distance rates have in fact been reduced. The question I have, then, is: what sort of impact will this long-distance reduction have on other rates?

MR. STEWART: Well, Mr. Chairman, that is quite apart from the individual line service program itself. Once those individuals have received their individual line service and have private line service to their residence or business or whatever, then they fall under the normal rate tariffs applicable through the CRTC. The CRTC is the regulatory body for rates and services for telecommunications within this province, and any application that impacts on either rates or services is a matter for that particular board to hear under a public hearing process.

MR. CHAIRMAN: Thank you.  
The Member for Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. My first question would relate to a statement made by the minister, I believe yesterday, on his action on Chembiomed. If the chairman bears with me, he will see how this has direct implications for the heritage trust fund.

MR. CHAIRMAN: I really hope there is.

MR. MITCHELL: You can take it from me, Mr. Chairman.

MR. CHAIRMAN: I can't see it at this point.

MR. MITCHELL: I won't let you down.

The minister said in justifying his initiative, his action with respect to Chembiomed, that the people of Alberta understood that investment for return wasn't the only thing of importance and perhaps, in this area of pharmaceuticals, was of lesser significance than simply doing research. There is, of course, some truth to the minister's statement; I wouldn't deny what he is saying. However, I was concerned to think that he might actually be backing off the priority of commercializing medical research findings, and of course that has direct implications for the commitment the heritage

trust fund has to the Alberta Heritage Foundation for Medical Research. Could the minister please reassure us that a priority remains to commercialize the findings of the Alberta Heritage Foundation for Medical Research, that that remains a goal and we want to turn some of this research into business exports for the province of Alberta?

MR. STEWART: Mr. Chairman, I don't have any difficulty in giving that assurance. In fact, it's borne out by the fact that the Alberta medical research foundation has a program called the medical innovation program, which is directed specifically toward the objectives the hon. member is raising.

MR. MITCHELL: Could the minister give us some figures concerning the success with that program?

MR. STEWART: The commercialization of that? Mr. Chairman, that particular program was put in place about the time we were receiving moneys from Bill C-22. As you know, several millions of dollars were allocated by the federal government to the various regions, and I believe we had about \$9.3 million over four years. We as a department have been moving those moneys directly through to pick up the requirements under that particular program. Now it's under way. I don't know that I could give you individual projects, and I hope you would ask the same question of Dr. Spence when he appears before the committee. There are some interesting programs I know of but just can't put my thoughts to at the present time that show that indeed a lot of that basic research moved to the applied stage and then the commercialization of it. An application stage is indeed now coming to fruition in a commercial way. It's coming, and I think the objective of the Heritage Savings Trust Fund is to make sure it continues to happen.

MR. MITCHELL: With respect to the 3,000 kilometres of fibre optics now in place in Alberta, could the minister give us a breakdown as to what portion of that is rural and what portion is urban?

MR. STEWART: You mean serving rural or serving urban? I don't think I could give you that direct information. It's just not within my knowledge. I do know, as I said earlier, that fibre optics, with its great capacity to take so many more calls on a simultaneous basis, obviously is installed in those areas of high traffic, high volume, in order to accommodate that. But while most of it is in those high-traffic areas that impact city to city, we still saw in Pincher Creek the other day that fibre optics are being laid as part and parcel of the telecommunications system in that area. So I don't know. The short answer, I guess, Mr. Chairman, is that I don't have the breakdown.

MR. CHAIRMAN: Thank you.  
The Member for Calgary-Fish Creek.

MR. PAYNE: Mr. Chairman, I'd like to ask the minister several questions with respect to AMC, the Alberta Microelectronic Centre. I think both government and opposition members of our committee this morning were heartened to hear the minister's reference to the Stanford Research Institute, which, as I understand it, has awarded the AMC top marks for their assistance to industry and for technology transfer. I'm wondering if there's a connection between that appraisal from SRI and the indicated policy shift noted on page 28 of the heritage fund annual report, wherein it's observed that the AMC has begun to expand its activities to

include a larger role in applied research. When I read that some time ago, I was curious what prompted that shift in operational policy emphasis, and then in light of the comments earlier today by the minister as a consequence of the appraisal from SRI, I wondered if there was a connection.

11:02

MR. STEWART: Mr. Chairman, the hon. member brings up a very good point, and it's part of the evolution of this particular centre. It had a very active fabrication facility with a certain capability to fabricate microchips. That particular area is so dynamic, so fast moving in its technology that you can be overtaken with your facility very, very quickly. From the standpoint of a publicly funded centre we therefore had to ask ourselves: how best can this centre meet the needs of the electronics industry there? Indeed, that's something that the board itself at the Alberta Microelectronic Centre has been wrestling with, as well, of course, as the Stanford Research Institute when they looked at the overall situation. Their assessment was that the strength of AMC was certainly in the area of the design of microchips and working in areas that are complementary to the ultimate fabrication but that there were other access points for fabrication. For example, a company like LSI Logic has a great capacity for fabrication and presumably would be open to contract work in fabrication. There are other areas beyond our borders where fabrication facilities exist, but to keep up totally with the top technology and capability on the fabrication side would be a bit redundant, insofar as other facilities are available, and not meet the primary needs of the industry, which is assistance in the engineering and design and development of the microchips. That was an important new direction for them to go.

It was endorsed by the SRI in its report. That does not take away, however, from the identification of AMC with the University of Alberta in things such as the thin film lab at the U of A and other aspects of collaboration with the University of Alberta.

MR. PAYNE: Mr. Chairman, in my first supplementary, I'd like to ask a so-what question, and it has to do with the reference again on page 28 in the annual report. Last year the centre handled almost 1,000 industrial consultations. I had difficulty putting that in context. I'm very unclear as to what the implications of that are, and I wondered if the minister or his officials could help the members of the committee put it into some kind of context so it would have more meaning for us.

MR. STEWART: The nature of those 1,000 industrial consultations was primarily in the areas of feasibility studies, consulting, the electronic production development of that, the design of microchips and the engineering that goes along with that, and indeed advice with respect to the ultimate fabrication of microelectronics, microchip configuration and so on. I don't know if Mr. Broadfoot may have further things he could add to further amplify the nature of those consultations.

MR. BROADFOOT: Mr. Minister, the nature of AMC's business is to act as a technology pathway for electronics technology from other parts of the world into Alberta companies. A very large part of what they do is helping a company that has a product upgrade it so that it's competitive with the best in the world. In order to do that, a large part of their work is simply talking with companies and showing them how to do this. They are teachers in electronics, and they do it very effectively.

MR. PAYNE: Mr. Chairman, for my final sup, I wonder if I could direct it to Mr. Broadfoot and remind him of an exchange between himself and myself on October 24, 1990, wherein I'd asked a couple of questions about industry participation. In one of his responses he advised the committee:

There is a portion of AMC's income, of course, that comes from contract work. It's about \$900,000 a year out of a total budget of just over \$3 million. But they aren't going to break even.

I wonder if Mr. Broadfoot could bring the committee up to date with respect to the income that is contract work related?

MR. BROADFOOT: I don't think their contract work has changed very much in the past year. I don't have the exact numbers in front of me here, but the economy, I think, would have had an effect on that. I don't think we can expect them to break even ever unless we change their mandate, because a lot of it has to do with basic consultations that are very difficult for them to charge for and complete the role that we've asked them to complete. The only way they can get major industrial contracts that will pay the way completely for AMC would be to contract with major electronics companies outside of Alberta and charge very large fees for that to those kinds of companies. If they do that, they eliminate a certain amount of time and possibilities for Alberta companies. We have to decide which is best, and right now we think they're doing the right thing the right way.

MR. PAYNE: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman, and I certainly want to welcome the minister and his staff this morning. The statement of the Alberta heritage trust fund reports on page 44, individual line service, that there's \$271,000 unexpended. The minister indicates that another \$3 million will be going to the individual line service, which I believe is a great investment for Albertans so that they're all treated fairly. The minister mentioned that there was an average of some \$450 per customer in rural Alberta for these individual line services. However, he didn't indicate that people who previous to January 1, 1991 - in fact, in 1990 - had applied for individual line services and whose services were not installed until after January 1, 1991, were given an additional tax that this government supported: the GST. So this in fact cost people who had their individual line services put in after January 1, 1991, an additional cost. Is the \$271,000 that is left part of the \$3 million, and will some of that be used to offset the high cost of the GST to the individual line services of rural Alberta?

MR. STEWART: Well, if the hon. member, Mr. Chairman, is referring to the GST as a tax that the provincial government of Alberta supported, I think that the people of Alberta know differently, as do all members in this Assembly.

The \$3 million, as I indicated, is to finish off the rebates that the individual Albertans who have subscribed to the service are entitled to receive under the terms of the order of the Public Utilities Board. There has been no adjustment with respect to the GST. However, there was an opportunity for anybody who was paying their \$450 on the basis of \$5 per month for 20 years. As you know, there was this choice rural subscribers had of either paying on a monthly basis at \$5 per month for 20 years or, alternatively, paying the \$450 as a lump sum. Those that paid the \$450 lump sum, of course, had all of their payments out of the way before the GST arrived. Those that are paying on a monthly



basis are now feeling the impact of the GST, so that instead of paying \$5, they're paying \$5.35.

However, a period of time was provided to all of those subscribers who had established their payments on a monthly basis to pay the balance and to do that before the GST would be imposed. So there was a period from December 31, 1990 – and it was extended, I think – right up until the end of April 1991, as I recall. Each one of those individuals was advised with respect to the implications the GST would have and given the opportunity to elect to pay up, as I say, the balance and then not have the impact of the GST, but thereafter, after May 1, 1991, anybody that had not elected to take advantage of that opportunity was then faced with the situation of paying \$5.35.

11:12

MR. DOYLE: Thank you, Mr. Chairman. Another question. We have the audited financial statements of AOC, ADC, and AMHC all released in the period when the Legislature is not sitting. I wonder what makes NovAtel's, a Crown owned entity, different from statements that were released from the other organizations of the government.

MR. STEWART: We have already answered that, Mr. Chairman.

MR. PAYNE: Agreed.

MR. DOYLE: I asked you what makes it different, Mr. Chairman, that they can't be released when these other ones were released.

MR. STEWART: Mr. Chairman, I explained fully to the hon. members. Perhaps he wasn't listening at the time, but I explained fully to the members the way in which NovAtel is currently structured, how it fits in under the AGT Commission, and the nature of the filings of its financial matters.

MR. DOYLE: Mr. Chairman, I guess this will be my final supplementary then. I wonder if the minister will give an undertaking that he will release the financial statements before selling NovAtel. The government appears on the surface to be improving communications with the public, but at the same time, they don't seem to realize that keeping this stuff secret is no way of promoting communications between the members of the Legislature and the public at large. Will the minister release the statements of NovAtel before he decides to sell it?

[Mr. Payne in the Chair]

MR. STEWART: Well, again I think I've already answered that, Mr. Chairman. All I can say, as I indicated to the hon. Member for Calgary-Mountain View, is that the information with respect to the losses, the write-offs, and all of those circumstances was in fact made public within days after it was discovered exactly what those losses were. I recall that it was within three or four days after that we made public that information. It is well known. In a formal sense the statements will be filed, as I indicated earlier.

MR. ACTING DEPUTY CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. It's very nice that I should get into the lineup as soon as you take the Chair. I'm sure I'm going to have to vote for you as chairman later on.

Good morning to the minister and his staff. I would like to ask about the privatization of AGT. Certainly when we were in the

process of privatizing, we did make a promise to the public that there wouldn't be any negative impact whether it was the quality or whether it was the cost. I noticed recently that AGT has applied to CRTC for an increase. Would the minister explain that, please?

MR. STEWART: Well, Mr. Chairman, it's true that AGT has filed an application with CRTC, the public authority which regulates telecommunications in this province, for a rate increase which, to whatever extent it may be granted, would be effective in June of 1992. That's not quite two years from the time of privatization. It's totally unrelated, obviously, to the privatization itself, and it relates more to the nature of the rate rebalancing that's going on internationally.

[Mr. Ady in the Chair]

If our rates for long distance in this province are not kept within a measure of being competitive, then what happens is that the system is totally bypassed and they will move down through the States and come up through telecommunications facilities elsewhere. So it's important for business in Alberta and for people of Alberta to have competitive rates with respect to long distance. As long-distance revenues come down, it impacts, obviously, on the company's overall revenue situation. The rate of return, which is a mandated rate of return from the CRTC, as it was previously with the Public Utilities Board, is something that the company looks to in order to ensure that its revenues are sufficient to allow it to in turn make the capital investment in facilities and services for Albertans.

So it's something that bears close watching, and I can assure the hon. member that we as a government will be an intervenor with respect to those hearings, which will take place in February or March of next year. We will be carrying out the assurances that we gave the people of Alberta at the time of the privatization that rates and services must be reasonable and they must be fair. We will be making representations and watching the application to make that a fact.

MR. FISCHER: Thank you. My supplementary would then be: when we are saying that we're going to watch it and intervene, what authority does our 43 percent ownership give us to say you can or can't do something?

MR. STEWART: Mr. Chairman, we don't go to the CRTC hearings with the shareholder's hat on; we go there as being representative of all Albertans, who have an interest, obviously, in the rates and services that are applicable in telecommunications in this province. We go there with that hat on and make representations on behalf of Albertans.

MR. FISCHER: My further supplementary. I'm gathering that we do have quite an impact on how they provide their service and quality of service. Has that impact got anything to do with our inhibiting the sale of the remaining shares?

MR. STEWART: No, I don't think so at all, Mr. Chairman. It's recognized that AGT Limited will, in fact, make applications with respect to their rate situation as time goes on, sometimes applying to reduce rates, as in the case of long distance. I think that's expected of any public or private corporation involved in basically a utility type of operation where they are required to make their intentions known through applications. They're subjected to public hearings; there are opportunities for intervenors in order to put

forward their case. That's a natural process of regulation that will be followed. So I think it can be expected from time to time, as I'm sure all reasonable people would expect.

MR. FISCHER: Thank you. On that point, Mr. Chairman, if I may. Then the remaining shares that we have . . .

MR. CHAIRMAN: Hon. member, you've had your three questions.

MR. FISCHER: Mr. Chairman, I thought they were so closely related that maybe you could let me ask them.

MR. CHAIRMAN: The Chair has a concern that we would have a lot of closely related questions from a variety of sectors if I do that, so the Chair has to recognize the Member for Clover Bar.

MR. GESELL: Thank you very much, Mr. Chairman. Good morning, Mr. Minister and staff. I want to ask some questions with respect to the individual line service and Telus. To me they're interrelated. In the Alberta investment division we've got the debenture originally for a billion and some-odd dollars, and under the capital projects division we've expended for the individual line service some \$218 million, according to the report, but I believe you indicated that the final amount was \$225 million or somewhere thereabouts. The first question I have is: I'd like to get an explanation of why they are under separate divisions of the Heritage Savings Trust Fund, the rationale for that.

MR. STEWART: Well, I'm not sure that you're directing your question, hon. member, to the right minister in that regard. The particular divisions, the commercial investment division and the capital projects division, come under the responsibilities of the Provincial Treasurer, and I think you'd have to direct your question to that particular minister.

11:22

MR. GESELL: Let me make my point, and maybe I could get a better response on the second one. Under the individual line service, the capital projects division, that money that we have expended we've expended on behalf of Albertans. I think it was an excellent expenditure. I'm representing a rural area. I think there's tremendous benefit in that system that we've put in place. That money that we have expended there has gone, if I understand it correctly, to purchase digital electronic system switches, relays, that type of thing. To me those are assets of that total telephone system that is in place.

My question really is: why is that \$225 million not recoverable through the sale of those shares? For instance, let me make the point here: the book value of Telus right now is \$668 million, the remainder; the actual market value is \$822 million. So the market value is \$246 million more. Why could we not recover that expenditure that we have made under the individual line service through the sale of those additional shares and put the money back into the Heritage Savings Trust Fund rather than into general revenue, especially on those two items? I see the investment that we have made in assets as part of that Telus operation.

MR. STEWART: Mr. Chairman, the answer to the hon. member's question is, number one, looking at the individual line service, the amounts of money that were expended were to pay for the 75 percent cost of conversion; the individuals themselves paid approximately 25 percent. So the bulk of our moneys all went with respect to rebate for the cost of installation. Now, at the

same time AGT did modernize and upgrade the equipment in some 340-odd exchanges throughout Alberta. So at that point in time when they expended moneys and improved the value of the system itself, that would be represented in the overall assets and balance sheet of AGT Commission. At the time of privatization the total number of shares that came to the government, either to the Heritage Savings Trust Fund for the debentures or to be held by the General Revenue Fund for the balance of the equity interest, would reflect all of the assets and the entire financial position of AGT Commission as at the date of the privatization. So indirectly we did receive through shares all of the existing assets and equity position of Telus.

MR. GESELL: Well, I'll explore it further with the Treasurer. On behalf of the people of Alberta we've invested certain amounts of money in AGT, originally through the Heritage Savings Trust Fund by debenture, and we've done the same on behalf of Albertans where we've purchased certain systems under the individual line service. Those systems we've sold, really, as part of the share offering. To me it would make sense to recover some of that investment. I'll pursue it separately.

Thank you very much.

MR. STEWART: Can I just say to the hon. member that that is in effect what has happened, because all of the assets, all of the equity of AGT Commission that was there and its systems as part of that, were reflected in the common share value that was received by the Heritage Savings Trust Fund and the General Revenue Fund at the time of the privatization. So if the value of AGT was appreciated by virtue of our contributions in one way or another, then we've received share value for that updated value of the assets of AGT.

MR. GESELL: That value really needs to go back. We took about \$334 million back into the General Revenue Fund through the share offering. Again, I see that in the annual report there is an additional value, which is very beneficial, of \$246 million between the book value and the market value. To me that value of some \$334 million and \$246 million should recover some of the cost that we've expended on the individual line service.

MR. CHAIRMAN: The Member for Three Hills.

MRS. OSTERMAN: Thank you, Mr. Chairman, and good morning to the minister and staff. I wanted to touch on Telus again, as a number of others have, trying to clarify in my own mind what our role will be as a present shareholder, or maybe future diminished in the number of shares we may hold, with respect to the board of directors.

MR. STEWART: The board of directors, Mr. Chairman, is established by virtue of the Act. The Act provides that we, as the Lieutenant Governor in Council, would appoint four individuals to the Telus board. Those four individuals have been appointed, and they in effect represent the interests of the government on board matters.

MRS. OSTERMAN: I understand that, Mr. Chairman. I guess what I was trying to get at was: in the minister's opening comments he mentioned looking at the appreciated value of shares. Potentially there may be some sales, and I couldn't recall whether or not we anticipated that in legislation and what our role would be. Will that change? In other words, supposing we had instead

of 43 percent, 20 percent. What would our role be then? Would it still be the same?

MR. STEWART: I think our role would be the very same. Indeed, we have measures of influence through the directorship. As well, as you know, the basic, fundamental things that are really important, such as ensuring that this company does not remove itself from Alberta or that the head offices could move or that it would basically get out of the telecommunications business or water down its activities in that area: all of those fundamental things are subject as well to the special share which the government will continue to hold and exercise in any such occasion. So whether we hold 43 percent or 1 percent, that special share would remain. Indeed, even if we divested ourselves totally of common shares of Telus, that special share would remain.

MRS. OSTERMAN: Just listening to the questions and the kinds of things that we hear out in our communities, the type of relationship that we have obviously lends itself to some confusion, because there are those matters, as you say, with the special share or golden share, whatever it's called, that we have final say about as government. As well importantly, we have been saying that we as government believe that this incredibly changing industry, and one that's so important to us, probably as critical as anything else that we do in this province, will be directed by the private sector. I think that as the minister attempts to describe - and maybe it's in the hearing that this is more difficult; it is difficult. I would suggest that if we have that ability through our directors to talk about or at least suggest to the corporation some things about their public communication, this should be clarified, because the public would be in a much better position to be speaking to the concerns that they have if they know precisely where those concerns should be directed. I would suggest that possibly that's something that could be discussed with the corporation.

MR. STEWART: I think the point is well taken, Mr. Chairman.

MR. CHAIRMAN: The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I'd also like to welcome the minister and his staff today. I'd like to ask more of an administrative question of the minister, if I might. It relates to AGT/Telus. Back in the investment division we had a transfer of a debenture over into common shares of Telus, which shows up in the report on page 22. Because we've transferred from a debenture from AGT Commission and then we've gone over to the new body of Telus, I'm wondering if the minister could tell me: who was the auditor who did the audited statements for the AGT Commission subsidiaries under the old system?

11:32

MR. STEWART: There was an auditor for individual subsidiaries of AGT. For example, NovAtel had an auditor. I'm not sure if AGT's auditor was the same. In the final analysis the Auditor General would have audited all the affairs of AGT Commission and its subsidiaries.

MRS. BLACK: If I might, Mr. Chairman: there were additional outside auditors involved, were there?

MR. STEWART: Sometimes the Auditor General, as you know, engages agents on his behalf to audit various agencies or corporations of government, but the bottom-line certification comes from the Auditor General.

MRS. BLACK: Well, I was wondering: were there any reservations made by the Auditor General on the audited statements?

MR. STEWART: I don't have those in front of me. I couldn't be sure. I don't think so.

MRS. BLACK: I see.

Final question, Mr. Chairman. Under the new corporation, Telus, we still have 43 percent. I presume there will be outside auditors involved. If they are, who would they be?

MR. STEWART: Obviously, Telus at its annual shareholders' meeting would be approving auditors, as is the normal course of public corporations. I'm not sure who those auditors are at the present time. Telus Corporation has its auditors. Its books are audited by Telus's auditors, and it reports to the shareholders. We hold 43 percent, and that's under the Heritage Savings Trust Fund. We're shareholders.

MRS. BLACK: Who are these other auditors? Price Waterhouse? Coopers & Lybrand?

MR. STEWART: I'm not sure who Telus Corporation approved as their current auditors at their last annual meeting, which occurred a few weeks back.

MRS. BLACK: Could the minister provide it by memo?

MR. STEWART: Sure.

MR. CHAIRMAN: Thank you.  
The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. I, too, want to direct a question about ILS. I believe it's been said many times this morning what a great program it is and that everyone supports it. I guess one of the things that bothered me - and maybe, Mr. Chairman, I'll be off the topic a little bit, but please bear with me. If you're in a community in a certain area of the province, in Leduc, just for example, and a centre larger than Leduc has, of course, more activity and more people and that, I understand there is a charge that is put on for you in the smaller centre so that you can access these larger centres. Now, I'm just wondering. It happened in the constituency that I represent. The answer given, I think, was that because you can access more businesses in a bigger centre, a small additional charge goes on.

You're frowning, Mr. Minister. I don't know whether you're . . .

MR. STEWART: Well, I'm trying to connect this to the individual line service. I think you're talking about another program offered by AGT referred to as the extended flat rate calling.

MR. CHAIRMAN: Hon. member, the Chair has some difficulty with that question because the extended flat rate calling service really doesn't have any implications on the heritage trust fund. It's a separate thing that's funded out of the revenue of the telephone company. That's where it would come from, via the public.

MR. CHERRY: Thanks, Mr. Chairman. It's good to see that we have that cleared up.

My second question, then, would be: now that ILS is completed, if I move into an area - I know the formula that we used

previously. Will that formula carry on, or is that completed? If I want to get a telephone now, I would pay a thousand bucks or 500 bucks or whatever the case may be?

MR. STEWART: Well, the obligation with respect to the individual line service is established as at the date of installation. At that time the subscriber has a choice of either the lump sum for his 25 percent of the estimated cost or paying at a \$5 monthly rate for several years. That is an obligation that is maintained by that person. If they move from that particular location during that 20-year period, that obligation runs with them. The new person coming to the premises takes over that individual line without additional cost whatsoever except the normal charges for hookup that would be applicable in any event.

MR. CHERRY: Okay. Thank you, Mr. Chairman.

MR. CHAIRMAN: Athabasca-Lac La Biche.

MR. CARDINAL: Yes, Mr. Chairman, just a brief question again on the individual line service that's now completed in Alberta. I just wonder if the next communication project the minister may be looking at is the need for upgrading of the cellular 400 sites. Is that possibly something we should look at, especially for the northern half of the province? The service is there, but there are too many blank spots yet where you can't actively use, as a business or privately, that type of communications.

MR. STEWART: That may be a good question, particularly in certain areas in Alberta. Obviously, that is a matter for Telus Corporation and its subsidiary AGT or indeed its cellular subsidiary to be addressing. All I can say is that from the standpoint of telecommunication services, they are changing drastically. I mean, wireless is the new technology which is just around the corner. In the meantime and pending the further development of that technology, the cellular areas and the capability of accessing all corners of the province is something that does develop. Obviously, that development by AGT and its cellular subsidiary would be within their domain.

MR. CARDINAL: I guess my supplement is tied in with that again. Is there a general plan for the development of a communications system of this nature for Alberta, short- and long-term plan?

MR. STEWART: Well, one of the things that we are directing our attention to is the opportunities in the whole wireless area, in this new technology area. As you know, one of the ways in which we deal with that is through supporting the infrastructural component for telecommunications in TR labs, telecommunication research laboratories. That is a very important and a very significant element in the infrastructural support for telecommunications in the province.

One of the areas that it holds as a priority area for its research is wireless, and we believe that there are opportunities to assist TR labs in that research and to therefore make that sort of technology available within Alberta. The TR labs in turn – it's not just like a government institution; it is a partnership institution in which the private sector has many partners. All of the major telecommunications companies or related fields in electronics are members of TR labs. It's connected with the universities, and it's connected with us. So utilization of TR labs as an instrument of support in that area, to develop those new technologies, is a very significant thing on behalf of the people of Alberta.

11:42

MR. CARDINAL: Thank you.

MR. CHAIRMAN: The Member for Ponoka-Rimbey.

MR. JONSON: Thank you, Mr. Chairman. Perhaps my questions will just be one in number. Mr. Minister, in your opening remarks, as I understood it, you referred to the cost of the preparation of the share offering with respect to AGT and eventually Telus as something like 1 percent of the cost of the overall share offering. Could you tell the committee, or if it's not readily available right now, provide in written form, the list of the auditors that were involved in that share offering preparation process?

MR. STEWART: Yes, that's possible, and we would undertake to do so.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I'd like to pursue the ILS a bit. At the risk of appearing to rain on the minister's parade – he's very proud of the ILS, and even if we were 27 years behind Saskatchewan, you do deserve some credit for pushing it through. One of my thoughts – and I was wondering if the minister would think I was uncharitable – was that in view of the fact that we have the ILS in there and in view of the fact that the fibre-optic lines have been kept as a secret, we really didn't do that much for the rural community. What we did was rob some of the capacity that small towns had to put in businesses using a great deal of the telecommunications lines. We've robbed those lines to put in use for ILS, and in effect our rural communities today have less access to telecommunications hookups than they did before ILS was put in.

MR. STEWART: Well, Mr. Chairman, fibre optics give a greater capacity – there's no doubt about that – for telecommunication services. The lines as we know them now are ones that will handle a considerable volume as well and probably not be behind insofar as overall capability to service an area. As the province grows and diversifies, I think things will change, and perhaps the capability through fibre optics becomes more important. But if we had moved to fibre optics, total fibre optics, the costs of this program throughout Alberta to do an individual line service would have been extreme insofar as, comparatively speaking at least, the basis upon which that was undertaken. So I think the people of Alberta are well served.

It will change, undoubtedly, as technology changes. It will change as traffic patterns change. Indeed, I would believe that AGT, in keeping up with the services that they will provide to Albertans, will have to, as a matter of course, be updating their equipment and their services as they move along. So I don't know that it's a static thing; I think it's something that will be added to and improved as time goes on.

MR. TAYLOR: Mr. Chairman, the question I think has been partially answered, but it sounds like the minister is leaving the expansion of telecommunications in the rural sectors in the hands of free enterprise, which is something we have never done in the past.

Let's move on a bit to add on to the question the Member for Athabasca-Lac La Biche, who rightly points out that the cellular connections in this province are entirely free enterprise in the

Edmonton-Calgary-Lethbridge corridor. That works and mitigates against development of the rural economy also. Why the government saw fit to subsidize the ILS program rather than have the ratepayers subsidize it . . . Why can't the same philosophy be expanded into the cellular field to help at least the main trunks up to at least Peace River? Don't forget that Peace River's still part of this province, yet it doesn't have - from here up through to Peace River there's nothing. It stops at Westlock, which is all right - it's my constituency - but I think it should go farther.

MR. STEWART: The capability of cellular within the province is something that Mr. Broadfoot may want to comment on. I'm not totally knowledgeable of all the facts that relate to the coverage areas within the province. I would assume that if at any time the government of the day in Alberta felt that, as a matter of policy, assistance should be given to the development of cellular or wireless or any other technology that related to telecommunications, it's within the power of that government to work out an arrangement with whoever may be the telecommunication carriers within the province, and that could certainly be undertaken as a matter of policy and within the fiscal constraint of the province. Those opportunities are open, and maybe that will happen in the future.

MR. TAYLOR: As a point of information before I go on to my third, the cellular works off the microwave towers, and in flat Alberta it's easy to reach a lot. One of the reasons cellular was suppressed in the past was that AGT had a competitive system in that has now proved to be no hell. Now we don't own AGT, so we should be helping cellular expand.

My last question, Mr. Chairman, is with respect to income taxes that Telus, I think, is now susceptible to or eligible or vaccinated or whatever the right word is, because it didn't used to be when it was AGT. You mentioned the dividends that were paid. Mr. Minister, could you tell me whether or not there was a withholding tax on those dividends before they were paid? If you think there is, maybe somebody over there could write me how much it would be. There's always a withholding tax on dividends in a private corporation or in public shares. I was just wondering if there was any on our dividends, whether the dividend taxes were withheld.

MR. STEWART: I believe that we have received the full amount of dividends as other shareholders, 88 cents per annum. That works out to about \$52 million of dividends actually received.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Back to NovAtel financial statements, Mr. Chairman. As my colleague for West Yellowhead pointed out, we have the audited financial statements for a number of Crown-owned entities. Would the minister admit that there's nothing that would prevent him from releasing NovAtel financial statements now, that really there is nothing that makes NovAtel any different than any of these other Crown-controlled organizations?

MR. CHAIRMAN: Hon. member, that exact question was asked previously, and the minister responded. Surely the member has some new question as opposed to taking up the committee's time with a question to be asked again. The minister did respond, hon. member, and we have to accept his response. So do you have a pertinent question to his responsibility within the Alberta Heritage Savings Trust Fund?

MR. HAWKESWORTH: That's interesting. Well, you keep making my point for me between you, Mr. Chairman, and the minister, so that's fine as far as I'm concerned. My concern is that this government and this minister may dump NovAtel at a big loss to taxpayers in some sweetheart deal to some government friend down the road and then argue that to release the audited financial statements might violate some commercial confidentiality. Will the minister give us an undertaking today that he would release the audited financial statements of NovAtel before selling that company?

11:52

MR. STEWART: It's the same question, I believe, Mr. Chairman, as the one first asked by the hon. member, and I gave him assurance that the financial information with respect to NovAtel would be filed in the normal and ordinary course of events, as it always has in the past for AGT Commission.

MR. CHAIRMAN: Final supplementary.

MR. HAWKESWORTH: Mr. Chairman, the only information that's been made public, so far as I'm able to determine, is a press release from NovAtel with some comments in it and some statements that have been made by, I believe, the chairman, Mr. McDonald. One of the reasons given for some of the losses last year was that there was a change in auditing practices. In fact, the auditors apparently refused to accept NovAtel's long-standing practice of recording sales as revenue before money actually changed hands.

MR. CHAIRMAN: Hon. member, you're still on the NovAtel issue. We've discussed that, and from the Chair's perspective you're way off in being able to tie it closely enough to the Heritage Savings Trust Fund to permit the question. The Chair's been fairly lenient, I believe, in allowing some questions to flow through on that issue, but I really feel that the questions that are interesting you are better put in the estimates of the budget.

MR. HAWKESWORTH: In answer to an earlier question from one of the other members in the committee, the Auditor General was identified as being the previous auditor for NovAtel. I'm wondering: given that the minister's had the chance to review the financial statements for NovAtel, would he tell us whether the Auditor General had engaged in an auditing practice that was perhaps inappropriate or perhaps . . .

MR. CHAIRMAN: The Chair has to clarify. I'm not sure that that was established. The question was never put to the minister as to whether the Auditor General audited NovAtel. The question was put: did the Auditor General have responsibility for Telus and AGT? Now, the minister responded . . .

MR. STEWART: What I said, Mr. Chairman, is that it's no big, dark secret; nobody's trying to hide anything. The Auditor General was responsible for AGT Commission audits, which included the commission and its subsidiaries. They were always dealt with on a consolidated basis and tabled in this House. NovAtel is now owned by AGT Commission as it now exists, subsequent to the privatization, and the Auditor General remains as the auditor for that. So the Auditor General submits his report; the reports for AGT Commission are tabled in this Assembly. That's the way it has been in the past, prior to privatization, for AGT Commission, and that will continue in the future.

MR. CHAIRMAN: Thank you.  
The Member for Lacombe.

MR. MOORE: Mr. Chairman, I have a series of questions on the Alberta Heritage Foundation for Medical Research. In looking at the time, I know that there's no way the minister would be able to reply adequately or I would have time to get my questions out. Therefore, I move we adjourn.

MR. CHAIRMAN: There's a motion on the floor. It's not debatable. All those in favour? Carried.

MR. TAYLOR: Wait a minute; wait a minute. There's still time. I have a very short one. What's the opinion?

MR. CHAIRMAN: The motion's carried. The committee stands adjourned until 2 p.m. this afternoon, when the Minister of Health, the Hon. Nancy Betkowski, will appear before the committee.

[The committee adjourned at 11:57 a.m.]