

8:32 a.m.

[Mr. White in the chair]

THE CHAIRMAN: Order please. Ladies and gentlemen, we are gathered here this morning to conduct some business. The agenda has been circulated to members. Is there approval of that agenda? Dr. Pannu. Is it agreed? It's carried.

The minutes of the April 21 meeting have been circulated and presented. I see no errors or omissions. Might we have agreement? Mr. Stevens. Is it agreed? It's carried.

This morning we have the Hon. Pat Nelson, Minister of Economic Development, in charge of many other things also, but that's her title. She is here to present on behalf of her department.

Hon. minister, if you'd like to introduce your people.

MRS. NELSON: Well, thank you very much. Good morning, Mr. Chairman and colleagues. It is a pleasure to be here to go over the estimates for the Ministry of Economic Development for the fiscal year 1997-98. I am joined today by my deputy minister, Roger Jackson; the executive director of finance and administration for Economic Development, Susan Williams; the director of financial services for Economic Development, Jim Bauer; the president of the Alberta Opportunity Company, Mr. Jim Anderson; and the deputy chairman and chief financial officer for the Alberta Gaming and Liquor Commission, Norm Peterson.

Can I carry on with opening comments?

THE CHAIRMAN: Perhaps we'll have the Auditor General introduce his people too.

MR. VALENTINE: Thank you, Mr. Chairman. I'm joined today by Ken Hoffman on my left, assistant Auditor General with responsibilities for performance measurement in the office. Richard Taylor, on my right, is a principal and has audit responsibilities for the Department of Economic Development. In the gallery we have Cecille Quinto, one of our outstanding students in the office.

Thank you, Mr. Chairman.

THE CHAIRMAN: Good.

MRS. NELSON: Mr. Chairman, I would like to introduce a gentleman sitting behind me. Directly behind me is my executive assistant, Tim Wade. [some applause]

THE CHAIRMAN: Thank you kindly. You've got one fan, Tim. That's better than most of us in this Chamber, I can tell you.

Madam Minister, if you'd care to lead off.

MRS. NELSON: Thank you very much, Mr. Chairman. The ministry's responsibilities include the Department of Economic Development; the Alberta Economic Development Authority, which is our unique partnership of 80 volunteers from business, economic development agencies, academic research institutions, and government; the Alberta Opportunity Company, which provides financial assistance and guidance to smaller Alberta businesses unable to get conventional financing and to Alberta-owned businesses with the potential for job creation, technical innovation, and exports; and the Alberta Gaming and Liquor Commission, which maintains the integrity of gaming and liquor activities, collects revenues for the province, and administers the lottery fund.

Throughout the year the ministry supported economic growth, prosperity, and the creation of jobs in the province. The ministry moved into a new era in 1997-98 as it shifted into the role of helping

open doors for the private sector rather than acting as a broker or a deal maker. In July of 1997 I announced a new economic planning framework to strengthen co-operation and partnerships among the Alberta government departments and industry. This resulted in the creation of a new economic council of ministers in order to facilitate co-operative policy development and regulations.

The restructuring of the Department of Economic Development and the strengthening of our interaction with the Alberta Economic Development Authority, better known as AEDA, links the private sector with our government on a very straightforward working basis. Alberta Economic Development and AEDA played a leading role in organizing the Alberta growth summit in the fall of 1997. As a result of the 243 recommendations, the government responded in part by increasing investments in things such as schools, hospitals, postsecondary institutions, and roads or infrastructure.

Alberta Economic Development worked with Environmental Protection to complete letters of agreement with Grande Alberta Paper, better known as GAP, for a \$900 million mill in Grande Prairie and with Footner Forest Products for a \$150 million oriented strandboard plant near High Level.

The province continued to attract new petrochemical and chemical investments in Alberta. The fiscal year 1997-98 projects announced or that went into operation topped \$655 million.

Industry development professionals at the Alberta Economic Development department helped bring 37 new companies to Alberta in such industries as electronics, machinery and equipment, plastics, and distribution centres, which amounted to roughly 1,200 net new jobs and \$80 million of investment in capital. They also worked with two oil field service companies that created 530 new jobs, as one company was set up for operations here and the other had expanded its facility. The department also worked with Scotiabank and ADT Security to expand their call centres in Alberta, which again resulted in 500 new jobs and injected \$1.5 million into the economy.

Our efforts in promoting the sourcing of Alberta products and services for industrial development have led to \$200 million worth of business for companies in this province. The Central Alberta Economic Partnership Board was created with the help of the department. This initiative teams up 29 central Alberta communities which work co-operatively to support the area's economic growth.

Alberta Economic Development also played a major role in organizing Premier Klein's successful trade missions to Asia and Latin America in October 1997 and January 1998 respectively. These missions, Mr. Chairman, resulted in millions of dollars' worth of agreements being signed by Alberta companies and a lot of future potential.

The department also teamed up with Alberta Transportation and Utilities, Alberta Agriculture, Food and Rural Development, and Alberta Energy on the northwest trade and transportation corridor working group. This Alberta/British Columbia initiative was formed to improve links from northern Alberta and British Columbia to the port of Prince Rupert.

Responsibility for the Alberta Heritage Foundation for Medical Research was transferred from Alberta Economic Development to the ministry of science, research, and information technology on July 11, 1997.

Alberta Economic Development responded to the Auditor General's annual report recommendations by concluding a contract with the Alberta Tourism Partnership Corporation. Greater accountability for government funding of tourism marketing will be achieved through the new tourism framework I announced last August.

The provincial school property tax on machinery and equipment, better known as the M and E tax, was eliminated in early 1998, a

year ahead of schedule. This was possible because industry exceeded preset targets of making additional investments within the province of Alberta. This demonstrates that by putting the right economic framework in place, industry can create additional jobs and investment, which in turn stimulate the provincial economy.

A new human resources plan was implemented by the department in 1997-98. Through this plan new programs were developed in the areas of employee skill inventories, job profiles, performance management, and rewards and recognition. This is an ongoing process.

I will now give you a sketch of the department's operations in '97-98. Most of this activity falls under program 2 of the public accounts. As I mentioned earlier, the department was restructured in conjunction with the new economic planning framework I announced in July of 1997. As a result of the restructuring, the department was consolidated into four divisions. Fiscal year 1997-98 began under the old structure. Department financial statements contained in the annual report remain organized according to that old structure in order to remain consistent with how the budget was presented at the start of fiscal '97-98. As the majority of the year was concluded under the new structure, I will highlight those new divisions.

Finance and administration. This group provided financial services, human resources, records management, responses to freedom of information and privacy requests, and the administration support for the entire department.

Industry development. They oversaw all target industry functional sector activities, including forest product development, tourism development, advanced technology development in emerging industries, manufacturing logistics, and investment and business attraction.

International markets and regional development. This group oversaw activities including the international marketing forum representation, regional development, and business immigration.

Strategic resources. This group provided functional leadership to all the department's strategic-related policy, planning, and information activities, programs, and evaluation and performance measures. These responsibilities included policy in business information, external relations, information technology, corporate communications, and the co-ordination of primary contact with the Alberta Economic Development Authority.

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Mr. Chairman, I will now review a few highlights from some of the other organizations for which my ministry is responsible.

The Alberta Economic Development Authority. In 1997 the Alberta Economic Development Authority was restructured around three critical advisory areas – industry competitiveness, economic development, and international trade missions – and has nine committees. The authority played a key lead role in Premier Klein's Team Alberta mission to Asia in 1997. They were heavily involved in the Alberta growth summit and worked very closely with the Alberta tax review committee, which helped achieve the right balance in the leading-edge tax reforms announced in the last provincial budget.

The Alberta Opportunity Company. AOC made loans totaling \$46.3 million to 316 businesses under its mandate, exceeding its own authorization target by 53 percent. These results show that the demand for small business financing remains very strong, particularly in small rural areas that are somewhat overlooked by the major financial institutions. It supported the creation and protection of 2,540 jobs, which was 11 percent over its objective. As well, it provides \$3 million in export guarantees. AOC's operating grant was reduced by 9 percent to \$6.8 million, and its reported net income was \$4.7 million.

The Alberta Gaming and Liquor Commission. AGLC is an

independent, impartial, and autonomous tribunal. The commission develops policies, collects gaming and liquor revenue, disburses provincial lottery revenues, and licences, regulates, and monitors gaming and liquor activities in Alberta. In addition, the commission administers the Alberta lottery fund, which was established under the interprovincial lottery act. In 1997-98 financial results for the commission show revenues of more than \$1.1 billion and include the following components: liquor revenues, \$449 million; VLT revenues, \$518 million; slot machine revenues, \$47 million; ticket lottery revenues, \$140 million; and other income, \$15 million. VLT, slot, and ticket lottery revenues are transferred directly to the lottery fund, while liquor revenues are transferred to the general revenue fund.

Ticket lottery revenues have decreased by about \$7 million from previous years. Nearly half of this is a result of increases in commissions paid to retailers at the local level. VLT revenues increased by \$58 million from the previous year. This is in keeping with a trend that has continued since VLTs were introduced into Alberta in 1991-92. Growth, however, appears to have leveled off in this last year. There has also been a dramatic increase in slot revenues from \$17 million in fiscal '96-97 to \$47 million in fiscal '97-98. This was mainly due to the increase in the number of slot machines available in charitable casinos.

It should be noted that in the fiscal year '97-98 charities operating charitable casino events received almost \$11 million from these slot machines. Liquor revenues are up \$21 million, or 5 percent, from the previous year. This reflects an increase of almost \$90 million in liquor sales, an increase partially due to population growth and partially due to our strong economy.

In March 1998 the commission had 345 full-time employees and 27 part-time and casual employees. There were also 33 vacant positions. Some but not all of these have been filled since. Operating expenses for the commission for fiscal '97-98 were \$60.6 million. This was nearly \$6 million, or about 9 percent, lower than the previous year. Major components of this budget include amortization, primarily slots and VLTs, of \$18.7 million; salaries and benefits of \$16.6 million; telecommunications of \$5.5 million; instant ticket printing, \$4.5 million.

Any additional details of the operating expenses, Mr. Chairman, of the AGLC are set out in the 1997-98 annual reports of both the AGLC and Alberta Economic Development. The lottery fund financial statements are likewise in the Alberta Economic Development annual report. All lottery revenue for this fiscal year we're talking about is transferred to the lottery fund from the AGLC. A detailed breakdown and analysis of this revenue is contained within the AGLC financial statements.

The Alberta lottery fund supports more than 4,000 worthwhile community initiatives each year. Lottery fund grants totaled \$123 million in 1997-98. An additional \$130 million was issued to health authorities in the province to assist in meeting their year 2000 compliance requirements. Lottery fund revenues totaling \$596 million were remitted to the general revenue fund and used to support government programs in health, education, infrastructure, and other priorities.

Mr. Chairman, this concludes my opening remarks on the ministry's operations for fiscal year 1997-98. Working with a newly refocused and well-defined sense of purpose, we will continue to help provide the information and build the partnerships that remain crucial to Alberta's economic success in the years to come. I'm looking forward to comments and questions this morning, and I hope we will have crisp questions and crisp answers.

Thank you.

THE CHAIRMAN: Crisp is the order of the day.

Starting with the questioning, Ms Blakeman, Mr. Johnson, and Ms Olsen. Oh, Mr. Sapers first. Mr. Sapers, please.

MR. SAPERS: Yes, crisp. Good morning, Madam Minister. Thank you, Mr. Chairman, and good morning, Auditor General and staff. Madam Minister, I want to start by thanking members of your staff through you for the co-operation they've been extending to me recently with some information requests. I guess that's part of that renewed purpose and focus. We appreciate it.

I want to begin my questions by referring you to pages 77 and 78 of the Auditor General's 1997-98 annual report addressing the Alberta Opportunity Company. On page 77 the Auditor General mentioned some "additional opportunities to increase efficiency and effectiveness of the loan process" and mentioned specifically:

- Modifying the loan approval process to reduce approval times.
- Implementing a direct debit system for customer payments.
- Eliminating redundant disbursement approvals
- Utilizing the knowledge of lending officers in determining loan provisions.
- Communicating experience gained from loan failures in order to benefit future loan decision making.

My specific question to you is: what steps and what risk management guidelines were implemented by AOC in '97-98 to respond to these recommendations of the Auditor General, specifically that lending officers should more carefully assess how prospective loans will advance the economy of Alberta and lead to more lending opportunities?

MRS. NELSON: I think that's a very valid question, and it's a good comment in the AG report. But I think what I'll do, if it's all right with the chair, is ask the president of AOC to respond directly as to what has occurred in AOC. If that's all right with the member, could you respond, Mr. Anderson, please?

MR. ANDERSON: Thank you. Well, as a matter of fact, all those suggestions, with the exception of one, are already in place. Maybe I could turn firstly to the specific suggestion that we focus more on the potential economic benefit that might come from any proposal we're considering. In terms of mechanics, we have sharpened the focus a bit so that every investigation report requires a specific comment from the officer doing the investigation as to what he feels the potential for economic development positive impact might be. That helps the decision-maker to ensure he doesn't overlook perhaps the really positive side to any proposal we're looking at.

8:52

The other side of the coin, of course, is that in the situation we've been in certainly in the last five or six years, we aren't in a position to pursue some very positive economic impacts simply because the risk of those things not being successful is too high, and obviously in our newly reorganized world there isn't a whole lot of room for taking on financial failures. So the whole point, I think, of the AG's report was that we mustn't forget our mandate and what it is we're here to do, and that helped remind us, I suppose, to focus on those things. But the reality is that it can't push us over the boundary which says: we won't do things that aren't going to succeed.

I'm not sure whether that addresses the question totally.

MR. SAPERS: Well, not entirely in terms of answering the question, but let me try to approach the issue a little differently, taking from your comment about not wanting to get involved with something that's going to fail. I guess if you knew that from the outset all the time, you'd have a perfect batting record and could sell advice to many people.

The minister mentioned in her opening comments that \$43.6 million, I think it was, was involved in lending to 316 companies, creating 2,540 jobs. I'm wondering whether or not you do an analysis to show how many of those job creations continue one year and two years and five years out and how your loan performance recovery rate, your book of loans, compares to the rest of the financial services sector, particularly for start-ups and for expansions, so we can get a picture of, I guess, just how good that sense of getting involved with what may or may not fail is.

MR. ANDERSON: Okay. Let me start by reminding you that the 2,500 jobs is a very nice number. More than 50 percent of that are jobs we call retained or preserved because we are lending to companies that, you know, are facing perhaps failure if they don't get the financing they need. So for a start, those are jobs created and preserved.

In terms of the success of our walking the line, as it were, our losses have been in about the 3 percent range over the last four years, which is a significant improvement over our long-term record. We believe that to fulfill our mandate and do those high-risk proposals – as you all know, we only deal with people that commercial lenders won't deal with – we have to be prepared to accept as much, perhaps, as a 10 percent loss on our book, to use your term. In fact that's pretty well the highest we've ever been, even in the dark days, and it's been significantly reduced from that over the last number of years. So we're going along now somewhere in the range of 3 to 3 and a half percent in terms of losses.

I guess it would be fair to say that we fret a little bit. We have to be careful, we think, that we don't get too good at avoiding losses, because if we're too risk averse, we're not really fulfilling our mandate. So we try to walk that line. The reason right now that our loss record is quite positive, in our view, is that the economy is strong. It has been for four or five years, and it's reflected in the reduction in our write-offs and our provisions. In terms of comparisons with others, there really isn't anybody certainly in the commercial lending business that makes the loans we do. Certainly even the 3 percent would be a disaster in a chartered bank's view of their loss record, but that's not the world we live in, and we don't think that's a big problem.

The other point that I haven't responded to is tracking the duration, if I can use the term, of jobs. We don't do that, but I guess intuitively we know it's very good, because we've had so few failures in the last three years that there's been virtually no job loss and most of the clients we have helped are growing and continue to grow. Generally when they grow, they graduate back into the commercial borrowing sector and cease to be our clients, but they continue to provide more jobs.

THE CHAIRMAN: The minister wants to supplement.

MRS. NELSON: Mr. Chairman, one of the things about AOC that I noticed when I got into this portfolio – and I didn't have a hands-on background about AOC – was the different makeup of the financial lending that occurs with AOC as opposed to the traditional chartered bank systems. One of the things that was probably most beneficial in getting a grasp of it was to go and visit some of the clients who have received AOC funding. When you talk about tracking, while there may not be a formalized ability to track which employee came with the company, was guaranteed through jobs and is still there, what you can see is people going back for expansion of their business, which provides additional opportunity, but also going and talking to some of the clients.

I'm going to use an example. Jim, jump in, because I may have

the wrong location, but I haven't forgotten this. We went to a place. It was a young group of people that had an idea, and you'd never even think of it. I'd never think of it. You go to buy some potting soil, you know, to plant some plants in the house and go down to the garden centre, Revy or whatever it is, and pick up a big bag of dirt that you take home and put in the plant pots. Well, we actually went to the company that makes that dirt, and they were an AOC loan recipient.

They had something like 200,000 worms in these containers. Now, they didn't ask me to put my hands in the worms, which was really nice because I didn't want to do that. But they had an idea how they could make potting soil right here in Alberta with these 200,000 worms going through this stuff and doing their thing. Then they put it in sacks and sell it to distributors like Home Depot and all that sort of stuff. It was amazing. It never dawned on me where that potting soil ever came from. I just knew that when I needed it, I wanted to go and get it. Well, it's developed right here in Alberta, and we visited these people.

In talking to them, nobody would have given them a plugged nickel to start this business, which is actually quite thriving. I recognized the brand name and everything else when I saw them putting it in these plastic bags. But their comment back – and they didn't have to say it to me, because they were already established – was that if it hadn't been for AOC backing them, they wouldn't be there. Nobody else would look at them because they didn't have, you know, the \$100,000 collateral to put up front or all the requirements the chartered banks need. So for committee members, it would be worth while visiting some of these clients to see what they have done and their comments as opposed to hearing it from a departmental side.

THE CHAIRMAN: Thank you, Madam Minister.

We must remind – I think "crisp" was the word of the day. We have been diligent, and as complete as the answers were, including the worm farm, we are half an hour in with one question gone.

I must in a minor way chastise the questioner also. Mr. Sapers, there were at least five questions in that one question. It is rather difficult to be crisp.

MR. SAPERS: That's not a record for me though, Mr. Chairman.

THE CHAIRMAN: It's not a record; I understand that.

Moving right along, we have Mr. Johnson, followed by Ms Blakeman and then Mr. Amery.

MR. JOHNSON: Thank you, Mr. Chairman. Good morning to the minister and the Auditor General and staff. My questions also relate to the Alberta Opportunity Company and are taken from page 110 of the annual report. To what do you attribute the 25 percent growth in Alberta Opportunity Company's loans receivable portfolio in 1997-98 as we see it on note 4 there on page 110?

9:02

MRS. NELSON: I think, Mr. Chairman, in my opening comments I said they have a lending activity that had surpassed their 25 years in business. Quite frankly, there were a lot of small- and medium-sized emerging industries that came forward in the province based on the growth factor that's here. AOC was there for them, and they were there when others were not.

Jim, do you want to add anything more to that?

MR. ANDERSON: I don't think so, Madam Minister. Thank you. I'd just say that sometimes – and I talked about the strong economy – we all wonder why it is there is so much for us to do. But there are two factors. One, when the economy is strong and things are going

well, there are many more entrepreneurs who want to get into business who don't have the magic ratios that the banks require. The banks, being the visionaries they are, are looking farther down the road to the day when things turn down, so they are standing clear of some fields which we think are good, and we jump in. So we did a lot of business.

MR. JOHNSON: Relating to, then, note 5, allowance for loan losses, why is the provision for loan losses substantially higher than the previous year? Is it due to increased activity, or is there something else that you may want to add there?

MR. ANDERSON: There were two factors involved in that. One is that the previous year was extremely low, which is the good news. It was so low that we reversed a lot of provisions that had been made earlier, so we ended up with a very small net figure. This one's much larger because it's more normal.

The other factor is that with the increase in business and the 25 percent increase, we do make a general provision for any unforeseen disasters on our whole portfolio, and because the portfolio is bigger, the allowance is bigger as well.

THE CHAIRMAN: Thank you.

Ms Blakeman, followed by Mr. Amery.

MS BLAKEMAN: Right. Thank you. Welcome to the minister and her staff. We missed seeing you last year, so it is nice to see your smiling face in front of us this year. Welcome again to the Auditor General and his staff and the staff that are joining us in the gallery.

My questions are, to begin with, under the Alberta Gaming and Liquor Commission, page 92. I'm wondering: how many of the casino gaming terminals were in operation as at the end of this fiscal year, and what amount did they contribute to the \$846,311,000?

MRS. NELSON: What page are you going from, Laurie?

MS BLAKEMAN: Page 92, under revenue, video lottery terminals. Then there's casino gaming and electronic racing terminals.

MRS. NELSON: Norm, how many did we have in there?

MR. PETERSON: At the end of 1998 we had approximately 1,500 slot machines in place.

MS BLAKEMAN: All right. Also connected with the Alberta Gaming and Liquor Commission, page 83, can I get a breakdown of the \$8.121 million provision for the loss on leased properties? Can I get examples or specifics about what the leased properties were?

MR. PETERSON: Do you want a breakdown here, or do you want to provide it afterwards?

MRS. NELSON: May as well provide it right now.

MR. PETERSON: Well, as a breakdown there are a number of different properties. There are approximately 20 leased properties. I'll give you the approximate numbers and the locations as we've set them out here. These, as noted in the notes, are leases on properties that were primarily former retail liquor stores. Some of these lease arrangements, as are set out in the notes of the financial statements, go from one to 35 years. We have an approximate obligation under all these lease obligations of \$22.7 million. We've subleased virtually all these properties, and we've got sublease revenues of about \$14,573,000. This gives you the net provision for loss of

\$8,121,000; that's the difference between the two numbers.

As I say, there are approximately 20 properties, and I'll just run down them and the net provision for loss that makes up the \$8,121,000: Calgary Braeside, \$283,000 . . .

THE CHAIRMAN: Mr. Peterson, I hate to interrupt, but that kind of detail, if it's asked for, can be filed much easier than just to list it. If you file it with the secretary, then we'll distribute it to all members. That would be much preferable. Thank you kindly.

Ms Blakeman, is that reasonable? You are satisfied?

MS BLAKEMAN: Thank you.

THE CHAIRMAN: Mr. Amery, followed by Ms Olsen and Mr. Stevens.

MR. AMERY: Thank you, Mr. Chairman, and good morning, everyone. Madam Minister, my question deals with the trade missions that your department organized for the Premier. One of them was in October of 1997 to Asia, and the other one was the Team Canada mission to Latin America. I wonder if you could tell us what was accomplished on these missions. Were there any tangible results, and at what cost to taxpayers? I guess I'm not asking you to give the dollar figures, but I'm asking if you can tell me if the cost is worth it and the cost against the benefits that have been generated for the province.

THE CHAIRMAN: That's about four and a half questions. It didn't quite reach Mr. Sapers' record but close.

MRS. NELSON: Do you want me to be sharp?

THE CHAIRMAN: Well, the costs versus the benefits.

MRS. NELSON: Well, you know, the idea of the Team Alberta trade missions is to profile Alberta companies on the mission and to open doors. In a lot of these structures or countries that you're going to, it's not a normal free market bearing kind of scenario, so you have to go through government offices to open doors for companies. Clearly that's what happened in both of these. Particularly in taking the Premier, the profile of our companies is heightened that much more to get into high level offices so our companies can sit down there and show their goods and services to the appropriate people. You usually cut out, I can tell you right now, about five years of waiting to get to the right person, that actually possibly signs the deal, when you take that government card, which I never realized before and never would have appreciated until I had actually gone and done it myself.

Insofar as the missions that went to Asia and then Latin America, as you know, Asia is one of our major trading outlets. A lot of goods are exported there, and there were three other ministers that went with the Premier on that mission: the Minister of Energy, the minister of agriculture, and the Minister of Education.

In Japan 18 businesses and organizations joined the Premier, and there were six agreements that were actually signed in Japan. In China over 70 Alberta companies attended the World Petroleum Congress in Beijing, and they joined up on the mission. The Premier was actually profiled and involved in that World Petroleum Congress because Calgary will be hosting the World Petroleum Congress next year in June, and that will draw an awful lot of people to Alberta. The cost of that trip was \$94,037.

The Premier then went to Latin America in January 1998 and focused on Mexico, Brazil, Argentina, and Chile. Representatives from 52 Alberta businesses participated in the mission. This mission

saw 23 Alberta agreements signed. But again, what it did is as the restructuring takes place in South America and you're dealing with things in that region and different structures in Latin America, it's critically important to have a government-to-government relationship to open those doors or they'll never get in. Their structure is so large and has been so traditional that to tear down those barriers would take companies probably 10, 15 years to hit the right guy.

9:12

An example I use is that the China National Petroleum Corporation has 1.5 million people working for it, so to find the right person in that mix for a small operation or service company from Alberta is pretty tough. Opening the door and getting in at the right level, at the top level, really helps the Alberta companies, and I can honestly tell you that I never appreciated it until I went and saw the frustration lift from these companies' faces after they had been going back and forth for maybe as much as five to 10 years to try and get in the door. They go on a mission with us and the doors are open. Now, whether they ever cement a deal, that's not our job. We open the doors and they give it their best shot.

That trip to South America was \$21,146.

MR. AMERY: Okay. I'll shorten my next question. Do you think it's wise to have all our trade offices or foreign offices located in one area of the world, which is Asia, when the Asian crisis now has been there for the last couple of years?

THE CHAIRMAN: I must interject here. You'll recall that we are reviewing the Auditor General's comments on the '97-98 accounts. The minister may wish to answer the policy at that time, but the policy of today's government is not the mandate of this committee. So if you're asking about any new policy, that would not be in the realm. You may have another question. We'll let it go this time. I'm sure you have other avenues to find that information other than this committee.

MRS. NELSON: Do you want me to answer it?

THE CHAIRMAN: Well, we try not to deal with current or future policy but that which is contained in the documents here, and it certainly wouldn't be something that would be contained here.

MRS. NELSON: What we could say is that in that fiscal year we began the review of our foreign representation on all fronts. So when we get to next year's public accounts, maybe I can answer the question as to what we came up with.

THE CHAIRMAN: A question in the House in question period would be in order. That's current policy.

Thank you, Mr. Amery.

Ms Olsen, Mr. Stevens, and Dr. Pannu.

MS OLSEN: Thank you. Welcome to the minister and her staff and the Auditor General, a very familiar face for us.

The minister canceled the Alberta Tourism Partnership Corporation in March of '98 and at that time requested that the Auditor General's staff participate in a review of performance measures and those measures to be included in the new contract relating to tourism marketing. What steps were taken by the Department of Economic Development in '97-98 to work with the Auditor General's office to develop performance measures within tourism marketing?

MRS. NELSON: Well, I'll let my deputy supplement, but from my

understanding, the staff of the AG's office were asked to review the performance measures that were being put in place for the request for proposals that went out at the end of this year for the three components – the call centre, the international trade, and the resident marketing campaign – to see if in fact they were appropriate. One of the things that bothered me, quite frankly, was the concept of leverage. Sometimes it's a fallacy. People say that we leveraged X number of millions of dollars from industry players. Well, if you really look at it, unless it's actual cash – and you hear this: in kind, in contra, in parallel – that's smoke and mirrors in a lot of ways. While the industry does spend those dollars, it really isn't part and parcel of the arrangement you have.

To me a clear program of leveraging is: here's my dollar and there's your dollar and that's \$2 and let's go do it. It doesn't always work that way. There has to be a balance in there between the two, but clearly there have to be some guidelines and auditable leveraging information. We were shy on it. We did not have that information, so we prevailed upon the AG's department to review the performance measures we had put into these contracts before the requests went out for bids so that we'd have something that is acceptable ahead of time this time rather than having the problem afterwards.

Roger, do you want to supplement that? You're the co-chairman of the strategic marketing council.

MR. JACKSON: Not much to add, Madam Minister. The AG's department has been working with us pretty much every step of the way, and the framework agreement is now in place. One contract is out. The others are forthcoming. The preparation of the framework was done in consultation with the AG. In fact, I compliment them for their advice and assistance. I assume every department has as good a working relationship with them as we do. They have been very forthcoming in their direction to us, and I think we have complied with the requirements from the report of a year ago.

MS OLSEN: My next question would be: if in fact you have worked now with the Auditor General's department to develop something, what are those benchmarks that were developed?

MRS. NELSON: Let's clarify something. The Auditor General's department did not develop . . .

THE CHAIRMAN: Could I interrupt for a moment? For the last series of questions the Auditor General has a little comment before we get into the supplementary. All right?

MR. VALENTINE: We criticized the previous contract, and we suggested that that contract should be rewritten and renegotiated. Other circumstances evolved. A new regime has been put into place. We continued to work with the department as they developed that new regime. We have not audited the performance measures as yet, and that sort of thing will be on the agenda for the current year.

I draw your attention to the second to last paragraph on page 71 of my report, wherein we indicate that "changes in the plan to develop a new contract" caused us not to have had the opportunity to do the work within this reporting year. In the current reporting year we will continue on to look at that subject. But I wouldn't want people going away thinking that we had done a complete review of the material which you're addressing.

THE CHAIRMAN: Ms Olsen, a supplementary question, if you will.

MS OLSEN: Well, that answers my supplementary question. I wanted to know what the benchmarks were.

MRS. NELSON: Those contracts have not been let as yet. The requests have been out. We've only assigned the one, the call centre contract. For the other two, the resident campaign and the international campaign, the subcommittee from the strategic marketing council is in their final deliberations for selecting a successful contractor from those people that bid on the deal. Once that's out, then it will be audited – not for another year – as to whether they met the performance criteria that were within the RFP process and the actual contract itself. So we're probably a year to a year and a half out before you'll have a really good assessment or ability to assess the performance on those contracts.

THE CHAIRMAN: Mr. Stevens, followed by Dr. Pannu and Mr. Ducharme.

MR. STEVENS: Thank you very much, Mr. Chairman. The questions I have relate to information that is contained on page 70 of the Auditor General's report and page 19 of the department's annual report. On page 70 the Auditor General has a recommendation "that the Department of Economic Development obtain systematic and objective feedback to determine the value and utility of services provided" and goes on to make a comment regarding the business immigration branch. On page 19 of the report I note that there is a reference to the department's business immigration programs boosting investment in Alberta. In particular there's a reference to attracting "businesses amounting to \$42.1 million to the province" and creating some 902 jobs. I would appreciate your comment, Madam Minister, as to what information was used to determine that the efforts of the immigration branch did in fact have those impacts and whether there has been any specific response to the Auditor General's recommendation as it relates to this particular program.

9:22

MRS. NELSON: Okay. I'll ask Roger, my deputy, to get into the details of what they've done on that.

MR. JACKSON: Do you want to do it now?

MRS. NELSON: Yeah. That would be helpful.

MR. JACKSON: The branch has been involved with the interim federal program for immigrant investors. The work that we're accounting for are initiatives in co-operation with that program to attract those business immigrants to Alberta and the work our staff did in working with those immigrants and with the federal officials to in fact place those investments into Alberta.

Further to the Auditor General's recommendation as far as feedback as to its success, the one measure is, in fact, we do feel we have sufficient measures to show that we did participate in bringing that dollar in. Also the minister has had significant correspondence, direct and indirect, with the federal minister. This is in the current year, so I'll have to go back a bit. But the process has begun as to our participation in the federal program, and I won't comment on where we're at right now on it. There was some question as to whether or not we were getting the best bang for the buck in co-operation with the federal program, and some recommendations have been put forward by the minister at this time, and some changes are being made at this time.

At the time of reporting the department seemed to have some question, and the AG picked up on this as well, as to whether or not – even though we were participating in a federal program and that had some merit to the province – further work by us was in fact required as much as it could have been, and we've addressed that this year. We've addressed it in reorganization within the department. We've addressed it with respect to our relationship with

the federal government, and it's also tied into a larger initiative in the department relating to customer feedback on the services we have. There are instruments in place to assess that.

MR. STEVENS: Thank you.

My supplemental questions is, to use the words of the Auditor General: do you have any "systematic and objective feedback to determine the value and utility" of the service that is outlined at the bottom of page 19 and over to page 20 of the report, which outlines some 348 investors being "registered with the department and a total of [some 8,000] Internet user sessions . . . recorded on AED's investment networking web-site"?

MR. JACKSON: I may have missed the first part of the question. We do have – and I repeat this a bit – an instrument in place for assessing all programs of the department at this time. One of the measures we do utilize and have utilized for some time is contacts that the department has with customers, including web contacts, as noted.

I should note that any time we put forward information on any participation we have on any program, including immigration investment initiatives, we tend to get significant feedback from customers. What we have done as of this year is not just deal with the quantitative aspect – in other words, the hits on a web site, for example – but we're now going back and trying to get an assessment and have done so this year on the qualitative assessment of this. In other words, you talked to us; did you get the information you wanted and was it satisfactory? So at the time of reporting, we did have some quantitative measures on our initiatives. What we've added this year for next year's reporting is a qualitative measurement as well.

MRS. NELSON: Well, in addition to that, Roger, we also hired a research group to go out and do a survey of client satisfaction. The Praxis group went out and did that for us to give us feedback on whether the customer is happy or not. Those results will be in this next year. So we've put different things in and gone outside.

On the tourism side, again because there wasn't surveying done, we asked at the visitor information centres to have entrance expectation surveys done and exit ones so that we can in fact have some benchmark to find out if the people, the clients, coming to this province are receiving good service and what areas of focus they're looking for so we can have that statistical date. In fact, in this year we put dollars into research for tourism so that we could look at not only market preferences and determinations but also what the client is looking for. So we've put new measures in place. They again won't probably be reflected in anything the Auditor General will say about us until next year.

THE CHAIRMAN: Dr. Pannu, followed by Mr. Ducharme and then back to Mr. Sapers.

DR. PANNU: Madam Minister, I would draw your attention to page 21 of the annual report of the department. There's an interesting initiative there that's mentioned, western economic partnership agreement. It's on the right-hand column on page 21 under goal 4. The statement there indicates that \$17.5 million will be spent during the fiscal year under review. I wonder if you could provide us with some information on where this money has been spent and what has occurred as a result of it. I'm curious about the definition of "small businesses" there as well.

THE CHAIRMAN: One of the questions, Madam Minister, that you may want to take under advisement and return the answer back through the secretary to all members. It's a fairly broad question.

MRS. NELSON: Well, it is, and we can get the listing of all the projects that have been involved in this WEPA process. This is a partnership between the federal government and ourselves, and I can tell you that we have since this gone into phase 2 of WEPA. Seventeen million dollars has gone into phase 2 for the same objectives. This is a program that we think is beneficial. I can get you the listing of the projects that we have agreed to focus our attention on with the federal government. It's a 50-50 program. So we can do that for you.

In that paragraph you talk about, remember that it lists off a bunch of ministries, so everybody's budget had some of this. It doesn't come under Economic Development solely. You'd have some in Energy, some in Agriculture, some in Environmental Protection, some in science, research, and information technology. So it's split out between departments.

DR. PANNU: Mr. Chairman, that might create a problem in consolidating the information on it, but it seems your department is responsible overall for this. I still expect that your department will be able to give us information on this.

9:32

MRS. NELSON: We definitely can give you the information, but what I want you to realize is that it goes out, and that's . . .

THE CHAIRMAN: Okay. Supplementary question please.

DR. PANNU: My other little part was: what's small business? No, I have a supplementary, but obviously this mandate is on helping small business. What is small business?

MRS. NELSON: What do we define small business as?

MR. JACKSON: In agreement with the federal government, primarily Canada Western Economic Diversification, we have agreed to, as the minister said, a three-phased agreement initiated in '97-98, and we're now into phase 2. For phase 1 reporting there were, I believe, a dozen projects, most of which related to high technology. In the breakdown they had here, the majority of projects are being done by institutions such as the University of Alberta and University of Calgary – for example, the industrial liaison office of U of A, the University Technologies International Inc. of U of C; I think they received assistance from this program – who also turned benefit of consultation assistance with technical business planning. So through these agencies the customers being affected by it are in fact new and small businesses.

In forestry it was assistance to research, primarily in co-operation in some ways with ARC. Other forestry-based research companies who are providing those services to other small forestry operators who would take advantage of that research would also partner in it as well.

So the ultimate target is for business, and primarily small businesses, especially in the technology field, in fact new start-ups. That's why we list it under the small business category. There is no company in excess of, say, \$10 million that would be an indirect recipient of this. There's no company that's a direct recipient of this money, but there's no company that's an indirect recipient, through one of these other agencies, that is any larger than \$10 million in capitalization. I think the majority are in the vicinity of \$1 million to \$2 million.

THE CHAIRMAN: Thank you, sir. [interjection]

The return will come back to you.

DR. PANNU: I thought I had a supplementary that I could ask. That

was a part of the first question that . . .

THE CHAIRMAN: That was a supplementary.

DR. PANNU: It's up to you, Mr. Chairman. It's an answer the minister might want to give, actually.

THE CHAIRMAN: Mr. Ducharme, followed by Mr. Sapers and Mr. Melchin.

MR. DUCHARME: Thank you, Mr. Chairman. Good morning, everyone. My first question deals with the annual report of the Auditor General for '97-98. The Auditor General recommended "that Alberta Opportunity Company continue to streamline loan processes to increase efficiency and effectiveness." What has the Alberta Opportunity Company done in response to this recommendation?

MRS. NELSON: Well, I'll give you a general review. They've done exactly that. Through the restructuring they've gone through, you can see the results in their performance, and the demand for their services has gone up. Through streamlining and processing, costs of operations have gone down. They have done, I believe, an outstanding job in servicing small, start-up, and continuing-on small organizations to be part of the growth spurt that is here in the province. But specifically to that, I'll let Jim give you a direct answer on some of the specific areas.

MR. ANDERSON: Thank you, Madam Minister, and I'll be crisp, Mr. Chairman. What the AG's report on our loans management system determined was that we had perhaps two or three mechanical processes that gave the appearance, at least, of delaying or at least unnecessarily making somewhat awkward the disbursement or the amendment of loan terms. So with that suggestion from them we looked at them and I think with one exception had to agree that they were hangovers from an earlier time. We simply eliminated those unnecessary procedures. That's really what it was about.

MR. DUCHARME: Thank you. My supplementary. The Auditor General also recommended

that Alberta Opportunity Company assess its current and future staffing needs, and establish staffing plans and programs to address any identified issues.

What is the status of this recommendation?

MR. ANDERSON: Well, we have addressed that problem. You will appreciate that it takes a little bit of time to put in place a succession plan, I guess. We started by adopting the government's model for succession planning, which really is a mechanism to identify what our needs will be over the next few years, and then we can plan how to address them. You'll appreciate they were extremely small – we're only talking about a handful of people – but we are in the process of identifying the specific needs over the medium term so that we can start developing the people to make sure they're there when the need arises.

MRS. NELSON: As a supplementary, I think this is an important initiative that not only occurs in the AOC but throughout this ministry: human resource planning. You've got to have the ability to bring in people that can be there for the long term. Quite often we've all been guilty of not recognizing the talents within the civil service of this province. Part of the responsibility lies with all of us to do the job enrichment enhancement of the programs for the people within the civil service so that they can in fact maintain a good-quality program and keep people.

One of the initiatives that's going on at AOC is to go through our colleges and bring in co-op and internship type programs for young people to enter into the corporate structure, get some experience while they're in a learning mode, and then they can have an actual progression into the financial institution type setting once they graduate from college or university. We're trying to instill that throughout the department as well to make sure that there is an opportunity for people to be moved around, upgraded, trained so that we keep good-quality people within the civil service. We are getting co-operation now from other departments to follow suit.

THE CHAIRMAN: Thank you.

Mr. Sapers, followed by Mr. Melchin and Ms Blakeman.

MR. SAPERS: Thank you, Mr. Chairman. I would like to ask the minister a couple of questions about the Alberta Gaming and Liquor Commission, and I will refer you to your annual report, page 84, and note 11 on page 89. I'm interested in the reason for the difference between the \$8 million budgeted amount for Other Income and the actual amount for Other Income that was eventually collected by the commission. In your answer I'm wondering if you can reference the various income streams: the licences, permits, interest, revenue, liquor levies, rental revenues, service fees, et cetera.

MRS. NELSON: Give me the reference as to where you're looking.

MR. SAPERS: Page 84 and note 11 on page 89, Other Income. There's about an \$8 million difference between the budgeted amount and the actual amount.

MR. PETERSON: I'll reply to the difference between the budget and the actual amount. When we had set the budget at the beginning of the year, we didn't anticipate the large amount of interest revenue, in particular, that we're going to obtain over the year. We had more cash on hand, and it was invested to earn more interest than we had simply anticipated. That was the primary reason for the other income to have increased so significantly over budget. There were a lot more things that made up that difference in smaller amounts, but the primary thing was the interest revenue increase.

We can certainly address it, but licences and permits deal with liquor licences and the fees for liquor licences. They deal with the licence for casino events. They deal with the licences for bingo events. As you know, all of the revenue from casinos and bingo events go to the charities. For that matter, we just take a small licensing fee for administration and to I guess recover, if you will, our regulatory costs and the costs of that licensing.

Madam Minister?

MRS. NELSON: I think that's it. It's listed, actually, on page 89.

MR. SAPERS: Yes. Well, maybe the detail which isn't listed could be tabled in a schedule provided to the committee. I'd appreciate that.

9:42

MRS. NELSON: As in permits broken out by event or what?

MR. SAPERS: No. Just to account for the Other Income revenue stream by source.

MRS. NELSON: It's actually detailed at the top of page 89 in note 11. That's why I'm wondering what kind of detail you want.

MR. SAPERS: Just what accounted for the excess. Like, if it was primarily interest revenue, we can leave it there. The detail shows

us the gross amount but doesn't show, you know, the difference between the budget and the estimate.

MRS. NELSON: You want a variance analysis on it. All right.

MR. SAPERS: Thank you.

MRS. NELSON: Sure.

MR. SAPERS: My second question, then, is also to do with the commission. I'm wondering what work was done in '97-98 that led to the proposed changes in the administration and licensing and participation rules for bingo, the proposals that were put forward about midyear this year and then subsequently withdrawn. I'm wondering what analysis or studies were done in '97-98 that led to the commission making those recommendations for change.

MRS. NELSON: Mr. Chairman, that actually doesn't pertain to what we're talking about today, but if he would like to ask a question on that, I can undertake to get him that information.

THE CHAIRMAN: In the studied year that's what we're looking at.

MRS. NELSON: Yeah.

THE CHAIRMAN: The question was not pertinent to this year then?

MRS. NELSON: No. But I can get that for you.

MR. SAPERS: Well, to clarify, I guess I'm making an assumption here, and maybe it's a one-word answer. Maybe the answer is just no, there weren't any studies done. But given the timing of the announcements that would have affected volunteers, sponsoring agencies, and participation in bingo consortia, et cetera, I'm assuming that the commission must have done some preparatory work, and that would have been in the '97-98 year. Now, if that assumption isn't valid, just let me know, and that will satisfy the answer. On the other hand, if it was, I'm wondering what work they did that led to those proposals and if you could tell us about those undertakings.

MRS. NELSON: What I can tell you – and you may want further detail on this – is that the commission worked with FABA, which is the bingo association for Alberta, and actually does so continually because they are the overriding body for bingo associations in the province. I don't have the numbers with me. I think it's about 320 bingo associations and community associations combined, but membership in FABA is much smaller because it's the bingo associations as opposed to the community bingos. Anyway, they had worked on a number of – bingo has become, again, a very large financial business in the gaming industry, particularly with the introduction of the progressives and the large progressives that have come in and the electronic bingo that is provincewide. So they were tightening up some of their own operations to make sure that it stays pure and that there aren't any difficulties, because the last thing you want in any gaming venue is to have problems.

As you know, we as a ministry don't get involved in that kind of a relationship, because we have been separate and apart. But from what I can tell in the briefing, there was a long set of dialogues, I think something like almost 100 recommendations that had come forward from about an 18-month dialogue back and forth between the bingo stakeholders groups and the commission to look at some cleaning up of some regulations and tightening up some others that they'd reached a consensus on, quite frankly.

Then, of course, the bingo review started, and that formalized the process. It actually hadn't taken place for 25 years. It's not bad to review something every 25 years, you know. It's amazing how current you can get, but of course you ruffle some feathers along the way because some people don't like anything to change ever.

So it's a process that has a committee of stakeholder groups working on it right now, Mr. Chairman. We do have one member from our Legislature who sits on that committee, the Member for Calgary-North Hill, Richard Magnus, who also just happens to have a keen interest in this area. They are not expected to be finished their deliberations. The latest update was about July, so we won't have that back for you. But from what I understand, bingo is hot in Alberta.

THE CHAIRMAN: That may be so. Specifically, the question was: in the filing period were there any reports generated by either your consultants or internally?

MRS. NELSON: No, I don't believe so. I think this was a concentrated process between stakeholder groups and the commission, asking the front line what they feel should be done.

THE CHAIRMAN: I think that satisfies the answer. They simply were not done.

We have Mr. Melchin, followed by Ms Blakeman.

MR. MELCHIN: Thank you, Mr. Chairman. My questions today are with regards to the Alberta Opportunity Company. I'd like to reference page 109 of your annual report, in particular note 1, where you talk about the authority and purpose. I'd like a little better background.

Note 1 describes, really, the purposes:

Priority is given to . . . rural communities . . . unable to obtain financing from conventional institutions. Priority is also given to Alberta-owned businesses . . . introducing improvements in productivity or technology,

et cetera. I wouldn't mind understanding a little better when you have a criteria for lending and someone comes in seeking a loan. Understanding the criteria for the loans, is it, i.e., an emphasis such that if someone, a small business from Calgary or Edmonton, wants to obtain a loan, that they're not in priority and this isn't the place for their lending – would it be also things such as the size of a loan, the size of a business? Do they have to be rejected by one or two or three conventional institutions? Is there evidence of that? Is it financing for kinds of things like primarily tangible assets of equipment, property, or is it operating loans, or does it even get into technology? When you mention technology such as maybe soft assets in knowledge, not necessarily hard-based – so could you give me a better assessment of: what is it that you have for criteria of eligibility for those that are seeking the loans?

MRS. NELSON: Well, AOC, always remember, is not your traditional lending institution. You go there because you can't qualify under the traditional lending institutions. This, I think, possibly may have been a misunderstanding insofar as rural Alberta. AOC loans are available to urban businesses as well as rural. The reason it's probably in here and focused on that is that in many of our rural settings, quite frankly, our traditional banks, our chartered banks, have pulled out. They have closed down their branch in those communities and as a result there is not an investment house or a lending institution available in the rural setting.

In addition to that, if you look at most loans that are being written – and this is not a criticism; it's just a fact of life, so please don't have the banks come running after me on this – our banks, quite frankly, don't like to take the time to really look at business loans

that are under \$100,000. The cost of administration and going through the due diligence is too timely when there are so many other larger loans that are sought after and that their investment officers can actually look for. So where AOC comes in is in those – it says smaller communities. There are also many AOC clients in the major centres. But where they come in is where someone necessarily doesn't have the ability to qualify for a traditional loan and doesn't need over \$100,000, is looking for the \$25,000, \$30,000, \$50,000 start-up. They can come in and work with that group to finance their start-up with them, and they actually show an interest. I've had people say to me: why do they have to be profiled in rural Alberta? Well, the other guys aren't there. That's the bottom line as far as I'm concerned.

9:52

If the other banks were there in dealing with the small business-people, then you'd have a different analysis going on in assessment on AOC. But that's not the case. As we see more commercialization, where you're going in and plugging into a computer to do all your business at the major banks, when the small businessman goes in to talk about his concept and his dream and his ideas, there's no loans officer to talk to him. In AOC you provide that service. You don't always satisfy them with an actual loan, but at least they know why. If they do qualify under our criteria, then you work with them all the way through their start-up. You don't get that service anymore. You get a machine that asks you to dial in if you want code 1 to get this person or push code 2 on your phone to get something else. There's no personalized service anymore except AOC officers. That's what I think is important in the small business development in rural Alberta and in the cities.

Jim, can you add anything else? That wasn't a crisp answer. Sorry.

MR. ANDERSON: Thank you, Madam Minister. Let me just say that was an awfully good question and, with apologies to the chair, it's pretty hard to be crisp. I will try.

First of all, I would say the priorities that are established and that we quote are in our legislation. The good news is that to this point in 27 years we have not had to apply them because we've been able to look after everybody that fits all the other criteria. So the priorities don't really come into play.

Nonavailability in the commercial sector? An absolute requirement, and we do confirm that, for example, if you come and say your bank won't do this, we make sure that's true. You have to convince us that you're going to be sufficiently viable to pay us back or we're not interested. We make sure that if we finance this business you're asking us to assist, it doesn't represent new or excessive competition in a marketplace which is already well served and where our financing would enable you to damage somebody who is already in business to a significant degree.

I guess the only thing left to say is that if we ever get in that position where we do have to ration our funds, then those priorities would come into play and we might be forced to go to the higher priority borrowers, which might be in the rural areas rather than the urban ones. The reality is that in the ebb and flow of business sometimes I think the urban, metropolitan people need the lending assistance more than some others. But the happy state is that so far we were able to do both.

Thank you.

MR. MELCHIN: Thank you. As a follow-up, I'd like to know more globally rather than particular criteria of loans. I notice in your statement of changes in financial position that your loans disbursed were about \$44 million, your budget was about \$28 million. Last year it was about \$25 million. My question has to do with: are there

restrictions as to the amount of lending you can do in any one year? Would it be based upon even potentially maybe the size of one loan or the capitalization you have inside the enterprise, which is about \$20 million?

MR. ANDERSON: At the current time we're legislatively restricted to loans to any one business or borrower or connection of \$1 million. That's really the only restriction we have. We forecast the amount of borrowing demand that we're going to be able to handle. In other words, how many loans can we make? We've looked down the road and said: we think we can do \$40 million next year and the year after that, and we've arranged financing through our financier sufficient to enable us to handle that volume of loans.

If we had some kind of sudden upsurge in both demand and capacity and found ourselves running out of money, then we would have to go to government and say: may we borrow some more money to meet this demand, or do we have to curtail our lending? But, again, so far we haven't had a problem.

MRS. NELSON: Just to clarify. We are not the financial house for AOC. They go out and raise their funding.

MR. ANDERSON: Yeah. We borrow it on the street. Through Treasury, but on the street.

MRS. NELSON: Somebody does it.

MR. ANDERSON: I think maybe I did miss one point of the question, though, and that was: yes, there is a cap in the legislation, and I think \$350 million is the amount we can take our total to. At one time we got somewhere near that, but we're far below that now. We're down at about \$120 million or \$125 million. So we have a long way to go before we have to worry about that cap.

THE CHAIRMAN: Thank you.

Ms Blakeman to clean up.

MS BLAKEMAN: Thanks. There won't be time to answer my questions, so I will read the questions out and ask that they be responded to in writing. I'd like to get it on the record, because I have to be somewhere else at 10 o'clock.

All right. Just for the record this is in reference to the Auditor General's report, pages 76 and 77, around recommendation 16, "It is again recommended that the accountability framework for grant expenditures made from the Lottery Fund be improved." I'm wondering if the minister could indicate what instructions were provided to the Ministry of Economic Development in this fiscal year, '97-98, to require the beneficiaries to report on the results they achieved from the receipt of the lottery dollars.

The supplementary question is whether the minister had given any thought to whether the funding of the Calgary Exhibition and Stampede and Edmonton Northlands under the agricultural initiative, which is encouraging "improvement in agriculture, horticulture, homemaking and the quality of life in the agricultural community" – had any thought been given as to whether this was still the best fit for these organizations, or was there consideration given to finding another place to fund them? I mean, the last time I was at Edmonton Northlands, because I love going to the pie bake-off part, the agricultural stuff – well, I'm a city kid; okay? It's agricultural stuff. I had a really hard time finding it last time, the component, given the acreage that is covered by the fair itself. It's a tiny little part in sort of part of one building, and I did have to search for it. So I'm just wondering if any consideration was given to whether that is still the best fit under that division.

Thank you. I look forward to receiving your responses.

THE CHAIRMAN: Thank you, Madam Minister, and members of the staff.

MRS. NELSON: When we respond, Mr. Chairman, should we send the response to you?

THE CHAIRMAN: No. You send it through the secretary.

MRS. NELSON: And then you would distribute it to the committee members?

THE CHAIRMAN: Yes. You send it through room 315, just down the hall here, through the secretary.

MRS. NELSON: Absolutely.

THE CHAIRMAN: Right. Perfect.

Thank you very kindly for your crisp questions and the crisp answers.

Auditor General, thank you kindly, sir.

Members, next week we have the Hon. Ed Stelmach, Minister of Agriculture, Food and Rural Development, before us.

Any further business to conduct? There being none, I'll take a motion to adjourn. So moved. Is it agreed?

HON. MEMBERS: Agreed.

THE CHAIRMAN: We stand adjourned. Thank you.

[The committee adjourned at 10 a.m.]

