

## Standing Committee on the Alberta Heritage Savings Trust Fund Act

10:02 a.m.

[Chairman: Mr. Ady]

MR. CHAIRMAN: We'd like to call the meeting to order and to welcome the Hon. Fred Stewart, Minister of Technology, Research and Telecommunications, to appear before our committee, and we welcome his department people, his government officials with him.

Prior to inviting the minister to give opening remarks, I'd like to give the committee the opportunity to read in recommendations that they may have. In case they may have some at the end of the meeting, I'll give a second opportunity then, because today is the day that they need to be read in.

MR. JONSON: Do I interpret that, Mr. Chairman, that you're ready for some to be read in?

MR. CHAIRMAN: Yes, I'm ready for that.

MR. JONSON: I have four. They're fairly short, Mr. Chairman. Number one:

Be it resolved that funding at the current level be extended to the Farming for the Future program for a period of two years.

Number two:

Be it resolved that an evaluation of the Farming for the Future program be conducted to assess the need for the program relative to the industry's needs and other agriculture-based research.

Number three:

Given that the province will experience a dramatic increase in the demand for postsecondary education in the next decade, be it resolved that the merits of increasing funding to the heritage scholarship fund be assessed with a view to expanding the scope of scholarship provisions and providing assurance that current volume-driven programs will be maintained.

Fourthly:

Be it resolved that more consideration be given to using the leverage of the Alberta heritage savings trust fund involvement to attract private capital to the funding of programs such as those for housing and small business.

MR. CHAIRMAN: Thank you.

The Member for Lacombe.

MR. MOORE: I have one recommendation, Mr. Chairman, that being:

That in future years the fund's interest revenue remain in the Alberta heritage savings trust fund to sufficiently offset expenditures in the capital projects division.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster.

MR. CHERRY: Thanks, Mr. Chairman. I have four.

That a review of the performance and mandate of the Alberta Family Life and Substance Abuse Foundation be undertaken to ensure that its objectives do not duplicate those of the Alberta Alcohol and Drug Abuse Commission.

Two:

That a cost versus results review be conducted on the Occupational Health and Safety heritage grant program.

Three:

That an examination be conducted of existing private-sector interaction and involvement in heritage-funded technology research organizations, such as the Heritage Foundation for Medical Research and the Occupational Health and Safety heritage grant program, and that recommendations be made as to how this interaction could be improved.

Lastly:

That a review be undertaken of the impact and success of the Alberta heritage scholarship fund in increasing attendance in the Alberta postsecondary institutions.

Thank you.

MR. CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you. I just have one.

That consideration be given that the net profits from Syncrude be exempt from section 4(2) of the Alberta Heritage Savings Trust Fund Act, which states that the net income of the fund shall be transferred to the general revenue fund.

This would allow Syncrude's net profit to be returned to the Alberta heritage trust fund.

MR. CHAIRMAN: The Member for Edmonton-Calder.

MS MJOLSNESS: Thank you, Mr. Chairman. I'll just read the resolutions into the record. Number one:

Be it resolved that the Alberta heritage savings trust fund be restructured as follows:

(1) The current divisions of the fund be consolidated into two divisions, being

(a) the securities and investment division, which would hold the assets currently held in the commercial investment division, the Canada investment division, and cash and marketable securities and would earn market rates of return for the purpose of revenue transfers to the general revenue fund and

(b) the Alberta research and development division, which would hold the assets currently held in the Alberta investment division and in the various research funds of the capital projects division and would be directed to long-term research and development programs in human and natural resources as an investment to benefit future generations of Albertans.

(2) Annually the Provincial Treasurer present to the Legislative Assembly for its approval the policy directions and objectives and the budget for the fund's two divisions.

(3) A legislative office be created called the trustee general, whose office would have trust and fiduciary responsibilities for the management of all financial assets of the fund to ensure all investments were managed in accordance with policies approved by the Legislature. This office would be responsible to the Legislature through the Standing Committee on the Alberta Heritage Savings Trust Fund Act and would be responsible to table an annual report with the Legislature.

(4) The Standing Committee on the Alberta Heritage Savings Trust Fund Act hold annual hearings with the Provincial Treasurer, the trustee general, and the Auditor General to ensure the fund is benefiting the people of the province of Alberta, and the

committee would be empowered to call all such witnesses as it wishes to appear at these hearings.

- (5) A broad series of meetings and public hearings be held to receive further input on this proposal to increase the effectiveness and accountability of the fund.

That's my first recommendation. The others are shorter, Mr. Chairman.

Be it resolved that in accordance with the recommendations of the Auditor General, deemed assets and deemed equity represented by deemed assets no longer be reported on the balance sheet but rather be reported in a note as completed or ongoing capital projects.

Be it resolved that the Alberta government develop a strategy for the early repayment of the Alberta heritage savings trust fund loan to Vencap Equities Alberta Ltd.

Be it resolved that so long as Vencap Equities Alberta Ltd. continues to hold an Alberta heritage savings trust fund loan, its mandate be restricted to making investments in Canadian-owned, Alberta-based businesses that contribute to economic diversification.

Be it resolved that in light of the substantial investment of the Alberta heritage savings trust fund in the Pine Ridge Forest Nursery and its significance to the forest industry, the heritage trust fund committee urge the government to pass legislation ensuring that this nursery continue to be owned and operated by the government of Alberta.

Thank you.

MR. CHAIRMAN: Thank you.

It's not essential that members read them in but rather that we could have them submitted. Perhaps I could ask: about how many do the remaining members have?

Member for Bow Valley, do you have some?

MR. MUSGROVE: One.

MR. CHAIRMAN: One.

The Liberal caucus: do you have any to submit?

MR. MITCHELL: Not today.

MR. CHAIRMAN: Today's the deadline, you know. Okay.

MR. WOLOSHYN: I've got about three minutes' worth, Mr. Chairman.

MR. CHAIRMAN: Three minutes' worth. Okay, we'll continue to read them in then.

The Member for Stony Plain.

MR. WOLOSHYN: Thank you.

Be it resolved that except for the various research funds, no further expenditures be made through the capital projects division; that the division be phased out, no longer reported as deemed assets of the Alberta heritage savings trust fund; and that outstanding commitments for future budget years be made through the general revenue fund and the capital fund.

Be it resolved that in addition to being the first minister to appear before the Standing Committee on the Alberta Heritage Savings Trust Fund Act, the Provincial Treasurer be called to appear a second time after all other ministers and the Auditor General have appeared.

Be it resolved that all transactions which involve borrowing from the heritage savings trust fund by other government funds or agencies be separately disclosed in the financial statements or notes and that the source, amount, and purpose of the borrowing be identified.

Be it resolved that the segmented information attached as a note to the audited financial statements be expanded to include a breakdown of the income earned on each investment of the Alberta investment division of the Alberta heritage savings trust fund.

Be it resolved that the Alberta heritage savings trust fund end its funding commitment to the Alberta Family Life and Substance Abuse Foundation and that instead adequate funding from the general revenue fund be provided to the Alberta Alcohol and Drug Abuse Commission to enable the carrying out of its mandate and research.

Be it resolved that the government of Alberta stop using the heritage savings trust fund to provide loans at below commercial rates to foreign-owned companies such as Alberta-Pacific joint venture, which seriously harms the fund's future investment income.

Thank you.

MR. CHAIRMAN: Thank you.

The Member for Bow Valley.

MR. MUSGROVE: Mr. Chairman, my recommendation is going to be:

That we set up a foundation from the heritage trust fund and use the income for research in gerontology.

10:12

MR. CHAIRMAN: Thank you.

There are no other recommendations to come before the committee? I would remind the committee that today is the last day for recommendations for all ministers who have appeared through last week. We can accept recommendations for the portfolio of the minister who appears before us today. Just submit them to the clerk of the committee.

Now, if there's no other business to come before the committee -- one other: I've not yet been able to determine the date for a representation from the Department of the Environment. The best the Chair can offer is that when and if I'm able to arrange that, I'll notify the committee and try to find a consensus for a date, and we'll move in that manner.

Mr. Minister, we would invite you to make some opening remarks, but prior to doing that, would you introduce your department officials? Following those two items, we'll then move to questions from the committee.

MR. STEWART: Thank you very much, Mr. Chairman. Good morning to you and to members of the committee. I'm pleased to have with me today two assistant deputy ministers from the Department of Technology, Research and Telecommunications: Dr. Rand Harrison on my left, who is the assistant deputy minister for business development and marketing, and Mr. Ken Murrice, who is the assistant deputy minister of policy and planning. On my right is Mr. Don Keech, who is the executive director for administration in the department.

This is our third appearance before your committee, Mr. Chairman, and we're pleased to have the opportunity, because I think that it will focus on a number of areas that have been investments for the Alberta heritage savings trust fund in the whole area of advanced technologies which are now laying a foundation for diversification

within this province. I'm pleased to have an opportunity to report on those investments.

Just to single out a few of them and just to say a brief word about each as to their current status, because many of them don't involve dollars being allocated within the current fiscal year under study by the committee but do represent past investments that I'm sure the members of the committee will want to be updated on. Firstly, I'll touch on the AGT/Telus privatization, because, as you know, the heritage savings trust fund held a number of debentures in the old AGT Commission, and those debentures were subsequently converted to shares and sold as part of the share offering in the privatization of AGT. With the privatization of AGT it means now, obviously, that the company AGT Limited and its parent, Telus, are in the private sector. They have private-sector management, they have private-sector money that is now invested and not public moneys being invested, and they're now able to meet the area of competition that is certainly soon upon them, particularly in the long-distance revenue area.

The privatization involved two share offerings, as you know, both substantially large, about twice as large as anything ever undertaken in Canada before by way of a public offering: the first close to \$900 million and the second about \$870 million. This, from the standpoint of the heritage savings trust fund, brought some direct benefits. Obviously it paid back to the heritage savings trust fund approximately \$1.2 billion. The heritage savings trust fund, as you know, before that time had debentures which totaled about a billion dollars at face value. The debentures were converted to the shares, which were in turn part of the two-share offerings. So the sale of those shares means that not only did the heritage savings trust fund reap the benefits of interest over the period of time in which the debentures were held, it also had a capital gain of about \$190 million.

The installment program that was utilized in order to leverage this particular share offering on both tranches involved the ability for investors to pay for their shares in two instalments. So there remains a further \$435 million to be paid on that second instalment on December 15, 1992, and that will be the final payment of the \$7.50 instalment on those shares. That will then, in effect, close the book of the heritage savings trust fund on the AGT privatization.

The other program that relates to AGT is the ILS program. As you know, the program is completed insofar as its conversions to private line service to each and every home and business in Alberta. That was completed on June 30, 1991. It was completed, I should say, on time and on budget. It still has an entry in your report for this year of \$3.3 million in the capital projects division, but that relates to the final payments of rebates that are due under the program. Under ILS, individual line service, rural residents now have the same privacy that people in urban areas are used to. They have access to all services. They can participate through new technologies and computers and modems and make sure they can hook up and operate their businesses as effectively with this technology as any other place within Alberta. I think that's very important to the regional economic development of our province. Thanks to the capital projects division and the payment of \$221 million in connection with that program, this has now been achieved. Alberta will probably be the first jurisdiction in all of North America to have a fully digitized private line service throughout the province as soon as the conversion from analog to digital is totally complete.

The cost to the individual subscribers was kept to a minimum -- it was about 25 percent -- with the opportunity to pay off that particular cost either at the basis of \$5 a month over 20 years or alternatively pay a lump sum of \$560 and then get back a rebate of

\$110. So the net lump sum figure that would be payable by individual subscribers was \$450. The heritage savings trust fund, therefore, picked up the balance of that 75 percent of the total cost of the conversion.

The ILS was, of course, a government promise. It was a government program, not an AGT program, and we're pleased that it came in so well and on time and on budget.

The Alberta Microelectronics Centre is one of our institutes in the applied research area, an infrastructural support in the electronics and microelectronics area. It's celebrating its 10th anniversary, so it has proven the test of time and is growing in both its effectiveness and its outreach. It now operates in both Edmonton and Calgary, and it's primarily involved in the design and development of microelectronic chips and design tools for applications in the electronics industry. It has now reconfigured its lab that is located over at the University of Alberta in order to consolidate it with other parts of the University of Alberta laboratory.

As I said before, it's looking outward. It's doing much more in participating with national institutes and organizations that give it a broader effectiveness than just for Albertans. It's also doing an awful lot more in the area of joint venture application. Research and development dollars are scarce enough as it is and the need for research and development so much greater that to move with the private sector in a joint venture approach I think is the way in which they must go and are going. It's much more able to tap the types of opportunities that do exist in the private sector, and I believe that in turn leads to greater results for the heritage savings trust fund investment that was made. In this past year alone, AMC has undertaken 30 industrial contracts. It has trained 50 students and 200 industry people, so it has a thrust of education and awareness and creating, as any good infrastructural support should create, a broad base of knowledge and research in the whole area of electronics and microelectronics.

10:22

We had the Stanford Research Institute examine and evaluate all of our applied research institutes in the last year or two, and I am pleased to say that we got a good recommendation from the Stanford Research Institute on this particular infrastructural support. They did make certain recommendations which are being carried out in order to move the centre more in the area of development and design of a chip as opposed to the fabrication.

The Electronics Test Centre is still the only facility in western Canada that provides electronics testing and certification. Its product evaluation and technical support services really are invaluable to a growing electronics industry. You may not be aware, but the electronics industry in Alberta has grown at the rate of about 42 percent over the last three years. It's growing at the rate of 12 to 14 percent every year. It has about 80 to 85 percent of its products go out of this province by way of export, so the electronics industry is nothing short of a spectacular growth industry in Alberta. The ETC really is helping making that happen as well. In the 1991-92 year alone it completed about 200 projects for 91 clients. Half of them were Alberta clients, but the other half were either national or international clients: Hong Kong, the United States, Quebec. So it is achieving a great deal of outreach opportunity that's being done right here in Alberta. Some of its more recent projects include the new breathalyzer for curbing impaired driving, which obviously is something that impacts on the lives of everyday Albertans. It did extensive testing for a fire detection and control systems for the chunnel -- obviously the tunnel between England and France. It's developing new antenna standards for the Cellular Telecommunications Industry Association, based in New York.

It's becoming an international player. It's focusing on world electronics and bringing, certainly, attention to Alberta. It's bringing money here as well, not just attention. It earned more than half a million dollars in contract revenue in each of the last three years. That's about double what it was about five years ago. So it's progressing well and is an important part of the infrastructural support, particularly for the electronics industry in Alberta and beyond.

The medical research foundation: I won't say much about that because I know that your committee, Mr. Chairman, had the opportunity to hear from Dr. Matthew Spence and Mr. Alvin Libin, who is the chairman of the foundation. There are some very exciting things happening at the medical research foundation. It has brought about 159 world-class people to Alberta, and many of their projects, which I'm sure they elaborated on to you, are really making their mark and will improve the quality of life for Albertans and indeed beyond. It's a very important part of the basic research for Alberta, with a number of projects that are being developed in the areas of spinal cord damage -- accident victims who want to walk again -- people needing treatment for hepatitis and AIDS, a vast new approach in the area of arthritis. There are numerous projects under way in the Heritage Foundation for Medical Research that are achieving good results for Albertans' health and their quality of life.

So I won't say more about that. If there are questions that arose from the testimony before the committee of Dr. Spence and Mr. Libin, I'd be only too pleased to respond to that. I just want to say, though, that we are indeed fortunate to have this particular foundation. It has operated well. It has done so much for the advancement of our quality of life and health. I think that the trustees over the period of time have been very prudent managers with respect to that foundation and have done an excellent job. We're fortunate to have people of the quality of Dr. Spence head that foundation and to bring it along to achieve its real opportunities. It's not only doing good work here, it's attracting dollars into Alberta. Just about two or three weeks ago I had the opportunity to be at the University of Alberta and participate at the Glaxo Heritage Research Institute. That was funded by about \$1.8 billion from the heritage savings medical research foundation but at the same time brought an initial about \$800,000 from Glaxo to establish the institute, plus payment of half a million dollars per year in operating costs as the institute goes along. So it's a big commitment from Glaxo, but it will bring a new dimension of research dollars into this province. Those are the opportunities that come through the medical research foundation as well.

Those are the areas, Mr. Chairman, that I wanted to touch on that are part of the report of the heritage savings trust fund, and I will be delighted to answer any questions the members may have.

MR. CHAIRMAN: Okay. Prior to members putting questions to the minister, I would remind them that in the year under consideration before the committee, the projects funded were the individual line service and the Alberta Government Telephones or Telus sale. Completed projects which received no new funding in 1991-92 were the Electronics Test Centre microchip design and fabrication facilities and the Alberta Heritage Foundation for Medical Research. Questions would be appropriately directed pertaining to those projects.

The Chair recognizes the Member for Stony Plain, followed by Ponoka-Rimbey.

MR. WOLOSHYN: Thank you very much, Mr. Chairman. Welcome to the hon. minister and his assistants. The question I

would have is with respect to AGT and its privatization to become Telus. There is an outstanding \$435 million that will be paid as of December 15. What would be the net profit on the sale of AGT after the repayment to the heritage fund?

MR. STEWART: The net gain to the heritage savings trust fund was \$190 million.

MR. WOLOSHYN: Okay. The other one now on individual line service, which is a quarter of a billion dollars. On the money that was being recovered from the sale of AGT to the private sector, if you will, was that quarter of a billion dollars factored in to be recovered in some form? In other words, was that set up as a part of the value of AGT that the heritage savings trust fund would look to recover?

MR. STEWART: Yes, it was, because all of the payments with respect to ILS that were due to AGT were completed prior to the privatization. So any of the payments that were made forming part of the assets of AGT at that point in time became part of the transfer to Telus, for which we received shares at fair market value for the assets.

MR. WOLOSHYN: Perhaps I wasn't quite clear. With respect to the heritage savings trust fund more specifically, there is a profit of \$190 million on AGT. Was there a direct payment of \$221 million that would go into the heritage savings trust fund to offset the \$221 million that was provided by the government for individual line service?

MR. STEWART: No, there wasn't, because that was all completed prior to the privatization. At the time of the privatization the only asset of the heritage savings trust fund was the debentures. Those debentures were converted to shares at fair market value. The shares were sold at a markup, realizing the capital gain of \$190 million.

10:32

MR. WOLOSHYN: So in reality the heritage savings trust fund is out \$221 million for individual line service.

MR. STEWART: Well, I wouldn't say that it's out. What it has done is made an investment in the infrastructural support for telecommunications in this province, which was its goal: to establish the opportunity for individuals throughout this province to have access to private line service, to be able to hook up on modems or whatever, to have individual private line opportunities for business throughout this province. That was an infrastructural investment by the heritage savings trust fund and, I would submit, a very wise one.

MR. WOLOSHYN: I still . . .

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

The Member for Ponoka-Rimbey, followed by Edmonton-Meadowlark.

MR. JONSON: Yes, Mr. Chairman, and good morning to our guests. I'd like to address two components of your responsibilities, Mr. Minister, which seem to quietly go along their way. We haven't heard very much about them recently. They are the Electronics Test Centre and the Alberta Microelectronic Centre. My first question is: what exactly is the revenue base for the operation of these two

centres? I realize that it's related to the heritage savings trust fund, but what is the overall picture in terms of their revenue?

MR. STEWART: The Electronics Test Centre operates as a department under the Alberta Research Council. Its revenues are therefore derived in part from the Alberta Research Council and in part from contract revenues. As I indicated in my earlier comments, the contract revenue for the Electronics Test Centre is about half a million dollars per year. The balance of its funding comes from the Alberta Research Council, and that is, of course, part and parcel of our estimates that we bring forward in vote 3 each year.

The Alberta Microelectronic Centre is again receiving certain revenues. AMC's R and D contracts were \$674,000. It also received moneys through our estimates for operating costs during the year, which were \$1.8 million. It also received certain moneys from the National Research Council, about \$167,000, and then it did receive certain other amounts by way of indirect funds, about \$250,000 by way of the sale of assets. So that's the degree of funding for AMC.

MR. JONSON: A supplementary question, Mr. Chairman. I recognize that as an individual I have only, and I suppose have reason to only have, a general awareness that these two centres exist. However, I have the impression that perhaps that feeling is also shared by people in the business world. Do you feel that there is adequate communication with the business and research sectors about the existence of these centres and the services they can provide?

MR. STEWART: In looking at the Electronics Test Centre first, its outreach I think has expanded tremendously. As I indicated earlier, it has now got a number of clients, in fact an equal number of clients, from outside. Half of its revenue comes from outside of Alberta. Being the only western Canadian test centre of its sort, it is of course well known in the industry in western Canada. I always believe that because of the fact that it can grant certification equivalent to any other such body or institute in the United States, it should in fact enlarge that scope even more. It is doing a good job in that regard. As I said before, it's got Hong Kong clients, it's got a client in New York, and it's doing work on behalf of a Quebec company which in turn has a contract for the chunnel. So it is reaching out.

I suppose one can always say that every effort is being made to try and do better, and hopefully we can do better. It is reaching out, and I believe it's becoming better recognized as a very valuable opportunity to get your testing done here, where there is not that much in the way of lineups, where it can be done effectively and with the same degree of standards that are received by way of certification across the world.

The Alberta Microelectronic Centre. I think the fact that they are operating now in both Calgary and Edmonton helps. They are focusing their efforts, taking it away from fabrication because fabrication is a very, very costly area. It was recommended by the Stanford Research Institute that they not attempt to compete in fabrication. It's just too costly to keep state-of-the-art technology with the advancement of chips and the fabrication of chips. But they do a very capable job -- and this was again emphasized by SRI -- in the whole area of design and helping companies, small companies in particular, develop the appropriate designs for chips and microelectronic opportunities. So it's reaching out through joint venture, and I think that's a good way to go, because it will indeed bring them in touch more with the private sector. They're not just

waiting for people to come to their door; they're actively seeking joint venture opportunities.

The other thing that I think one should recognize insofar as sort of outreach and getting the word out there among industry is that the AMC is very closely tied to some other elements of our infrastructural support, in particular the TRLabs, the telecommunications research lab. It is a very, very active and worthwhile part of our applied research infrastructure, and there's quite a bit of linkage with TRLabs and the AMC. So it reaches out through other avenues of our applied research facilities as well.

MR. JONSON: A final supplementary, Mr. Chairman. Does the department have an ongoing method of assessing or can they quantify the economic impact of these two centres? I'm thinking once again of being able to rationalize it and explain what is going on here to the general public of the province. That's always a challenge, I realize, with research-based entities and programs. Is there any documentation of that nature available?

MR. STEWART: I don't believe there is any that could quantify in economic impact terms the full measure or benefit from these institutes, because their benefit goes beyond just providing services to industry in that regard. The benefit, for example, in the area of the TRLabs and the AMC: they have attracted companies to Alberta. If you talk to Hughes Canada or CDC or Motorola, companies that are now very much present in Alberta, you will find that they will say that the applied research institutes that we have here in Alberta were fundamental to their decision to come to Alberta in the first instance. So that in itself and with the jobs that it brings, with the further capital investment in the province as a result of those companies' operations here, add to that economic impact. So it's a many faceted dimension of benefit that comes through the applied research institutes that we have.

10:42

MR. CHAIRMAN: Thank you.

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

MR. MITCHELL: Thanks, Mr. Chairman. My first question concerns -- well, I'll just state it. I wonder whether the minister could tell us how much the Alberta government invested in NovAtel between 1983 and 1990 prior to the sale of NovAtel through the Telus offering.

MR. CARDINAL: Out of order.

MR. MITCHELL: I don't think it's out of order at all, Mr. Chairman.

MR. STEWART: I don't mind. There was no investment by the government of Alberta in NovAtel at any time up to the time when payments were made relative to the preservation of the privatization offering, the Telus offering. That has been well documented and known. The decision itself to be involved in NovAtel was a decision by AGT which, under the legislation of the day, they were entitled to make. They entered into a joint venture with Nova Corporation in 1983. Any losses that occurred came from AGT revenues. They did not impact on the budgetary situation of the province of Alberta.

MR. MITCHELL: I think the minister's splitting hairs. The minister's saying that it's all AGT, yet when he sells AGT, he gets the proceeds from the sale.

MR. CHAIRMAN: The Chair is allowing the questions, but please ask the questions and refrain from . . .

MR. MITCHELL: Then let me rephrase the question. Could the minister please tell us how much Alberta Government Telephones invested -- Alberta Government Telephones using public money, of course, because it is public money -- in NovAtel between 1983 and 1990?

MR. STEWART: I don't have those particular figures available at the present time. AGT made those investments out of its revenues. The taxpayers of Alberta never received any revenues from AGT until such time as there was a privatization. As I said, those investments were made by the AGT Commission.

MR. MITCHELL: But AGT did receive a debenture of hundreds of millions of dollars from the heritage savings trust fund to do a number of things that AGT did, and if they hadn't been using that money to do something else, they wouldn't have had money to put into NovAtel in the way that they did. For the minister to sit here and say that he doesn't know how much AGT invested . . .

MR. CHAIRMAN: Hon. member, if you have a question, please put the question.

MR. MITCHELL: Would the minister please confirm that whatever was invested by AGT in NovAtel between 1983 and 1990 would represent losses in addition to the \$566 million loss already acknowledged by the government through its investment in NovAtel?

MR. STEWART: As far as the heritage savings trust fund and the debentures to which the hon. member refers, as I indicated earlier, there's a \$190 million capital gain. That's what went to the heritage savings trust fund, a \$190 million capital gain.

MR. PAYNE: Mr. Chairman, when we met with the minister and his officials a year ago, Mr. Broadfoot commented that, and I quote from *Hansard* of November 6, 1991:

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.

I wondered if the minister or his officials could comment to what extent that evolutionary development has taken place in recent times and what the outlook is for that development.

MR. STEWART: Could you be just a little bit more explicit?

MR. PAYNE: Mr. Chairman, I don't want to lose my supp. That's why I want to make sure you keep track of the conversation. The minister has asked me for a clarification of my first question. Perhaps what I could do is simply continue the quote from Mr. Broadfoot:

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.

If not an operational shift, that was a development that certainly attracted the interest of this committee, and this member in particular is interested in pursuing the potential.

MR. STEWART: Well, I think that if you look at each and every institute that we have in Alberta in our advanced technology sector -- and I refer to the Laser Institute; the TRLabs; the AMC, the Alberta Microelectronic Centre; the Centre for Frontier Engineering Research; the Alberta Research Council; Westaim in advanced industrial materials. Each and every one of those, and certainly the Alberta Research Council along with them, is attempting to reach out and work with industry from the standpoint of helping that industry either become more competitive or, alternatively, devise new areas in which they can concentrate development. The joint venture research program of the ARC is now being modeled by the other institutes from the standpoint of gaining private-sector involvement so that whenever anything is undertaken, it's undertaken on the basis of being market driven as opposed to research driven. That is one of the main reasons why -- as well as, of course, having the complement of funding from the private sector, which is appropriate, obviously, and needed -- this will give us a new thrust in the whole area of research and development. If we don't do a better job with our industries in the whole area of research and development and keep them competitive, they will just be out of it insofar as this new globalization that is upon us.

I can cite some examples such as Standen's, who were making springs for trucks and cars and other vehicles. The old way was out. They just would not have been able to function at all, but through electronics, through automation they were able to become competitive. Gienow windows, for example, an international supplier of windows and like products, through automation again and through technology mainly in the electronics area is able to make that go. You look at a company like Northern Telecom, who now makes sophisticated business telephone systems here in Alberta and ships to 60 different countries around the world through the application of the type of electronic automation that makes that viable in a competitive marketplace.

We feel that the electronics end, particularly as it relates to information technologies, is extremely important. That's part and parcel of a new strategy, one of the phases which was announced on Tuesday of this week, to establish an electronic highway, to establish the opportunity for infrastructural support in electronics that will add to the whole business of communications: companies being able to communicate, institutes being able to communicate and network. All of that sort of infrastructural support replaces the old bridges and roads and so on of yesterday. This is the infrastructure of tomorrow, and that's why it's so very important. I think that's what Mr. Broadfoot was referring to.

MR. PAYNE: Mr. Chairman, the minister in the latter part of his response anticipated my first sup, and that has to do with the question of technology transfer. If there is any skepticism about the role of research -- and I would hope there isn't much -- wherever one encounters that skepticism, it has to do with the eventual utility of the research that's done. I think, by and large, the taxpayers of our province and those who feel that they have a personal stake in the heritage savings trust fund would like to be reassured that what research is being done, in fact the benefits of that research, is being conveyed in a variety of ways and expeditiously to those parts of our economy, our industrial sectors, that can benefit from such transfer. Is the minister in a position, just off the top of his head, to comment on the extent to which or the rate at which the results of this applied research are in fact being transferred to industrial or marketplace beneficiaries?

10:52

MR. STEWART: I don't know that I could give you precise figures on that, but if one looks to the measure of growth and the advanced technologies of this province, particularly in those sectors in which we have strength -- and I cited earlier the electronics industry -- then you will see the measure at which really the types of investments that we have made in Alberta are indeed paying off for companies. It's only in that way, I suppose, that one can then really give any sort of a measure.

Although going back, for example, to your earlier question about reaching out, I think it's interesting to note that in one year the Alberta Microelectronic Centre had over 5,000 inquiries from the private sector for potential assistance in the design and development of electronic items. They held about 27 seminars involving industrial people. In those 27 seminars they had about 600 industrial participants. There is also a wide extent of outreach throughout the province through advisers who are endeavouring to bring local companies, wherever they may exist, not just in Edmonton and in Calgary, in touch with the type of facility that's there. So in that way there is a very significant impact touching a lot of companies throughout Alberta.

MR. PAYNE: Mr. Chairman, in my final sup I must admit that I'm very reluctant to raise the timeworn debate over the treatment of deemed assets in the heritage savings trust fund. The minister, of course, is aware that on page 38 of this year's annual report the two facilities under discussion today, the Electronics Test Centre and the microchip design and fabrication facilities, are both listed for accounting purposes as so-called deemed assets. Part of that debate I think hinges on the marketability, the salability, if you like, of a so-called deemed asset. It's my personal view that if you can move a so-called deemed asset into the marketplace, sell it, and return the resultant revenues to the fund, we ought not to feel uncomfortable about the way the Provincial Treasurer handles the accounting of such assets. With that lengthy background, could the minister guessimate for the committee what the market value of these facilities would be if in fact they were put on the market today?

MR. STEWART: I don't know that I could give you a precise response to that. The funding for both the Electronics Test Centre and the Alberta Microelectronic Centre is being augmented by public funds. Now, it's very true, as you look at the estimates over a period of time, that we've been able to diminish the degree of support from the public purse because they have been able to augment their own situations through an increasing amount of private-sector contract work. Until such time as they achieve a greater degree of their funding from the private sector, the value, I think, would be impacted insofar as the privatization of those facilities. However, I don't think one should rule out the possibility of moving something like the Electronics Test Centre, for example, to the private sector, because it is really achieving a marked increase in its effectiveness and volume of revenues, dollars coming in. Indeed, that could very well be a possibility. What total value one would pin on that in any such privatization will have to be determined by the marketplace at the time.

If one looks at the investment that has been made, as shown on page 38 to which you referred, I would suggest to you that the type of value that is coming back through those institutes far exceeds whatever investment has been made in there at this time, both from the standpoint of helping existing industries as well as attracting new industries, new companies to Alberta because of that infrastructural support they receive here in Alberta which is unlike any other province in Canada.

MR. PAYNE: Thanks, Mr. Chairman.

MR. CHAIRMAN: The Member for Edmonton-Calder, followed by Lloydminster.

MS MJOLSNESS: Thank you, Mr. Chairman, and good morning, everyone. I'd like to ask some questions of the minister about the deemed assets on page 38 of the annual report. When it comes to the medical research endowment fund, it's quite clear that Albertans do invest a significant amount of money, or they have in the past, in that fund. I think we all recognize how important medical research is. I know that the minister has talked this morning about how it benefits Albertans, and I think we all recognize that as well. It says in this annual report that the medical research is being transferred "into successful commercial ventures." I'm assuming this means that there is revenue being generated from the research by these commercial ventures. I'm just wondering if there's any return to the fund from these profits that are made, a percentage perhaps. Is there any money at all being returned to the fund?

MR. STEWART: If you're meaning on sort of a net basis over and above any investment, I don't think one could classify the medical research foundation as a money-making type of foundation. That wasn't really its purpose.

Are moneys being generated? Yes, they are. They're being generated primarily through leverage. I cite an example -- I just mentioned it in my earlier comments -- about the Glaxo Heritage Institute at the University of Alberta, where Glaxo Canada, who already has certain establishments here in Alberta, because of an investment by the medical research foundation of \$1.8 million contributed about \$800,000, put it together with the \$1.8 million, and then committed themselves to several years of operating the institute, which will be an investment of about half a million dollars per year. So what has happened there is that the medical research foundation has been able to attract industry to Alberta to invest in Alberta, to carry out research and clinical trials in Alberta, and that's a very important element of their work. I think that's just one example of the way in which it'll happen. It will happen more from the standpoint of leveraging dollars into research.

MS MJOLSNESS: Yes. Thank you.

I realize that many businesses are investing in research in Alberta, which is obviously positive, but I was getting more at the fact that once, say, a new drug is discovered or marketed or the medical research is transferred "into successful commercial ventures", which it says in this annual report, is a percentage of the money generated by the success of the research on a new drug, for example, being returned to the fund?

MR. STEWART: The fund receives moneys from the standpoint of the thrust for marketing primarily through what they call their medical innovation program. As you may know, under the federal statute that relates to patent drugs, there is a requirement for investment by any pharmaceutical company in Canada to reinvest in Canada. Moneys have come and will continue to come to the medical research foundation through the medical innovation program. Now, that medical innovation program is not there to do further medical research. It's there strictly from the standpoint of technology transfer and establishing the commercial viability of products and drugs and so on.

Now, that's just starting. The medical research foundation, as you know, has just been in operation for a little over 11 or 12 years, I

believe, and it's taken awhile for them to really concentrate in the area of technology transfer and the marketing and commercial viability of some of the things that are coming out. This particular program is the vehicle for that use, and dollars are being allocated to it in order to ensure that there is a thrust towards commercialization of those opportunities here in Alberta.

11:02

MS MJOLSNES: I take it that there's no direct share of profits back to the fund.

MR. STEWART: Well, when they do give moneys through the medical innovation program, it's tied to it by way of contract that the foundation will participate along with whoever they're entering into contract with. So there is a slice of the action, as it were, back to the fund, yes. They don't just provide grants or something like that. They'll tie it to licensing opportunities or whatever so that whatever the success of a drug or a medical device or whatever, then the medical research foundation will in fact receive a payoff.

MS MJOLSNES: Mr. Chairman, my final supplementary. Now, the minister in his opening remarks talked a bit about the Electronics Test Centre and revenue being generated from there as well through contracts. I'm just wondering if he could please clarify what he meant by that.

MR. STEWART: It undertakes services for companies and charges a fee for those services that relate to testing of products, certification so that they meet certain international standards. To give you some idea, the 1991 contract revenue was \$591,000; four years ago it was \$255,000. The number of projects that it undertook in 1991 was 209 for 91 different clients, international clients in some instances, Alberta clients in some instances. That's the degree of progress it's made in contract revenues.

MR. CHAIRMAN: Thank you.

The Member for Lloydminster, followed by Westlock-Sturgeon.

MR. CHERRY: Thanks, Mr. Chairman, and good morning, gentlemen. I wanted to ask my questions on the individual line service for rural Alberta, which has been -- and you can cut me off, Mr. Chairman -- one of the best programs that rural Alberta has ever seen in the history of this province. I'm not bragging or anything. [interjection] I certainly am not bragging, but it is and has been. You can talk to anyone in rural Alberta and they will certainly say that.

MR. MOORE: Facts are facts.

MR. CHERRY: Facts are facts, yes.

MR. CHAIRMAN: Would you please get to the question? [interjections] Please move to the question, hon. member.

MR. CHERRY: Thank you, Mr. Chairman. You know, we can go back a little further. I just want to say one word about it. We thought it was great when we had the party-line system with two on each side, but when it came to privatization of the individual line service itself -- in other words, to have a private line -- my goodness, people couldn't believe it. I know from where I'm situated, close to the border of Saskatchewan, that they're 20 years behind us. I just wanted to say that.

MR. CHAIRMAN: The Chair must insist that you move to the question.

MR. CHERRY: Right. My question to the minister. Looking at the budget, I notice that there's a \$3 million injection into the ILS program in the 1991-92 budget. I just wonder why that was, when AGT has been privatized.

MR. STEWART: The \$3 million is the figure in the budget in that regard. As I mentioned earlier, the amount that is here does not represent moneys going into AGT, because those payments were completed prior to privatization, but there are certain amounts that are still repayable by way of rebates to subscribers. The \$3 million represents the amount that is required to finalize that. That's why the \$3 million shows in '91-92.

MR. CHERRY: A supplementary, Mr. Chairman. I was wondering also whether the GST would apply to that line service program. Did it come in early enough that they couldn't apply the GST to it?

MR. STEWART: The GST applied to any and all of its normal type of application from the date it came into effect.

MR. CHERRY: Thank you, Mr. Chairman. I just want to get back in later on possibly.

MR. CHAIRMAN: Fine. Thank you.  
Westlock-Sturgeon, followed by Wainwright.

MR. TAYLOR: Thank you, Mr. Chairman, and good morning, everyone. I notice there's a female adviser missing from this department also. Maybe that's one of the reasons the minister's in hot water all the time: he doesn't have female advisers.

MR. CHAIRMAN: Is that your first question?

MR. TAYLOR: The first question is on the GST. I don't think the answer to Lloydminster was quite correct, but maybe you could correct me if the answer was incorrect. My understanding is that the GST is only payable by those rural people that come on the ILS line after a certain date. If the government had connected them before the GST became effective, even though it's time payments, the GST doesn't apply. It only applies to the comparatively recent contracts. Am I correct?

Secondly then, has this government made any representation to the federal government that the later applicants connected to ILS -- because it's strictly not their fault; it's a giant lottery as to who is connected first. There's nothing wrong with that. You can't connect everybody at once. But because these later groups are going to be subjected to GST, has the provincial government made a representation to the federal government that this is unfair?

MR. STEWART: Well, we made our representations with respect to GST in general and, in fact, fought it all the way along through the lawsuits and the whole business.

MR. TAYLOR: This is unfair. You see, they're getting taxed because the government was late in hooking them up.

Okay then. The third thing is: in the interests of equity -- because it's no fault of those that were late coming on ILS, and of course it's a literal impossibility to connect everybody early when they come on



-- why doesn't the government pick up the extra GST cost that these people are going to be faced with because they were hooked up late?

MR. STEWART: Well, it wasn't a matter of being late. I mean, you say it was the government's fault they didn't hook them up before. Well, I just don't buy that, from the standpoint that the program was mammoth and it came in on time and certainly on budget right through. In a variety of services out there that may be otherwise subjected to GST, even going beyond this, you have to draw a line somewhere along the line. The people that come after the imposition of that particular tax are going to pay the brunt, and to ask the taxpayers of Alberta to fund those particular individuals I don't think is appropriate.

MR. CHAIRMAN: Thank you.

Wainwright, followed by Bow Valley.

MR. FISCHER: Thank you, Mr. Chairman. When AGT was privatized, assurance was promised that the rates and service must be reasonable and fair. It seems to me, relating back, that they did apply for a rate increase. We did keep our golden share, I guess you call it, to have a little bit of authority if we didn't think things were reasonable and fair. Could you elaborate on that a little bit? Did we have to intervene when that came along, or were things reasonable and fair?

MR. STEWART: Well, the process of regulation of rates is a public process through the CRTC. It is a process that is extremely thorough. It allows for intervenors, it allows for arguments on both sides, and decisions are ultimately made. I think the very fact that AGT did not succeed totally in its quest for an increase in rates is a very good sign that indeed the public hearing method of the CRTC and the way it operates is effective for the people of Alberta. Yes, we were there. We have made representations throughout the CRTC hearings on behalf of the people of Alberta in order to ensure that the type of fairness in rates and services being available and completely accessible is always there for the people of Alberta. That's a very important policy decision of our government, and we intend to follow through on it.

11:12

MR. FISCHER: Do you foresee any other complications so that we might have to intervene?

MR. STEWART: We will be intervening on any hearings within Alberta that relate to Unitel or any other company endeavouring to move into the long-distance field. You bet we will, because the taxpayers of Alberta have in fact supported and installed a vast network of telecommunications facilities in this province. Anybody that comes in must come in on a fair playing field. So we will be making representations there. We did attend the hearings when Bell and other telecommunications companies were involved in the application process that Unitel had initiated. We will be there at the table and making those representations to ensure that fair playing field.

MR. FISCHER: Thank you.

My other supplementary question has to jump just a little bit, Mr. Chairman, to the ILS. I hope you don't mind. Not quite all of the \$3.296 million that was authorized last year was spent. There's \$9,000 unexpended. Are we going to be spending that money this coming year, or is that returned?

MR. STEWART: It was administrative saving by virtue of the fact that the \$3 million that was authorized was based on the estimate of the amount of rebates and other payments that would still remain to be paid in order to complete the program. It's turned out that not quite that amount was required to actually be expended, so there will be a saving of \$9,000.

MR. MUSGROVE: Mr. Chairman, I was going to ask the question: how much of the infrastructure employed fibre-optic line?

MR. STEWART: I just don't have that information with me here because that is outside the type of investment that the heritage savings trust fund made on the individual line service. There are extensive installations of fibre optic. I'm sure the hon. Member for Westlock-Sturgeon is always very interested in this. The high-traffic areas, of course, are the main areas in which fibre-optic installation has been made. It's an expensive type of installation compared to copper line, but they know that the fibre optic gives them much more capability and through that capability the opportunity for greater revenues. AGT as a private corporation I'm sure will pursue the marketplace and carry out that type of installation in the future because it'll be important in a competitive marketplace.

MR. MUSGROVE: Supplementary. With most things now, research or technology in that type of thing, the price seems to be going down in a lot of those. Is this the same with fibre optics? Is the price still fairly high, or is it being reduced?

MR. STEWART: Well, compared to copper line, of course, it's very costly. Whether or not the actual acquisition and installation of fibre optics is reducing in cost, I really don't know.

UNIDENTIFIED SPEAKER: Yes, it is.

MR. STEWART: It is? Okay. My officials say that it is.

MR. MUSGROVE: Thank you.

MR. CHAIRMAN: The Member for Stony Plain, followed by Edmonton-Meadowlark.

MR. WOLOSHYN: Thank you, Mr. Chairman. I'm back on my old thing. AGT since it was sold -- privatized, whatever -- has had massive layoffs, is going to have more massive layoffs, has just recently shut down a research component of their company and supposedly are going to get the information out of Ottawa so that there isn't duplication. I, quite frankly, see some rather dark clouds on the horizon even in the fact that they're not even a year into the business and they tried to get a rate increase. You well know that the profits they were making were one of the big reasons they withdrew their application, and perhaps the government's involvement was good or not.

However, we're getting back to the individual line service. I find it very strange that moneys out of the heritage trust fund are not being directly recovered to the fund. Through fancy bookkeeping \$223 million has been transferred into the assets of AGT and disappeared. The question that I would ask: for a good number of people about 25 percent of the cost was set over a 20-year period; who receives the repayment on the loans to the individual farmers who chose to go on the repayment plan?

MR. STEWART: Who receives the . . .

MR. WOLOSHTYN: The farmers who are having the finance plan for their individual line service are paying money back over a 20-year period, I believe it is. Who gets the repayments?

MR. STEWART: All the cost is up front with respect to that. They're really just paying their 25 percent cost back. The heritage savings trust fund has \$221 million, and that was its investment in the whole program. No further moneys would be payable by the heritage savings trust fund at all.

MR. WOLOSHTYN: I appreciate that the \$221 million paid the cost of the individual line service totally. That's what the fund did. As a part of that, some money is coming back -- it should be to the fund -- over a 20-year period. My question is: how much of that, and is it coming back directly into the fund?

MR. STEWART: No, it is not. The investment of \$221 million is much the same as an investment in the irrigation systems of our province to upgrade and to provide an infrastructure of support. That was an investment of the heritage savings trust fund. So that's the investment that's out there, and it wasn't made on the basis of getting a day-to-day return.

MR. WOLOSHTYN: I can appreciate that, Mr. Minister. However, those lines are in and paid for and transferred to Telus.

MR. STEWART: That's right.

MR. WOLOSHTYN: There's 25 percent of that cost, more or less, still outstanding somewhere, and it is being repaid. Does that money go to Telus? Does it go to the general revenue fund? Does it go to the heritage fund? If it is going to Telus, then I would like to know how in the world they are getting a free grant of a quarter of a billion dollars from the heritage savings trust fund plus a 20-year payment back from individual line service users.

MR. STEWART: Well, any investment that is made in that that would accrue to the assets of Telus was reflected in the privatization. Whatever the value of AGT assets were, the government of Alberta -- most of which was the heritage savings trust fund -- received an equal number of shares to represent whatever that asset value was, and then the shares were subsequently sold to the public. Whatever increase was attributable through the ILS by way of assets to AGT was fully taken into account in the valuation of the shares that were received. So the taxpayer is not out in that regard. As far as the general investment, it was anticipated that it was an investment in the infrastructural support for telecommunications in the province.

MR. WOLOSHTYN: Just a comment.

MR. CHAIRMAN: Hon. member.

MR. WOLOSHTYN: I just want to comment, please; you've given others four.

MR. CHAIRMAN: You really have expended your questions.

MR. WOLOSHTYN: Well, I would just like to say . . .

MR. CHAIRMAN: You can't ask another question.

MR. WOLOSHTYN: Okay; I'll come back. Put me on the list, please.

MR. CHAIRMAN: Thank you.  
Edmonton-Meadowlark.

11:22

MR. MITCHELL: The minister underlined that through the Telus offering there was a capital gain to the provincial government of \$190 million. I wonder how much the value of that offering was diminished by the amount of money invested by AGT in NovAtel between 1983 and 1990 and lost.

MR. STEWART: Well, if the hon. member wants to take into account the losses of NovAtel that did not impact on the budgetary situation of this province and were paid for by AGT, then in all fairness he should consider the total revenues of AGT. If he wants to deem the losses as losses to taxpayers, then he should deem the revenues of AGT as assets to the taxpayers.

The Auditor General has had full opportunity to examine every cost to the taxpayer. He has made a categorical statement in there -- and I can give you the page number -- that \$566 million that we put out there was the cost to taxpayers. If you want a direct quote, I can certainly provide it to you.

MR. CHAIRMAN: Supplementary question.

MR. MITCHELL: The direct quote would say up to \$610 million, Mr. Chairman.

I didn't ask Donald Salmon what questions to ask in that investigation. I didn't tell him what questions to ask. We weren't consulted on what questions Mr. Salmon asked. I have a question that I want answered, and that is: what amount of money did AGT invest, of public funds, in NovAtel between 1983 and 1990? If the minister can't tell us that today, which is amazing to me, would he please make the commitment to write to me, write to the members of this committee with an evaluation of how much money that was?

MR. STEWART: The audited annual statements for AGT have been available. They are tabled in this House on a regular basis. The bottom-line losses are obvious; you know what those figures are. The total investment, Mr. Keech may want to respond more fully.

MR. KEECH: Maybe I can just simplify the question. The AGT Commission investment in NovAtel at the end of 1990 was recorded at \$62.9 million in the public accounts. Perhaps that's the number you were looking for. That's what AGT carried their investment in NovAtel at in 1990. Subsequent to that, and I think included in the figures that the Auditor General indicated, there were then losses in the next couple of years.

MR. MITCHELL: I appreciate the effort at clarifying the question, but what they carried their investment on the books at, the value of \$62 million, and what they in fact had invested and written down are in my estimation and my understanding two completely different things. The fact is that AGT invested considerably more than \$62 million. They must have, because they paid Nova Corporation \$42 million for 50 percent of the firm, which would infer that at least the firm was worth \$84 million. What I want to have is a figure. If the minister and his staff can't give us that figure today -- and he can say that I can look at the audited financial reports, but of course NovAtel was consolidated, and you can pick through the notes, but you can't find the figures. I would like to have a figure, just a figure that says

how much money, how many cheques AGT wrote for NovAtel. What did it add up to by the time they sold this in 1990? Just give it to us, or send it to us in a couple of weeks.

MR. STEWART: Those payments were made by AGT Commission. They were not figures that entered into any budget matter that related to the GRF of the province. They did not come out of the taxpayers' money.

MR. MITCHELL: They did.

MR. STEWART: They came out of subscribers' moneys and revenues. As I say to the hon. member, if you want to get hung up with respect to the deemed losses or costs, then you'd better take into account the deemed revenues on the other side of the ledger. That's the only fair way in which you can look at it: the way in which AGT Commission was established and carried out its operations.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you. I'd like to go back to the ILS. The member mentioned that it was a mammoth project; that's certain. But if the government had had the gumption to fight your brothers in Ottawa, you could have gone after them with the fact that all the rural people in fact had a contract to get the independent line service. Just because it was after a certain date that they arrived at that area to install it -- and as I quite readily admit, it's a mammoth project -- it's the government's fault that these people are paying GST today. Because it is the government's fault, I find it very difficult to understand why the government didn't make a representation to the federal government that in fact all these contracts were agreed to before the GST came in.

MR. STEWART: Well, I bow to the hon. member's legal judgment with respect to the arguments that might have succeeded. I can say that, as he well knows, this government was very, very strong in its representations against the GST and took those matters to court. The court in its judgment did not see that the arguments were of merit in the final analysis. The GST was not the fault of this government, as you put it. It did come into existence, and to the extent of its application under its normal rules of operation on that tax, certain people were hit and others were not. That is the situation on a whole variety of services that are provided over a period of time by government and others. That's not one that we plan to make any further representations on or one that we intend to make any reimbursement on to those individuals.

MR. TAYLOR: Well, it's rather debatable whether or not you're at fault for the federal government, especially when you campaigned back and forth across this province that they should be elected. I just find it hard to understand why -- this is a technical thing -- rural people are stuck with paying GST because we didn't go to bat for the fact that the contract would have been implied before we installed it.

MR. CHAIRMAN: Is that a question?

MR. TAYLOR: That's my comment; okay. Unlike the member, I sneak it in in the middle.

The second question, then, is with respect to ILS also. As the Member for Stony Plain so well pointed out, the rural share of ILS can be financed over a period of time. Who advances the money to

Telus over that time while they're waiting for the money to come back? Where does the money come from?

MR. STEWART: Telus paid for it up front and receives it on a month-to-month basis.

MR. TAYLOR: This is an elaboration on the clarification. You're saying that Telus is the one that gets the finance charges.

MR. STEWART: What finance charges are there with respect to -- you mean on the benefit to the individual subscriber?

MR. TAYLOR: Yes.

MR. STEWART: The individual subscriber pays \$5 a month for 20 years, so Telus just has to wait for those moneys to flow in. It paid its moneys up front. It paid 25 percent of the costs, in effect, and then passes that on to the subscribers through either the collection over a period of time or, alternatively, the lump sum payment.

MR. TAYLOR: This question completely switches gears. I don't want to throw him off, but I'm sure his researchers will get him out. The minister is responsible for the Alberta Heritage Foundation for Medical Research endowment fund. We have examined already before this committee and brought up the question of bioethics. Now, after somebody's been involved with NovAtel I don't want to get you into bioethics; that will really get you into trouble. The point is this: would the minister tell us whether there's been any discussion with his advisers -- which one handles the Alberta heritage medical research endowment fund? -- as to whether or not that foundation couldn't be expanded to do some research into the whole field of bioethics.

11:32

MR. STEWART: Well, the medical research foundation, if you look at its Act, is established very much on the basis that the department has no involvement other than to be sort of a reporting type of mechanism. It has its own foundation board. In addition to that and more importantly, it has a board of advisers who review all research projects on which there have been application, and that board is made up of peers, researchers who can assess, as they should assess, each and every application for funding that comes before the medical research foundation. So it's not politicians that are getting involved in determining what sort of research project should be undertaken; it's peers that are able to make those decisions much more appropriately.

MR. CHAIRMAN: Thank you.

The Member for Athabasca-Lac La Biche.

MR. CARDINAL: Thank you, Mr. Chairman. I'm pleased to be here also, and I'd like to commend the department for the completion of the individual line service. That's very, very important for the rural and northern Albertans I represent. The individual line service now allows rural communities to call their nearest major centre, which the Liberals call rinky-dink towns, but that's okay.

I cover close to 50 percent of the summer cottages in my constituency, and I know that the cottage owners had a concern, because their use of telephones is only on a seasonal or part-time basis, that they had to take the individual line service and pay the cost. Could the minister advise why this happened, or could there have been a change?

MR. STEWART: Yes. I appreciate the hon. member's question. Indeed, summer cottage owners did pay the same sort of payment with respect to the installation of their private lines as anybody else, regardless of the fact that perhaps their usage might be less. That was because the Alberta Public Utilities Board established an order that in fact made the individual line service mandatory. That was done on the basis that the only way in which it could be done effectively from a cost standpoint was to have a universal type of treatment. So that decision was made after public hearings, and it was made by the Public Utilities Board of the day.

MR. CARDINAL: Thank you.

I have also a question and I have a similar concern, as the Liberal caucus does, on the GST cost, Mr. Chairman. For an example, if the Liberals under the national energy program hadn't siphoned \$65 billion from Alberta, would the GST be as high today or be higher?

MR. STEWART: You don't think I'm going to answer that, do you?

MR. CHAIRMAN: I don't know if the question applies. Do you have a supplementary?

The Member for Stony Plain.

MR. WOLOSHYN: Thank you. Getting back to the lost lines, I do endorse the concept of individual line service. However, we're speaking specifically of the effect on the heritage savings trust fund. In view of the very good deemed revenues picture that you were referring to in your responses to the Member for Edmonton-Meadowlark, could you tell me why that \$221 million was taken as a gift to AGT at the time as opposed to floating an addition debenture? In other words, if we had floated an additional debenture, the ledger would have been very clean. It would've been quite clear how much was owed to the heritage savings trust fund.

MR. STEWART: What you're suggesting, in effect, is that AGT should have paid for a hundred percent of the individual line service. Well, it was a government decision of the day that this particular program was of such benefit to Albertans across Alberta, that to ensure that each and every one of them had access to individual lines and the services that would flow from that, they said that it was a government program and the government would pay three-quarters of the cost. AGT was a contractor. AGT was engaged to undertake the program, and they were paid the moneys to carry out the program and install it. To the extent that then added to the infrastructure of the assets of AGT, that was represented by the shares that came back to the government at fair market value. So as I said before, whatever appreciation came to AGT as a result of all of this, the taxpayers received that in a different form but did receive it.

MR. WOLOSHYN: I have difficulty in your mathematics. On the one hand, the government's going to do it for the love of the people, and then you give it away to privatize for the love of the company. Fine.

MR. STEWART: You're not listening to me on that.

MR. WOLOSHYN: I'm listening very clearly to you.

MR. CHAIRMAN: Let's deal with the question.

MR. WOLOSHYN: The question is this then. On \$1.2 billion advanced through debentures, we received \$190 million, which isn't a very good return but is a return, at any rate, given the totals. Would you now say that that \$221 million that has been donated for whatever reasons into the process is no longer existent as a deemed asset for the heritage savings trust fund and should be removed from it or, in other words, written off?

MR. STEWART: The only assets that the heritage savings trust fund had in AGT at the time of the privatization were debentures of approximately \$1 billion, face value. The heritage savings trust fund received \$190 million capital gain, plus received interest on those debentures throughout the period of their existence until such time as they were converted to shares. So on the contrary, I would suggest to you that from a heritage savings standpoint the investment in those debentures paid handsomely.

MR. WOLOSHYN: My final supplementary then. We will grant you your funny mathematics. I don't know how you write off \$220 million, but fine, you got it. It's Thursday. In view of the extensive investment in setting up this individual line infrastructure, which I quite frankly support totally -- it's just the dollars, how they flow, that bother me -- are there any ironclad guarantees that new subscribers of new lines will be getting relatively the same kind of treatment from Telus in the future?

MR. STEWART: By way of installation of private lines?

MR. WOLOSHYN: On the top cost of the installation.

MR. STEWART: They will receive a private line installation, you bet.

MR. WOLOSHYN: At 25 percent of the cost?

MR. STEWART: Oh, no. That program was to take all existing lines. So anybody that comes into a new home and wants to hook up a phone, you're suggesting that perhaps the government should pay three-quarters of it?

MR. WOLOSHYN: Telus should. They've got a deemed revenue base.

MR. STEWART: I guess I didn't understand your question.

MR. PAYNE: Mr. Chairman, I'd like to certainly compliment the minister for his cerebral agility this morning and would ask him once again to shift from ILS to the Alberta Heritage Foundation for Medical Research. Other members of this committee have addressed to members of that foundation the significant question as to commercialization of research. It has been the experience of similar foundations and other academic institutions undertaking medical research that from time to time discoveries are made that have significant commercial implications or applications. I'd like to ask the minister today: has he given any policy direction or does he have a policy perspective with respect to that issue? That is, when such research is commercialized and revenues result, would those in his view be more properly directed to the general revenue fund of the government or more properly back to the account of the foundation?

11:42

MR. STEWART: Well, I think you would see that with a foundation which makes those sorts of investments and receives a piece of the action, as it were, the revenues come back to the foundation. Just because of the erosion of the endowment fund over time, they require those moneys in order to ensure that the foundation will subsist for the future.

Insofar as a policy, I think we can go better than a policy. We went directly to action. Recently we established for the first time in Canada a pharmaceutical showcase, at which time we brought together directly, face to face, all of those researchers that had projects and opportunities for commercialization. We brought them together with all of the major international pharmacy companies; all of the biggies were there. It had never happened before, and there were three or four days in which papers were presented. They had an opportunity to meet face to face and discuss opportunities with the pharmaceutical companies. We know from that that there are a number of areas which will develop, and we're very encouraged by the initial reaction from that very successful showcase. That's an action that I think speaks of our policy. The policy is obviously that, wherever possible, if there are opportunities to commercialize on this, they be done here and that Albertans receive the benefit of that.

MR. PAYNE: Mr. Chairman, my supplemental question flows from the question on bioethics raised earlier today by the Member for Westlock-Sturgeon, and it has to do with the so-called death with dignity issue. That, of course, is the issue whereby the patient's choice over such things as life-support devices and pain control would prevail over the choice of the attending physician or the choice of a hospital ethics committee, for example. I'm wondering: has the minister requested or would he consider at some point requesting the Alberta Heritage Foundation for Medical Research to provide this kind of bioethical advice that is obviously so timely and so current?

MR. STEWART: I certainly concur with the importance of those sorts of considerations being fully examined and, wherever possible, the foundation getting involved with those very important issues. To answer the member's question directly, no, I have not given any explicit direction in that regard, basically because the foundation is established on the basis that it will make its decisions by the route of its own board and trustees as well as their advisory group of peers that deal with the various allocations of money for a variety of projects and issues that are on their table. I don't want to bring political influence to that, notwithstanding the fact that I concur with the hon. member's representation about the importance of these issues.

MR. PAYNE: I'm wondering, Mr. Chairman, if I could ask the minister to make a comparative judgment. That is to say, is he satisfied that the Alberta Heritage Foundation for Medical Research would be in fact qualified to provide advice in this area as opposed to, say, advisory groups in other places?

MR. STEWART: The answer to the hon. member's question is yes, and I think we will see the medical research foundation extend itself in a variety of new areas, not just in straight research to determine diagnosis and treatment of disease and so on but things that were predicated upon The Rainbow Report, things that relate to wellness, things that relate to the ethical issues that you've raised. I think you will see the foundation move in a number of different directions along that line.

MR. PAYNE: Thank you, Mr. Chairman.

MR. CHAIRMAN: The Member for Edmonton-Meadowlark, followed by Ponoka-Rimbey.

MR. MITCHELL: Thank you, Mr. Chairman. I just want to pursue the issue of AGT's investment in NovAtel again. I wonder whether the minister could make a definite yes or no to my question. Will he investigate that question -- that is, the amount that was invested between '83 and '90 by AGT in NovAtel -- and will he report back to the committee members within, say, a two-week period?

MR. STEWART: I do not have those figures. I do not have access to those figures. At the time of privatization all of the records of AGT of course became the property, as part of the assets of AGT, of Telus in the private sector. So the answer is no.

MR. MITCHELL: On page 38 of the Alberta heritage savings trust fund report under the Alberta Heritage Foundation for Medical Research endowment fund it's indicated that

an aggressive technology transfer program is beginning to translate medical research into successful commercial ventures.

I wonder whether the minister has and could provide specific data indicating exactly which commercial ventures have been established, what exactly the returns are from each of those ventures, and to whom those returns are being paid.

MR. STEWART: Well, as I indicated earlier, Mr. Chairman, the medical innovation program, which is what is being referred to there as the technology transfer element of the foundation, is virtually just getting under way. I would be glad to provide more detail to the committee in writing as to examples of how that is operating. I cited one example a little earlier, but I would be glad to get other examples for the hon. member and for the committee as a whole.

MR. MITCHELL: Thank you.

I'd like to pursue that one step further. In meeting with the Alberta Heritage Foundation for Medical Research staff, and senior staff of course, when asked what they are doing about ensuring that the commercial enterprise spin-off actually occurs in Alberta, it was my impression that they're not doing too much, that maybe they can't do too much to ensure that, but the minister said earlier in an answer to a question that he wanted to see that these things were done in Alberta. If the foundation itself doesn't really have a focus on that, and that's understandable, who is involved in that technology transfer process to ensure that the greatest results are achieved specifically for Alberta, to ensure that when some plant is built to produce the drug that was discovered here, it's not built in Ontario but is built here?

MR. STEWART: Well, it's a good question because the matter of commercialization is very, very important. I mean, while the quality of life aspect and so on is obviously very important, the commercialization wherever possible is equally as important as far as I'm concerned. That's why the medical innovation program was recently established in order to try to pursue that.

Now, the avenues by which that can happen: one I gave as an example was the pharmaceutical showcase that we recently had. There are other opportunities for commercialization. One of the difficulties, though, is the matter of funding, risk funds being available. At the present time we as a department, and certainly in conjunction with the medical research foundation, are examining

several options that we feel could lead to the development of risk dollars being available from the private sector, encouragement from the private sector, in order to undertake commercialization. I would hope that those particular efforts are going to bear fruit in the not too distant future.

MR. CHAIRMAN: Thank you.

The Member for Ponoka-Rimbey, followed by Lacombe.

11:52

MR. JONSON: Yes, Mr. Chairman. I'd like to pursue two or three questions with respect to the whole nature of foundations and specifically the Heritage Foundation for Medical Research. I'd just like to make one introductory comment, and that is that my understanding of the whole basis for a foundation is that there's an allocation of money made, and those put in charge of running that foundation should be giving first priority to maintaining the value of their fund and then, once that is addressed, working from there in developing their programs and utilizing their income. Now, we have a number of foundations operating in government, and they seem to operate under different approaches with respect to the initial principle that I mentioned. In the heritage savings trust fund we have the scholarship program, where that fund seems to have been well proofed against the ravages of inflation. In fact, it has increased in value, and they're operating their programs quite capably. However, when it comes to the medical research foundation, we have regularly had a presentation, part of which is that they're losing ground to inflation. Doesn't the legislation or at least the regulations they're under require them to give priority to protecting the value of their fund?

MR. STEWART: I believe they are in fact protecting the value of the fund. The value of the fund right now in 1991 dollars I think is in the neighbourhood of about \$550 million. The original endowment was \$300 million. But what it's doing, insofar as your concern, is that by giving that priority to maintaining the fund, they feel they will have to cut back in respect to the type of research investment that they think is appropriate and for which opportunities exist. So I believe they are giving priority to the preservation of the fund, but their problem is: look, we could do so much more if you were to provide a further lump sum endowment to the foundation. That's an important representation for them to make. At the same time, we have the Foundation for Nursing Research, who are not funded by way of endowment but would like to move in that direction in order to ensure that moneys for their very important research projects will be available to them for an indefinite period of time and not subject to the ups and downs of the financial circumstances of the province.

MR. JONSON: Well, would it be correct to say through you, Mr. Chairman, that the minister's interpretation is that the foundation is asking us to inflation-proof their budget?

MR. STEWART: They want to ensure that the inflation aspect is taken care of and that at the same time they are able to meet the demand and indeed the need for the type of research investment that is appropriate. So there are two areas to pursue, but they are preserving that fund.

MR. JONSON: Okay. Thank you.

MR. CHAIRMAN: The Member for Lacombe.

MR. MOORE: Thank you, Mr. Chairman. I've always had a concern about the Electronics Test Centre. It serves the private sector and serves it well, evidently. Up to last year it has operated at a deficit. I'd like to know if it's still operating at a deficit or if it's at a break-even point with what the private sector pays in to do work for them.

MR. STEWART: The Electronics Test Centre has operating costs currently -- this is '92-93 -- of about \$1.6 million. As I indicated to you earlier, the contract revenue for this current year is \$591,000, close to \$600,000. So it's at the present time only recovering about 38 to 40 percent of its operating costs. Now, as I said before, in the last five years it has doubled that contract revenue, but it has a ways to go. It's going to have to continue its efforts to try to achieve a greater degree of private-sector revenue over a period of time, and hopefully they will be able to do that with the increasing recognition they are now getting on an international basis.

MR. MOORE: Mr. Chairman, hopefully, it will get to the point where it can be privatized back and the industry carry their own load and we can recover some of that money back into the heritage trust fund.

I have other supplementals here, but because of the time, Mr. Chairman, and because the minister's door is always open, I can approach him and get the answers to my questions anytime. I would therefore . . .

MR. CHAIRMAN: Hon. member, please don't move adjournment. The Chair has some business to conduct.

MR. MOORE: I will move adjournment as soon as you have your input.

MR. CHAIRMAN: Thank you.

Thank you to the minister and to his department people that accompanied him for appearing before us and for the information that you imparted to our committee.

The Chair did say at the beginning of the meeting that he would allow an additional opportunity at the end of the meeting if there were other recommendations to be read in. Prior to hearing them, let me make you aware that recommendations for the minister who appeared before us today could appropriately be made available to the committee by noon next Tuesday, to our committee clerk. The Chair has told you earlier that we will be advising you on someone appearing before the committee from the Department of the Environment as quickly as we can finalize that. The legislative clerk will circulate a copy of the recommendations that have been submitted so that you can prepare for the days of debate on them. Those dates are in your binder, so you have been advised of them.

MR. TAYLOR: Is the deadline 4:30 today?

MR. CHAIRMAN: No, at the close of this meeting I believe was the understanding of the Chair. If that's not correct . . .

SOME HON. MEMBERS: Correct.

MR. CHAIRMAN: Does the Member for Edmonton-Meadowlark have a question?

MR. MITCHELL: I have some recommendations to read in.

MR. CHAIRMAN: Oh, thank you. Hon. member, is it a long list? If it is, we can just submit them.

MR. MITCHELL: It's very short.

MR. CHAIRMAN: Very short? All right.

Member for Ponoka-Rimbey, did you have a recommendation?

MR. JONSON: Not at this time.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Sorry. If I may, I'd ask permission of the Chair. I left mine to be typed, but I thought as long as it was delivered over in the afternoon, it was all right. I didn't realize it was by the close of -- I thought it was by 4 o'clock this afternoon, because we were originally going to do morning and afternoon, remember? Is that all right?

MR. CHAIRMAN: Is it all right with the committee, in view of the fact that the hon. member had the understanding earlier on that we would be sitting this afternoon, if he submits his recommendations by 2 o'clock this afternoon to the legislative clerk? The Chair gathers that that would be acceptable.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: That's fine. If the member needs till 4 o'clock, it will be acceptable.

The Member for Edmonton-Meadowlark, if you'd like to read yours into the record.

MR. MITCHELL: I have two resolutions of recommendations as follows, Mr. Chairman. My first one:

That the Alberta heritage savings trust fund be liquidated in order to pay down the Alberta government's debt.

My second one:

That the Minister of Technology, Research and Telecommunications be required to report to the Standing Committee on the Alberta Heritage Savings Trust Fund Act the amount of money invested by Alberta Government Telephones in NovAtel between 1983 and 1990 inclusive.

MR. CHAIRMAN: Thank you.

Are there any others? Thank you.

The Chair would accept a motion for adjournment from Stony Plain. All those in favour? The committee stands adjourned.

[The committee adjourned at 12:01 p.m.]

