

8:30 a.m.

Wednesday, April 12, 1995

[Chairman: Mrs. Abdurahman]

THE CHAIRMAN: At this time I'd like to call us to order. Before we have approval of the agenda, I want to extend a very warm welcome to Public Accounts to the hon. Premier Klein. For everyone who is in attendance this morning, this indeed is an historic occasion. We have researched back to 1979, and until this point in time a Premier of the province of Alberta had not appeared before Public Accounts. We wish to share that with all the members this morning. So thank you, Premier Klein, for being in attendance.

We also have a very distinguished guest in the public gallery. This guest is extremely well known in the city of Calgary and to a member of the Auditor General's staff, indeed the Auditor General himself, and that's Ms Peggy Valentine, who is the chair of the Calgary public school board. I'd ask you, Peggy, if you'd like to stand and be recognized by the Assembly.

I'd also indicated that I would ask our Auditor General to share a few things about Peggy with Public Accounts.

MR. VALENTINE: Thank you, Madam Chairman. Just one brief comment. Since I became involved in seeking this job and then having been appointed to the position, she has constantly reminded me that in the 33 years of our marriage I have never been able to audit her bank account.

THE CHAIRMAN: Thank you very much.

I'd now like to go back to the agenda and ask for approval of the agenda, please, at this time. Moved by Sine Chadi. All in favour? Against? It's carried unanimously.

Approval of the minutes of the April 5, 1995, committee meeting. Could I have a motion to accept them? Moved by Nick Taylor. All in favour? Against? It's carried unanimously.

Once again, I'd like to acknowledge the presence of the Hon. Ralph Klein, president of the Executive Council and Minister of Economic Development and Tourism. You will note, please, the memorandum that went out to all members of the Public Accounts Committee pointing out the scope of questions that can be asked this morning and identifying the other areas where appropriate ministers will answer those questions.

At this time I would ask the hon. Premier if he would like to introduce his staff, and also opening comments, please.

MR. KLEIN: Thank you very much, Madam Chairman and members of the committee. It's my privilege and pleasure to appear before the Standing Committee on Public Accounts this morning. I'm here today, as the chairman pointed out, on behalf of the organizations for which I am responsible, namely Executive Council, which includes my office and general administration for both Executive Council and the Lieutenant Governor's office. With me today is my deputy minister, Vance MacNichol; northern development, represented by its council chairman, Mr. Wayne Jacques; the personnel administration office, represented by Jim Dixon, who is the Public Service Commissioner; and the Public Affairs Bureau, represented by the bureau's managing director, Gerry Bourdeau. Also here today is Lorne Taylor, who is chairman of the Alberta Research Council; and of course we have the Hon. Murray Smith, who is the minister responsible for Economic Development and Tourism. Murray will introduce his delegation later on when he makes his remarks.

No doubt you will have specific questions in each of these areas, but I'm going to focus my opening comments on our overall work

as a government. Our job is to be as open, accountable, and fiscally responsible a government that we possibly can be, a government that gives Albertans the best services possible and the most value for their tax dollar. Albertans told us that they wanted us to be more accountable, and that's why we're bringing a more businesslike approach to government in a number of ways. Quarterly financial reports and annual consolidated financial statements give Albertans relevant, comprehensive, and timely details about the state of our finances. Three-year business plans set out the core areas of concern for each department and concrete ways in which their efforts will benefit Albertans. An emerging system of performance measures for each department will give Albertans a crystal-clear picture of whether government is measuring up to its predetermined benchmarks. A new, streamlined, and more open committee structure gives grassroots MLAs and, through them, all Albertans more information and more influence in conducting the business of government. Madam Chairman, all of this is a good start, but hopefully it will get even better.

Albertans are well served by the office of the Auditor General, and I'm so very pleased to see the new Auditor General with us here today, along with his good wife, Peggy. I'm sure he will do a much better job in examining the government's books than he will his own bank account. His job, of course, is to ensure that our government maintains the highest standards of financial prudence, openness, and accountability to the people we serve. The Auditor General's report for 1993-1994 confirms that we've made progress in the last year and that we're taking concrete steps toward more openness and accountability to Albertans. Perhaps the strongest message that comes through is the need to give Albertans clear information they can use to compare the costs of government programs and services and the benefits. The Auditor General compared this kind of performance measure to the concept of net profit and loss in the private sector; in other words, the bottom line. The government of Alberta shares his views on improving the way we look after our finances, and we remain firmly committed to a fundamental restructuring that will result in all government organizations doing five key things: setting clear objectives, developing effective strategies to meet those objectives, measuring their performance, improving their service to Albertans, and fulfilling their legislative commitment to streamline and cut costs.

At the heart of these goals are the three-year business plans in our efforts to measure performance. This past December we released an interim report on measuring performance, and it sets out a detailed list of goals in four areas of concern for government and for each department. We also included information on social and economic trends in our province to give people details about the quality of life in this province, and we included a questionnaire so Albertans can tell us what kind of information they feel they need to determine how we are doing. We will release our first annual report on performance measurement this June.

The Auditor General's report for 1993-1994 makes 32 recommendations on a wide variety of subjects, such as preparing detailed financial statements for each department, becoming more accountable for lottery funds, and reporting on the performance of school boards and other jurisdictions that receive government funding. Our government has accepted 31 of those 32 recommendations. The only one we haven't been able to deal with at this particular time deals with developing a policy to identify and record the province's environmental liabilities, and we'll consider that recommendation further as we develop generally accepted accounting principles on recording those liabilities. The Auditor General's recommendations give us some good guidance on how

to improve openness and accountability in government, and as a result of accepting them, we'll see things like three-year education and business plans for school boards, reports on the cost of health services funded by the province and delivered by the regional health authorities, and the more efficient use of government office space.

That, Madam Chairman, is an outline of where we are heading in terms of improving the openness and accountability of government in Alberta. I am proud of our employees for their initiative, hard work, and ideas. Their efforts are making a tremendous difference. They are proving that there really is a better way to serve Albertans in the long term.

That's all I have to say at this point, Madam Chairman. I'd be pleased to answer any questions after I turn the floor over to the Hon. Murray Smith.

THE CHAIRMAN: The Hon. Murray Smith.

MR. SMITH: Thank you, Madam Chairman and Mr. Auditor General and members of the select standing committee. Thank you for the opportunity to be here. I'd like to make a few opening comments, reporting on Economic Development and Tourism's activities for the 1993-94 fiscal year.

What the Premier has outlined is exactly the approach we're taking in the Department of Economic Development and Tourism. There was a time when government was in the direct economic development business, and the old policy was that if the economy needed to be diversified, government should do it. If major businesses were having trouble . . . [interjection] Oh, I'm sorry. Thank you.

8:40

THE CHAIRMAN: I was going to let it go until after you'd done your introductory comments.

MR. SMITH: Well, this being my first appearance and following the approach, I should just stop for a second, Madam Chairman, and introduce the people who are with me today. Second to the right is Al Craig, the Deputy Minister of Economic Development and Tourism; on my immediate right is Peter Crerar, assistant deputy minister, financial services; and behind me is Brian Williams, assistant deputy minister, business finance.

THE CHAIRMAN: Thank you.

MR. SMITH: Thank you.

As I was saying, Madam Chairman, the days of direct government intervention in the economy are over. This was reflected in the '93-94 public accounts as Economic Development and Tourism focused on the orderly windup of the government's loan and loan guarantee portfolio. We are getting out of direct intervention and working to protect the taxpayers' investment while we do so. That's why when we developed our new strategy, Seizing Opportunity: Alberta's New Economic Development Strategy, it was on the premise that government has a role to play in encouraging economic growth, a role as a facilitator or an accelerator with industry rather than directly intervening in the economy. As I'm fond of saying often, our job is to in fact steer, and the private sector's and business community's job is to row the boat. The strategy says that government will create an environment that opens the doors but businesses will be the ones that close the deals. Governments will not be the economic driver; alliances will be industry led and market driven.

Building and maintaining a competitive economy, Madam Chairman, requires commitment on the part of all sectors, public and private. At the Department of Economic Development and Tourism, much of what is being done is based on working together, maintaining and striking strategic partnerships with industry and communities. With the advent and development of the Alberta Economic Development Authority, we're working with the private sector to generate wealth and jobs and strengthen our position in the world marketplace. Alberta, with a relatively small population of 2.7 million people, has a desperate need to expand her presence on the international stage. In fact, for every \$1 billion in exports generated from this province, some 15,000 new jobs are created. It's very clear that the future of Alberta lies in the export sector.

I'll just take this opportunity to touch on some Economic Development and Tourism key activities during the 1993-94 fiscal year. In '93-94 we saw a greater integration of the department and also the launch of the three-year budget planning process. There was a 20 percent, \$37 million expenditure reduction over the previous fiscal year.

Most of the program delivery elements of the department are found in program 2 of the public accounts. Small business and tourism development provided specialized assistance in terms of counseling, information, publications to small business, the tourism industry, communities, and the public.

Industry technology and research, now known as industry, forestry, and technology development, supported private-sector growth with a team of industry development representatives. These representatives sought to form partnerships between various businesses and industry sectors, Alberta communities, other departments, and all levels of government. Tourism, trade, and investment assisted the business community in expanding trade through our foreign offices, co-ordinated the participation of Alberta companies at national and international trade fairs and shows, and provided assistance to foreign trade missions.

Policy development provided policy analysis, development co-ordination, research, and strategy in the areas of business development, diversification, investment and trade. Another part of their role included assessing the possible future directions of a global economy and the effect these trends could have on the Alberta economy.

Business finance worked on the development, implementation, and administration of business development and diversification incentives. They monitored loans, investments, and guarantees to ensure terms and conditions were met and that taxpayer dollars were protected while government worked its way out of loans and loan guarantees made in the past.

The Alberta Tourism Education Council, or ATEC, founded a program for and played a lead role in developing standards and certification programs for occupations within the tourism hospitality industry. ATEC has also delivered training programs related to attitude and awareness such as the Alberta Best initiative. In fact, Madam Chairman, they trained all the volunteer waiters and staff at the Junior Achievement dinner in Edmonton where President Bush spoke last month. This program is being privatized this year and is moving full steam into the private sector.

The operating grant for the Alberta Opportunity Company was provided under program 7. The company's objective is to promote the growth and diversification of the provincial economy by providing funding assistance to small and medium-sized businesses. Efforts continue to promote economic development through the application of scientific and engineering expertise and technology via program 8, funding support, the Alberta Research Council. In 1993-94 we saw the transfer of infrastructure works, program 6,

and lotteries, gaming, and racing, programs 9, 10, and 11, to other ministries.

Economic Development and Tourism administered a vast range of programs in the '93-94 fiscal year, all aimed at working with the business community to help it strengthen and diversify Alberta's economy, a mandate the department and the entire government still take very seriously today. Economic development has changed. The business plan, Madam Chairman, is focusing on emphasizing Alberta's economic attributes, enhancing business infrastructure and growth, and supporting the private sector's role as the primary generator of jobs and wealth. The three-year business plan has established three core businesses: investment and industry strategy, trade development and export sales strategy, and business infrastructure. The business plan also incorporates performance measures to see how effective the strategy really is. Targets are the creation of 110,000 jobs by 1997 by the private sector, exports of \$25.2 billion annually by 1997, annual tourism receipts of \$3.9 billion by '97, and an investment of \$12 billion annually in the private-sector nonenergy dollars by 1997.

These plans, Madam Chairman, are to motivate throughout upcoming years a favourable investment climate dependent on fair taxation and deregulation. I know everybody has read the new three-year business plan, and I won't spend any more time on that because I know you wish to examine the past in detail. So I would like to say that the new business plan is one that's entrepreneurial, performance based, and certainly accountable.

Thank you.

THE CHAIRMAN: Thank you, hon. Mr. Smith.

Before we go into questions, I want to acknowledge at this time the presence of the Assistant Auditor General, Mike Morgan. Good morning once again.

The first question, Gary Friedel.

MR. FRIEDEL: Good morning, Madam Chairman, the Premier, and fellow guests on the hot seat this morning. As you all know, there is one guest on that side who normally sits on this side. Lorne Taylor, the chair of the Alberta Research Council, normally sits as a member of this committee. Lorne is known for his rather subtle and unobtrusive style of questioning. He asked me yesterday not to be too tough on him, so I said there probably wouldn't even be any questions. Lorne, I don't know how to break this to you. Actually, it's for your own good, because I think maybe you need to know what it's like to be on the other side once in a while.

Seriously, in public accounts, volume 3, page 95 – I'll give you a second to get there – note 11(b) indicates that "a legal action claiming \$6 million was commenced against the Research Council." I wonder if you could tell us a little bit about what led to this and perhaps the status of it as it presently sits.

THE CHAIRMAN: The question is to Lorne, the chairman of the Research Council?

MR. FRIEDEL: To Lorne Taylor as chairman.

THE CHAIRMAN: You're on the hot seat, Lorne.

8:50

DR. L. TAYLOR: Thank you. I've determined I would rather be sitting on that side.

Yes, Gary. In 1993 the ARC was served with a lawsuit by Unicom, a Japanese pharmaceutical company, and basically it had to do with an agreement that gave Unicom the right to manufac-

ture Biosynsorbis in Asia – Unicom was seeking damages in the amount of \$6 million – and a court order directing the ARC to fulfill its obligations. In August of '94 ARC reached an agreement with Unicom, resulting in the settlement of the lawsuit.

AN HON. MEMBER: How much?

DR. L. TAYLOR: I don't believe there were any funds paid out. What happened was . . . Was that a supplementary, Gary?

THE CHAIRMAN: Could we have some order, please. You go through the chair if you're going to ask questions. I don't want to get into backwards and forwards. If you could continue, hon. member.

DR. L. TAYLOR: The final settlement of the lawsuit was concluded last November, so the lawsuit has been settled to everybody's satisfaction.

THE CHAIRMAN: Supplementary, Gary?

MR. FRIEDEL: Yes. That wasn't my question. It came from somewhere in the front here.

THE CHAIRMAN: We're using up precious time. Supplementary, please.

MR. FRIEDEL: Going on to clause (c) of the same note, it indicates that there is also a legal claim against ARC for contamination of petroleum produced from certain wells. I was wondering what you could tell us about the nature of that claim.

DR. L. TAYLOR: We've received a statement of claim from Recoil Waste and Central Treating Ltd. We had an agreement with Trysol that we would test some of their chemicals and chemical processes. We went through with that. We tested a fire retardant fluid in the range of 1.5 percent of the total amount of volume that should be there. We conceded all the intellectual property rights to Trysol, and we did not make an inventive contribution to that product. Rather, what we were doing was simply testing that product for Trysol. We are in the process of defending that action. The risk management insurance division of Alberta Treasury has advised that the claim is being referred to ARC's insurer, and the insurer will be defending the claim on behalf of ARC. A lawyer by the name of Mr. Bill Sowa of Brownlee Fryett has been appointed to handle the matter, and the matter will be appearing in court. It is ARC's belief and the belief of ARC's legal counsel that ARC operated and acted properly, both technically and legally, in all matters related to the Trysol claim.

THE CHAIRMAN: Final supplementary, Gary.

MR. FRIEDEL: Yes. My final supplementary is out of the Auditor General's report, page 45, still to the chairman of the Alberta Research Council. It recommends that the "Council compare sectoral investments based on their net present value to the Alberta economy" and then goes on to say "that research proposals submitted by sectoral task forces be more standardized as to form and content." I wonder if the chairman could tell us what action is being taken on this particular recommendation.

DR. L. TAYLOR: Well, in fact there are two separate questions there, but I'll answer both of them. We have moved to a capital

budgeting model using net present value analysis. This method will allow ARC to calculate the potential return on proposed investment and proposed research projects both to the province and to the Research Council. Something we've been working on for some time is to move to this kind of model, because it's a necessity that we be able to provide a cost-benefit analysis. That is, if we are going into joint ventures with companies, what benefit does that have to both the province and the ARC? I could give you a number of examples of that. For instance, we went into a joint venture with a company in Calgary called Gienow windows, and as a result of the technological innovation we did with them, over 100 new jobs were created in Gienow in a situation where they've become the biggest exporter of windows in Canada.

So we are moving to a method to calculate the potential return on the investment, but it is very complicated because the records have to be kept very well by the company. For instance, how many jobs did they create? What was the increase in sales? There are all kinds of markers we're looking at for this. It's an ongoing process, and we will continue to work on it. And it is very important, because if we can't justify the dollars we get both from industry and from the private sector and the matching dollars from the Provincial Treasury, quite frankly we shouldn't be getting the money. There must be accountability, and as a board, as a council we are very, very strong on this accountability and attempting to become more accountable all the time. That's the way we're moving, and that's the action we're taking. In fact, we had a meeting of the directors, the senior management, and the board. For two days it went through different accountability measures. So that's what we're working on.

In response to the second question, the second part . . .

THE CHAIRMAN: Lorne, you've answered the question that was asked in the first instance adequately. Thank you.

Moving on, Sine Chadi.

MR. CHADI: Thank you, Madam Chairman. Good morning, Mr. Premier, minister. Talk about a Public Accounts filibuster if I ever heard one.

THE CHAIRMAN: Could you please move on to the question?

MR. CHADI: I will in a second, Madam Chairman.

Mr. Premier, there has been much talk about the problems that have been created through overlap and duplication certainly with all levels of government and within government itself, particularly our government. I quickly cite examples of school boards which we amalgamated and of course hospital boards we've changed around and through the health care delivery, all in the best interests of eliminating overlap and duplication. There is an area that is . . .

THE CHAIRMAN: Do you have a reference?

MR. CHADI: Yeah. It's with regard to page 62 of volume 2, program 7, financial assistance to Alberta Opportunity Company. You know, big companies and small companies in this province and perhaps all over Canada and North America today realize the wisdom in things like acquisitions and mergers. I'm wondering if the Premier could advise us. Given the fact that we paid to the Alberta Opportunity Company in the 1993-94 fiscal year a total of 17 and a half million dollars under that program, called an operating grant, was there any consideration given at all for a possible sale of AOC? Of course, we've got a natural fit, because we've got the federal government doing basically the same thing

and represented all over Alberta through the FBDB. It appears to me that there should be a fit there. Has there been any consideration given at all in that area?

MR. KLEIN: This certainly has been talked about from time to time as we examine the government's role in financial institutions and being a lending agency, albeit at arm's length, through agencies like the Alberta Agricultural Development Corporation, the Alberta Opportunity Company, and even the Treasury Branch itself. These programs and agencies, institutions are reviewed from time to time, but we haven't made a definite decision, nor have there been any specific recommendations as to how we perhaps consolidate and make better use of these organizations. But we are monitoring and looking at these situations.

Perhaps the minister might wish to supplement.

THE CHAIRMAN: Hon. Mr. Smith.

9:00

MR. SMITH: Thank you, Madam Chairman, and thank you, Mr. Premier. In fact, if you examine what the Alberta Opportunity Company has done for the reporting period we're talking about today, they've achieved the budget reductions that their plan outlined. In fact they exceeded their plan. This was done by eliminating some services such as entrepreneurial educational seminars, which they didn't feel were a core part of their business, and insurance risk analysis and certainly the elimination of the venture and seed division. The services have been eliminated. There are increased fees and increased interest rates now being charged to ensure that the operations are more on a user-pay basis. That's enabled the Alberta Opportunity Company to maintain its full capability in its core business, which is the making of loans.

The hon. member, though, has hit an important subject, that being overlap and duplication. It is certainly one of my favourite topics. I think that when you look at the public accounts through the audit statements from last year, they indicate that although we've started, we certainly haven't finished. I think it's important to determine firstly what it is that your customers want. I think the hon. member has a strong background in meeting the needs of his customers. If we look at the business community and the shareholders of Alberta, what is it that they want and how can we provide that service? How can we eliminate the services we have traditionally provided and more accurately reflect the new way of doing business in the Alberta economy?

To sum up, Madam Chairman, we will continue to look at and continue to examine this overlap and duplication that the member has brought to our attention. We will be making strides both from a departmental standpoint and from an Alberta Opportunity Company standpoint that will allow us to trim the plant and still increase the capacity. So we'll be responding to that. I'm sure the hon. member has spent a lot of time in the evening going through in detail the new business plans of the Department of Economic Development and Tourism and he realizes that there's a further 28 percent reduction in spending, a further 38 percent reduction in staffing and that in fact the department is becoming strategically focused. It will be knowledge based and will respond more appropriately to the question he brought up of overlap and duplication.

THE CHAIRMAN: Thank you.

Supplementary, Sine. And I'm sure the reading didn't put you to sleep.

MR. CHADI: Thank you. I appreciate the comments made by the minister. I agree with him that in fact moves have been made and

they are certainly good moves, especially the Economic Development Authority and a move in that direction, but at the same time, when we continue to look at overlap and duplication in this particular area of lending, I somehow think – and I've been a strong advocate of the Treasury Branch and will be for a long, long time. They've been here and will be here when everybody else puts their tail between their legs and runs back down east.

THE CHAIRMAN: Can we get to the question, please?

MR. CHADI: Yes. The question is: has the minister or the Premier given consideration at all to an all-party committee to perhaps deal with the issue of a possible merger or an acquisition by FBDB, given that, say, Alberta heritage savings trust fund had done the same with the Vencap loan, et cetera?

MR. KLEIN: Well, no, we haven't at this particular time, because what we're doing internally, Mr. Chadi, is looking at precisely the kinds of things you have pointed out. I think the hon. Member for . . . Mike, where are you now? Edmonton-Whitemud?

DR. PERCY: Edmonton-Whitemud.

MR. KLEIN: Right. Anyway, Mike brought up this question of what we were doing in the Legislature not so long ago. I think the Treasurer replied that we were doing an internal review as to how we perhaps could break down this overlapping and duplication. I think that once a recommendation comes to cabinet, what I will do is certainly bring the suggestion forward and perhaps discuss it with your House leader to see if indeed this process could be put in place to bring about the kind of breakdown of overlapping and duplication to which you allude.

THE CHAIRMAN: Final supplementary, Sine.

MR. CHADI: Yes, thank you, and thank you, Mr. Premier. I wonder if maybe the minister could highlight for us the amount of money that was spent – and I'm referring now to volume 3, page 82, the Alberta Opportunity Company's financial statements. Note 6, venture capital investments, indicated that allowance for loss on realization was \$4.6 million in 1994, albeit down from 1993. What contributed to such a large allowance for losses?

THE CHAIRMAN: Hon. minister.

MR. SMITH: Thank you, Madam Chairman. The issue on the venture capital: in fact that program has been discontinued. The losses would be attributed to the high default rate that would be accorded to investments in a venture undertaking. In fact I clearly indicated that the Alberta Opportunity Company was outside of its core business of making traditional lending decisions and was investing on a venture and seed basis which, as anybody knows in the venture capital business, has a much higher degree of risk and will therefore have a much higher degree of default in the loans. That is exactly what happened.

THE CHAIRMAN: Thank you. Thanks, Sine.
Pearl Calahasen.

MS CALAHASEN: Thank you, Madam Chairman. First of all, I'd like to welcome the Premier and the ministers and the chairman and all the staff. I'd also like to say good morning to the Auditor General. I'm glad he's got a boss.

My question is related to forest industry development on page 59 of volume 2. The forest industry development expenditures are seen on that page of public accounts under reference 2.2.3. Could the minister elaborate on the nature of work being done under the forest products research and development program and the funding arrangements with the companies?

THE CHAIRMAN: Hon. minister.

MR. SMITH: Thank you, and thank you, Madam Chairman of the standing policy committee on natural resources and sustainable development. Since being up here, I've certainly referred to more women as "chairman" than I ever have before.

With respect to the member's question on program 2.2.3, forest industry development, the forest products research and development program is intended to support new value-added product and process development. Certainly in the interests of time, Madam Chairman, I wouldn't want to get into a long-winded discussion on the benefits of value-added production to this province, because I know they're abundantly evident to all members and are important in creating long-term jobs and sustainable development both in the forestry industry and in the agricultural sector. It's just critical to more people coming to Alberta and more people staying in Alberta. So I won't dwell on it.

The 45 projects in 1993-94 were completed on a cost-shared basis between government and industry. For every \$40 the government contributed to the project, industry contributed \$60, representing more than a 50 percent leverage factor. The results of all the studies are nonproprietary information, and they're made available to industry as they request it.

The R and D program in forest industry development is used to nurture a significant research capability in Alberta. It certainly keys on the commercialization of forestry technology and in fact creates a clear transfer of pure research and applied research, which as everyone knows is now under the capable hands of the minister responsible for the Alberta Science and Research Authority. The research capability of technology commercialization includes panelboard research, a pulp mill effluent program and treatment research at the Alberta Research Council. In fact, should you choose to take the risk, Madam Chairman, the chair of the Alberta Research Council may wish to elaborate and supplement that answer.

9:10

THE CHAIRMAN: I'd like at this point in time to say: could we keep the answers and the questions as concise as possible. I have a long list of people that would like to ask questions. I think supplementary questions will probably bring out some of the answers that are being given in first questions.

Supplementary, Pearl, please.

MS CALAHASEN: Thank you. Of the 45 projects you've mentioned, what types of projects does that comprise?

THE CHAIRMAN: Hon. Mr. Smith.

MR. SMITH: Thank you, Madam Chairman. It's hard to be brief when you're excited about economic opportunity in this province. Just as the hon. member from the opposition has questions about the Alberta Opportunity Company, it's . . .

THE CHAIRMAN: The chair wants to be fair to everyone. I have a long list of questioners.

MR. SMITH: Most projects generated useful and positive results that helped the development and commercialization of new products and technologies in Alberta. For example, Madam Chairman, utilization of aspen, formally treated as a weed, is a driving force behind the recent wave of forest industry development. A very short example: in High Level there was aspen being left in the forest under deadfall, and the community basically identified this opportunity. They leased a million dollar chipper. They bring all the aspen in now. They chip it and then export it down to the plant in Peace River. In fact, this small initiative alone has created 12 jobs in the High Level community.

Another is the application of satellite technology in directing logging truck traffic and maintaining operating efficiency of logging trucks. I know that from a technical perspective we'd all like to get into a long discussion on global positioning and satellite use of that technology, but I'll just mention that that was one side of it. The use of a wood residue biofilter in minimizing the sulphur dioxide odour by kraft pulp mills. The list goes on and on. I think that just gives you a sense of some of the opportunities.

THE CHAIRMAN: Thank you.

DR. L. TAYLOR: Madam Chairman, if I might, I could add a supplementary on Alberta Research Council involvement with some of these issues.

THE CHAIRMAN: If you wish to after the final supplemental.

DR. L. TAYLOR: Yes. Okay.

MS CALAHASEN: In terms of the forest industry and how important it is in the north, what is the future of the forest industry in Alberta? Have you got any plans? Maybe that's where the chairman can also comment.

THE CHAIRMAN: I'm having some difficulty, because you're now getting into policy of the future. If you can reword your question to put it in terms of the public accounts. I really think we are straying, Pearl.

MS CALAHASEN: What activities have you got in mind in terms of dealing with the issue of the forest industry?

THE CHAIRMAN: I'm sorry; I'm going to have to rule that out of order. It's clearly policy of the future.

At this time I would ask if Lorne wishes to supplement the last supplementary that was given.

DR. L. TAYLOR: Yes, I would. An example. The minister suggested that the Alberta Research Council was involved in the forestry business, and we have a whole portion, for those who have been over to the Alberta Research Council, of the research council dedicated to forestry technology. One example I might tell you of is the development of a new OSB board. Now, I understand Sine's been involved in construction, so he'll appreciate this, I'm sure. As he knows, when we developed OSB through the Alberta Research Council, we could not use that board for flooring in new construction, because when the moisture sat on that flooring, it would cause the OSB board to expand. You typically had to go to a plywood, and plywood of course is much more expensive. Well, through Weyerhaeuser and the development of new glues, we have developed a product. It's called The Edge. If you see it on trucks, Sine, you'll see the new OSB boards all

have a gold edge on them. You can see it being transported all around the province. Through the technology and with the new glues we've developed, this has a better adherence and will stick together better than plywood. It's still considerably cheaper than plywood. What happens is that now contractors – myself being one of them and, I'm sure, Sine as well – can use this OSB board in flooring, because when the rains and snows come before your roof is on . . .

THE CHAIRMAN: Thank you, hon. member. [interjections] I want to bring some order back. Quite frankly, as chairman, I don't find it amusing. We're here to give the members of the Public Accounts Committee an opportunity to question the hon. Premier and hon. ministers in our presence. We don't intend to allow this to go into a filibuster.

I'd like now to move to Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Premier and Mr. Minister, Mr. Auditor General, gentlemen, my questions relate to Public Affairs, page 88 of volume 2, program reference 9. The issue I want to address is duplication and waste. There is a department of Public Affairs. It has a budget of 10 and a half million dollars. You can at random go through volume 2, and I just did. You'll find, for example, that Health has communications expenditures of \$1,100,000; Agriculture has communications expenditures of \$2,700,000; Economic Development and Tourism has expenditures of \$996,000. Throughout government there are extensive expenditures on communication, yet there is a Public Affairs or communications department. My first question is: what does Public Affairs do? Also, why is it also being done in each and every department?

MR. KLEIN: Well, basically, Madam Chairman, the Public Affairs Bureau co-ordinates the activities of all the departments in terms of preparing an overall communications plan for the government. In other words, ministers have within their departments various communications officers, but basically their activities insofar as general government policy are all co-ordinated through the department of Public Affairs. The Public Affairs Bureau itself provides the administrative services. It provides the communications planning. It provides the communications operations: a good example is the RITE system. It co-ordinates and buys all the advertising services. It co-ordinates the printing and the publication of various government documents, and of course it is responsible for the Queen's Printer, which is a revenue centre. If you want further elaboration, Mike, I can have Gerry . . .

DR. PERCY: No.

My second question would be: to the extent that the government has moved extensively into privatization of services, this is an area where the private sector has extensive experience. There are many capable and active firms that both warehouse publicity and certainly provide communication services, but expenditures on communication, both within departments and in this budget line, as a proportion of operating expenditures have actually risen. Why has there been no move toward tendering and privatization in this area, where I think there's a lot of evidence of overlap and duplication?

MR. KLEIN: First of all, if we're talking about the 1993-1994 estimates, the expenditures were under budget by some \$655,000, which indicates to me that indeed there is some meaningful planning now taking place within the Public Affairs Bureau, and

we're moving to break down overlapping and duplication and take advantage of those services in the private sector that can offer us the best deal for our dollar.

I'll have Gerry Bourdeau supplement.

THE CHAIRMAN: Gerry Bourdeau.

9:20

MR. BOURDEAU: Thank you, Madam Chairman, Mr. Premier. I think there is an important element here that may have been missed. When you look at the bureau's actual budget, approximately 80 percent of it is made up of salaries, because we have in this government in Alberta a sort of a unique approach to communications in that we second our people into the departments. It adds very much to the co-ordinating aspect of communications, and it has proved to be a very effective way of doing things.

As far as reductions, I think if you look at our business plan, you'll see that as an organization we're going down from approximately 213 people in '92-93 to about 156 in '97-98. We're also seeing a corresponding reduction in the budget of a little bit over 30 percent. So we are looking at economies. We're also looking at, and have over the past number of years, outsourcing almost to the point of privatizing certain functions within the organization. As an example, we do not buy photography anymore. We used to have an actual photo lab, or the government of Alberta had a photo lab. We've gone forward in a number of areas where we've found that these are not the types of businesses we want to see ourselves in. We will continue to look at areas that over a period of time we may feel are not core businesses of government or core businesses of our organization.

THE CHAIRMAN: Thank you.

Final supplementary, Mike.

DR. PERCY: Is there a plan in place, though, to provide much more public tendering of these types of activities that occur within various departments in communications as well as through Public Affairs? Is there a process basically to privatize a greater proportion of these functions?

MR. BOURDEAU: Well, there is, Madam Chairman, a tendering system already in place. You'll find that departments purchase a number of communications functions, depending upon what their needs are, through a tendering system or buying system. As the Premier outlined before, we already have a tendering system in place for advertising, for printing that we buy on behalf of the government, and in a number of other communications services. I would expect that over time we would probably expand that, yes, because as government gets smaller, our organization mirrors the needs government has. I think that over a period of time you'll find there will be more of these functions being purchased from the private sector.

THE CHAIRMAN: Thank you.

Barry McFarland.

MR. McFARLAND: Thank you. Good morning, Premier, colleagues, and other special people over there who are here to supplement some of the answers today. You don't look good sitting over there, Premier. I hope it's not a common occurrence – maybe once a year.

THE CHAIRMAN: Could we get to the question, please?

MR. McFARLAND: Thank you. My question is to the chairman of the Northern Alberta Development Council. Wayne, I noticed that on page 87 of volume 2 it appears we have some savings this year or underexpenditures of \$67,000 on your northern development branch. I'd like to know what the details are that represent this, under the potential saving northern development's been able to achieve.

MR. JACQUES: Thank you, Madam Chairman. I think the expenditures you're referring to are the total of – I want to be sure I've got the same numbers here – a budget of \$1.301 million versus an actual of \$1.234 million. The components of the decreases there: firstly, under the supply and services area, the savings were approximately \$61,000. That is made up of various categories, five categories specifically: in the area of travel, down by \$14,000; advertising, the same; hosting, down by \$4,700; purchasing services, down \$65,000; and materials and others were up about \$24,000. That was a net of approximately \$61,000. The balance of that was represented by the chair position, which was appointed later in that year, together with certain travel costs that would normally be incurred, and there was a saving of about \$4,500 there. That comes up to \$67,483.

THE CHAIRMAN: Supplementary, Barry.

MR. McFARLAND: Thank you. I don't want to put you on the spot, but I need the information comparing page 89 on the capital investment of \$6 million versus the expenditure budget back on page 87. It appears there's a federal transfer of \$1.651 million from the federal government. Are the operations actually funded by the federal transfer moneys, the \$1.3 million?

MR. JACQUES: Could you just repeat the page reference on that?

MR. McFARLAND: The next page, page 89. We show a \$6 million capital investment. Also, on page 91 – I'm sorry, Wayne – we show a transfer from the federal government of \$1.651 million. My question is: is the operational budget on page 87 actually funded by a federal transfer?

THE CHAIRMAN: Wayne.

MR. JACQUES: Excuse me, Madam Chairman.

MR. MacNICHOL: Just a point of clarification, Madam Chairman. Isn't that \$6,000?

MR. McFARLAND: Forget page 89. I've confused capital investment in here. Page 91, transfers from government of Canada, \$1,651,000: does that actually fund page 87, the operational budget for the northern development fund of \$1.301 million?

THE CHAIRMAN: Did you get the reference point now?

MR. JACQUES: You're referring to the northern development agreement amount of \$1.651 million? That is the amount of the federal government portion of that total program, if that's the question you're asking. That's not operating. Those are the terms and conditions of the agreement itself.

MR. KLEIN: That's program funding; right?

MR. JACQUES: Yes.

MR. McFARLAND: Okay. That's what I wondered.

THE CHAIRMAN: Final supplementary, Barry.

MR. McFARLAND: Yes. If I can go back to the original question, Madam Chairman. You mentioned the travel budget savings and some of the other things such as hosting. Were there any severances paid in this past year?

MR. JACQUES: Yes, there were. In the numbers I gave to you under materials and others, I gave you an actual of \$184,000 and a budget of \$160,000. That was a net increase of \$24,000. In that year, in the actual figure of \$184,000, there had been severance payments paid out of '94. That's the reason it was higher, \$94,000. So in effect, excluding the severance payments, the actual materials and other costs would be down about \$60,000 as compared to budget.

THE CHAIRMAN: Thank you.
Peter Sekulic.

MR. SEKULIC: Thank you, Madam Chairman. Good morning, gentlemen, Mr. Premier. Mr. Premier, you look great over there.

I'll be referring to page 60 of volume 2 and specifically 2.3.12, the foreign offices. The first question I have is that I note there is a \$258,000 overexpenditure. I was wondering: could the Premier or the minister provide an explanation for this overexpenditure?

MR. KLEIN: Okay. I'll have the hon. minister responsible respond.

THE CHAIRMAN: The hon. Mr. Smith.

MR. SMITH: Thank you. We want to get to this so that . . .

MR. KLEIN: Other than to say while he's looking this up: as you know, there has been a study of the foreign offices. Recommendations have been made. I'm just giving you in general where we are now. I know that you want the specific answer relative to the expenditures in '93-94, but we have referred all this information to the new Alberta Economic Development Authority. One of the councils within that authority is now examining all that documentation and will be bringing some recommendations through very shortly as to what should be done with those offices.

On the surface it looks like there are some key areas of priority where perhaps we should maintain a presence, certainly in Asia. What we do relative to our presence in North America as it affects the advantages that could be achieved under the North American free trade agreement – we're going to have to look at that. That involves our whole presence in Mexico relative to all the changes that are now taking place and have taken place in Europe. We're going to have to look at how we're going to be positioned there, but this is all now under consideration by one of the councils of the Alberta Economic Development Authority.

9:30

THE CHAIRMAN: Hon. Mr. Smith.

MR. SMITH: Thank you. In fact, that's exactly the process that's being undertaken through the business plan, and this is not the first cut at it. In fact, the total budget of the foreign offices is reduced somewhere in excess of \$11 million and will be now coming in at about \$7 million. So when you take on this downsizing task, of

course as in any business in government, it has a number of people. So of the \$258,000 in element 2.3.12, the overexpenditure was a direct result of downsizing. In fact, the overexpenditure represents one-time severance or termination costs that are required to comply with those countries that don't enjoy the Alberta advantage and have more restrictive labour laws, more umbrella regulation. In fact, as a guest in that country we have no alternative but to comply with that legislation.

So the \$258,000 overexpenditure was directly attributable to the one-time severance cost and termination cost. Further to the public accounts of '93-94, you will see a substantial savings result from downsizing the overall sizes of the foreign offices and in fact, Madam Chairman, putting much more emphasis on these offices becoming trade offices and driving this important part of our core business strategy of increasing exports from Alberta.

THE CHAIRMAN: Supplementary, Peter.

MR. SEKULIC: Yes, thank you, Madam Chairman. The second question that I have is that the government used to publish and provide a report to the Legislature on Alberta's international offices. Now, apparently, the last one was released in April 1991 by FIGA. I'm wondering why you've done away with that. Are you considering reinstating a report to the Legislature on your foreign offices?

MR. KLEIN: Well, I have no problem with that. As a matter of fact, I don't recall one ever being tabled. Certainly all those offices at that time, Peter, were under FIGA, with the exception of the Ottawa office, which is a much more political rather than trade office to monitor affairs as they affect Alberta on the national scene. All the other offices are now under Economic Development and Tourism. I don't know, Al, if it was that change that brought that about, but I have no problem with indicating the work of the foreign offices.

I guess one problem right now is that we're in a state of transition. We've undergone some fairly major restructuring, certainly in Hong Kong, and in downsizing. While that has been done, I think we've tried to beef up – for particularly that reason, beef and pork – our office in Tokyo, because there's tremendous potential there. We have just recently seconded a bright young man from the department of agriculture to head up that office, and we're looking, of course, at more opportunities to collocate with the federal government. So maybe that's one of the reasons. I have no problem reporting and making public certainly the recommendations of the Economic Development Authority as to what we should do with those offices. Perhaps after we get them all sorted out, we can re-establish a reporting procedure relative to the function and the operations of those offices.

THE CHAIRMAN: Final supplementary?

Oh, sorry; hon. Mr. Smith.

MR. SMITH: If I may. In fact, that's exactly what's occurring, and with the new three-year business plans, what we are doing is developing each foreign trade office. Each trade office will be tabling a business plan with the department. They will then have specific milestones consistent with our performance measures and what we've outlined there, and the meeting targets and the percentage of success to milestone or to performance measure will become incorporated as part of our business plans. In fact, that performance measurement perspective will be included in basically the report card on Economic Development and Tourism's achieve-

ment of its milestones and its performance indicators. So that will be made public through the normal business planning process.

MR. SEKULIC: I appreciate that you're going to come up and deliver on the reporting at some point in the future, but the most important time period to report on is the time during change, during the implementation of change, not after change has occurred. So I'd just encourage you to provide that report as soon as possible.

The final question. It's in the spirit, and I do support the minister on his comments of getting out of direct intervention in business.

THE CHAIRMAN: Could you get to the question?

MR. SEKULIC: However, you're still in direct intervention, like these offices . . .

THE CHAIRMAN: Could you get to the question, Peter, please?

MR. SEKULIC: My question is, Madam Chairman, specifically on measurement of value for money. What have you put in place to demonstrate that we are getting value for money on those dollars we're expending in our foreign offices? There's a natural course of business. It's not enough to provide the statistic that in fact we're getting business with Mexico or another country. How can you demonstrate that those offices are delivering?

MR. SMITH: Well, you know, the keen, inquiring intellect from the hon. member, Madam Chairman, indicates that he's right on, that he's examined how very, very difficult it is to pull value-for-money out of a trade endeavour, out of talking about the issue of how you measure performance when you don't have anything to sell. You essentially don't have a net profit, a profit-and-loss, a balance sheet that says how well we did last year. So you look for surrogate measurements; you look for ways of measuring activity. Then you look for ways of linking in the successful measurement of that activity with your overall changes in marketplace position.

One example that I'll bring to your attention is Mexico. We're supporting, firstly, a private-sector initiative of the chambers establishing an Alberta Chamber of Commerce office in Mexico and the Mexicans' CONCANACO establishing an office in Edmonton. We do know that our trade with Mexico is up 40 percent last year and in fact generated a trade activity of over \$121 million, which was up from just over \$81 million in the previous year.

So now when we go to trade and trade activity measurement, what I believe is the important thing is that we determine what it is that we can measure. What's important into a Mexican market, or what's important into a Japanese market? What you do is identify the specific areas that you wish to influence; for example, in Japan you'd take the forestry industry, housing reconstruction, the rebuild after the Kobe earthquake, and what activities have we undertaken there. You isolate, then, wood-manufacturing shipments. I believe this is really germane to the question of how important it is to measure the specific activity in the specific industrial sector. You then take the industrial sector. You determine how much activity you spend on it. Then you measure the performance of it in terms of sales and increase in exports. You then are able to mesh your increase or decrease in exports, combined with the amount of time that you spend with it. Then you'll be able to basically publish an accountable report that says that we allocated this percentage of our resources to this specific industry sector in this specific market.

From that came these results. Now, one would expect that the more activity you allocate, the higher the trade figures that would occur. If that is not happening, then you get into the point where you start to make changes while you are on the fly. You find out, okay, we picked the wrong sector; there's been a change in product; there's been a change in currency. There may be a number of external factors. But the hon. member is absolutely correct in that you have to have these performance measures in place that allow you to measure the industrial sector attention with your market activity.

9:40

THE CHAIRMAN: Thank you very much, hon. Mr. Smith.
Hung Pham.

MR. PHAM: Thank you, Madam Chairman. I would like to ask the minister responsible for economic development a couple of questions on volume 1 of public accounts. On page 21 you can see under the loans by financial institutions that there is a loan of \$118 million made in 1993 to a numbered company, 354713 Alberta Ltd.

THE CHAIRMAN: Have you got it, hon. Mr. Smith?

MR. SMITH: Could we just have the member repeat that, while we find it.

THE CHAIRMAN: Page 21 of volume 1. Could you repeat your question, Hung?

MR. PHAM: Okay. There is a loan of \$118 million in 1993 to a numbered company, 354713 Alberta Ltd.

THE CHAIRMAN: About three-quarters of the way down the page.

MR. SMITH: We found the reference. And the question is?

MR. PHAM: In 1993 there was a loan of \$118 million to a numbered company, 354713 Alberta Ltd.

THE CHAIRMAN: Do you have the answer to the question?

MR. PHAM: I haven't finished my question. In 1994 the loan value was zero dollars. What happened to that loan?

MR. SMITH: Madam Chairman, as one of the members has mentioned, I think that's probably more appropriate to Treasury and is not referenced to the Department of Economic Development and Tourism.

THE CHAIRMAN: The other alternative, to the minister, is if we could have a written reply. I see Mr. MacNichol is indicating that would be possible.

Supplementary or another question on another area, please.

MR. PHAM: Thank you, Madam Chairman. The reason I asked the minister that question was because when the Treasurer appeared in front of Public Accounts, he did mention that that kind of question should be more appropriately directed to you, sir.

THE CHAIRMAN: The member is quite correct, so we'd appreciate an answer to it, please.

Do you have a further question, Hung?

MR. PHAM: Okay. On the same page there is a program called export program. In 1993 there was an outstanding loan of \$21 million, and in 1994 it was reduced to \$7 million. Can you please explain: what activities did this program undertake, and what are the benefits for Albertans?

THE CHAIRMAN: Hon. Mr. Smith, are you able to answer this one?

MR. SMITH: Yes, I'm able to handle this one, Madam Chairman. Again in the interests of providing absolutely full and accurate detail, we're just referencing . . .

THE CHAIRMAN: To the hon. Mr. Smith: because of the time, if we can keep answers concise so that we can get some more questions in.

MR. SMITH: Right. Okay, in the interests of time. In fact, the program has a background of 375 guarantees that issued a total of \$297 million in loans over the life of the program. It has a default rate of approximately 8 percent totally. With reference to the difference in the 1993-94 public accounts, it reflects the change, the write-downs of the accounts. It represents the differences between loan balances and guarantee reservation. So in fact that reflects, Madam Chairman, the write-down of the loans reflecting both default and reservation and guarantee.

THE CHAIRMAN: Thank you very much, and we will look forward to receiving the written replies to the other questions.
Nick Taylor.

MR. N. TAYLOR: Thank you, and greetings, people. You must be doing a good job. Mr. Love left after a few minutes of looking you over and then took off again.

The first question is to volume . . . [interjection] He said, "Okay," and left us, all right. He didn't realize I was going to upset the cart.

THE CHAIRMAN: Mr. Taylor, could you get to the question, please?

MR. N. TAYLOR: Volume 3, note 5, page 94, coming out of chute 1. Can the Premier explain the reason why the Alberta Research Council purchased a limited partnership for \$300,000, or 11 percent, of the SPURT investment fund? SPURT sounds like a very short-term effort.

MR. KLEIN: No, Nick, I can't, but maybe the chairman can.

DR. L. TAYLOR: Thank you. I look forward to providing you with this answer, Mr. Taylor. Unfortunately, it just can't be a short spurt of an answer because it's an important question.

Basically, what happened there was that it was purchased quite a number of years ago. What it was was a Vencap fund, a seed fund, and it had a number of limited partners. These limited partners all put in an equal amount of money: the Alberta Research Council, Alta-Can Telecom Inc., Gold Bar Developments Ltd., IXL Investments Ltd. — I might point out that IXL is a firm in my home constituency that manufactures brick, and you can see their shops; they have them in Edmonton as well — Petro-Canada, the Churchill Corporation, TransAlta Resources Investment, trustees of the Telus Corporation pension plan, and Vencap seed ventures. Basically, it was an investment fund that was not, as I say — it was, I think, within the last 10 years, but before the new

management took over, before the new president, the new board of directors was involved. So I'm not sure of the exact date of the initial purchase or initial investment. Unfortunately, it was not a successful investment fund. It is in the process of being closed down right now. Alberta Research Council should net out of it about \$80,000, and that will be about an \$18,000 loss on its investment, which is not a large loss, but it is a loss.

It focuses on the changing nature of the way Alberta Research Council does business now. What we tend to do now, as opposed to just sinking our money into a venture capital fund like that or an investment fund, is we prefer, Mr. Taylor, to put our money into joint ventures, where an industry or business comes to the Alberta Research Council with a specific project and we say — and I could give you an example. Recently we had a situation where a forest company came and said, "We have a technology that will prevent you from putting effluents in the river." We said to them: "This is a good project, but we need you to put up some capital. If you think it works, we need you to put up . . ."

THE CHAIRMAN: I'm going to have to cut you off. You're into the future like the previous . . .

DR. L. TAYLOR: No, this is actually a project that is involved in this year. Just to show him how we're doing business differently, Madam Chairman.

THE CHAIRMAN: Well, as long as you keep it very concise and to the point.

9:50

DR. L. TAYLOR: I'll be very brief, very brief. What happened is that we said, "You put up some money, and we'll match your dollars." You do a check of the technology, you decide it works, and then you go on a matching basis. So rather than doing this type of investment, we've moved away from that type of investment to this new form.

MR. N. TAYLOR: Thank you. This second is in volume 2, about page 22. Can the Premier or someone over there explain — this is with respect to Consumers Paper Corp. You provided a \$15 million loan guarantee. Could you indicate what's happened to that loan guarantee and also why you gave a half million dollar grant to Consumers Paper in '93-94?

MR. KLEIN: With respect to the loan guarantee, I don't think that is any longer valid. I don't think that loan guarantee was granted, for a number of reasons. One is the inability of the company, I believe, to get funds through the Western Diversification Office, and perhaps there were some other reasons. Certainly there was an undertaking that that loan guarantee would be granted, but that obligation was never fulfilled.

Relative to the other question, Nick, I'll have Murray answer that.

MR. SMITH: Well, thank you, Mr. Premier. Mr. Taylor, it's interesting that you'd be talking about a loan guarantee that was in Mr. Taylor's riding. In fact . . .

UNIDENTIFIED SPEAKER: No. Actually it was in Dr. Oberg's.

MR. SMITH: In Dr. Oberg's? Between two Taylors, as it were. The guarantee was never undertaken, and in fact the grant to which you refer was never paid as well. It accrued at the year-end from an accounting perspective as a potential payable. However, none of it was actually expended. As the Premier has outlined, the

company was unable to arrange financing, and the project has not proceeded. There remains no contingency commitment by the government to provide financial assistance to that particular company. The time frame has expired.

MR. N. TAYLOR: Well, the answers have been very good so far. Can we go on a little bit more to a company by the unfortunate name of Skimmer Oil. Can you give me an update of the \$1.2 million loan guarantee that was put out for that in March? Can you tell me what's happened to that?

MR. KLEIN: That project . . .

MR. N. TAYLOR: Ask them to change . . .

MR. KLEIN: Pardon me?

MR. N. TAYLOR: Ask them to change their name too.

MR. KLEIN: Well, we didn't ask them to change their name. I think they decided to change their name from Skimmer to — is it Cambridge resources? But that project, as I understand it, is a viable project. It is now generating good revenue, and is in a profit mode. Again I have to point out that had this administration been in place at that particular time, under the policies we now have there probably wouldn't have been a loan or a loan guarantee. But these things are now out there, and hopefully the companies that have been given the benefit of a loan or a loan guarantee under the auspices of the government will make profits and those loans will be serviced.

I will have the hon. minister supplement.

MR. SMITH: Thank you, Mr. Premier. In fact, that loan that was granted on March 31 of '92 is under repayment. The payments are up to date, and everything's current on it at this point.

THE CHAIRMAN: Thank you very much.

At this time . . .

MR. N. TAYLOR: I'm sorry, but that's not quite — I mean, I just wanted the status of the thing. I got the fact of how wonderful it was, but what status?

THE CHAIRMAN: I thought the Premier had . . .

MR. N. TAYLOR: Are we still on the hook for \$1.2 million? Just that simple.

MR. SMITH: That's correct. The guarantee still stays in place.

THE CHAIRMAN: Okay. Thank you.

At this time I'd like to apologize to Hung Pham. The chair did not allow him two supplementaries. And of all the members of Public Accounts, who treats the chair with the greatest respect — I apologize. Hung, would you like to give your final supplementary at this time?

MR. PHAM: Thank you. My final question is also on the same page, page 21, volume 1. There is a company called Slave Lake Pulp Partnership. In 1993 we have a loan of \$96 million. In 1994 it stayed the same, at \$96 million. Is that an interest free loan, or the company just paid the interest on that loan, or what? How can we have the loan remain at the same level over a year period?

THE CHAIRMAN: Thank you, Hung.

The hon. Mr. Smith.

MR. SMITH: Okay. Thank you very much, and thank you, Madam Chairman, for allowing that important supplementary. Yes, the guaranteed loan is for \$96 million. The loan was to assist with the financing of a 110,000 tonnes per annum chemithermo-mechanical pulp mill at Slave Lake. This mill was built in '91 and commissioned in 1991. Of course, we're now just coming off what was a very depressed period in pulp prices. Pulp prices are hovering around the \$1,100 Canadian cost per tonne. The opportunity for Alberta industry to capitalize on these prices is very obvious. In fact, that particular industry sector is becoming more and more important with increasing pulp prices by the day.

The guaranteed loan of the Slave Lake Pulp Partnership involves the Alberta Energy Company. In fact, the payments are on a formula base, and principal is repaid if cash flow is available for mandatory principal repayments. So in fact I would look forward to that now that we're certainly in a high part of the pulp cycle, that that formula would then kick in, and would anticipate that in fact the balance will be reduced. Depending on what happens, Hung, in the market, they have announced publicly that they will be moving ahead with disposition of the assets, and then in fact that may end up making the complete loan being repaid in full and then taken off the books, which certainly is a position that this government is willing to entertain and accept.

So I would think that, one, the reason for no change was the cash flow available for mandatory principal repayments and, secondly, to expect a dramatic change, if not a total withdrawal, of the guarantee and the commitment by the government in a very short time frame.

THE CHAIRMAN: The Auditor General.

MR. VALENTINE: Thank you, Madam Chairman. The hon. member might like to look at page 5, which is the consolidated statement of assets, liabilities, and net debt. That presents the assets and liabilities of the Crown in this province.

Schedule 15 is added to the financial statement so that one can understand what, in addition to the liabilities as stated, is the amount of the commitment in connection with debenture and loan guarantees. At the bottom of schedule 15 is a deduction from the total guarantee of \$3.209 billion for the estimated liability of \$206 million. That \$206 million of estimated liabilities is reflected in schedule 13 under guarantees, loans, and debentures, and schedule 13 supports the liability that you find under other accrued liabilities on page 5 in the consolidated statement of assets, liabilities, and net debt. So in addition to the recognized liabilities of the Crown in the aggregate amount of \$31 billion, we have commitments outstanding, or guarantees, of \$3.2 billion. It doesn't necessarily mean that the province will be called upon to meet this, only in the event of the failure of the specific entity or the failure of the loans in those entities. Does that clarify your situation?

THE CHAIRMAN: Thank you very much, Mr. Valentine.

Because of the hour, before adjournment, I'd like to share with you — and it's in keeping with my accent — that our final budget expenditure for the Standing Committee on Public Accounts for the period ended March 31, 1995, was the grand total of \$27.41 out of a budget estimate of \$9,026. I think we could only get zero to achieve anything better than this, hon. Premier.

I would remind you that the next meeting is April 26, Public Works, Supply and Services.

To the hon. Premier, thank you for appearing. It's been a challenging morning for the chairman, and I thank you once again for being in attendance.

[The committee adjourned at 10 a.m.]