



Legislative Assembly of Alberta

The 30th Legislature
Third Session

Standing Committee
on
Private Bills and Private Members' Public Bills

Bill 203, Technology Innovation and Alberta Venture Fund Act

Tuesday, March 29, 2022
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Third Session**

Standing Committee on Private Bills and Private Members' Public Bills

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Standing Committee on Private Bills and Private Members' Public Bills

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Paul LeBane, Assistant Deputy Minister, Economic Policy and Strategy

Chris Shandro, Assistant Deputy Minister, Agency Governance and Program Delivery

10 a.m.**Tuesday, March 29, 2022**

[Mr. Rutherford in the chair]

The Chair: Good morning, everyone. I'd like to call the meeting to order of the Standing Committee on Private Bills and Private Members' Public Bills and welcome everyone in attendance.

My name is Brad Rutherford, the MLA for Leduc-Beaumont and the chair of the committee. I'm going to ask that members joining the committee at the table introduce themselves for the record, and then we will turn to those who are online. We will start to my right.

Mr. Jeremy Nixon: Jeremy Nixon, Calgary-Klein.

Mr. Rehn: Pat Rehn, Lesser Slave Lake.

Mr. Amery: Mickey Amery, Calgary-Cross.

Mr. Singh: Good morning, everyone. Peter Singh, MLA, Calgary-East.

Ms Rosin: Miranda Rosin, MLA, Banff-Kananaskis.

Mr. Long: Martin Long, MLA, West Yellowhead.

Mr. Bilous: Deron Bilous, MLA, Edmonton-Beverly-Clareview.

Mr. Nielsen: Good morning, everyone. Chris Nielsen, MLA for Edmonton-Decore.

Ms Sweet: Good morning. Heather Sweet, MLA for Edmonton-Manning.

Ms Govindarajan: Vani Govindarajan, Parliamentary Counsel.

Ms Robert: Good morning. Nancy Robert, clerk of *Journals* and committees.

Mr. Huffman: Warren Huffman, committee clerk.

The Chair: Thank you.

Turning online, MLA Sigurdson.

Ms Sigurdson: Yeah. Good morning. Lori Sigurdson, Edmonton-Riverview.

Member Irwin: Janis Irwin, Edmonton-Highlands-Norwood.

The Chair: Thank you.

We have a guest online as well. MLA Aheer, if you want to introduce yourself, please.

Mrs. Aheer: MLA Aheer, Chestermere-Strathmore. Good morning, everyone.

The Chair: Thank you.

I just want to note one substitution: Member Singh for Member Frey.

A few housekeeping items to go over. The microphones are operated by *Hansard* staff. Committee proceedings are live streamed on the Internet and broadcast on Alberta Assembly TV, and the audio- and videostream and transcripts of the meetings can be accessed via the Legislative Assembly website. Members participating remotely are encouraged to have your camera on while speaking and your microphone muted when you are not. Remote participants who wish to be placed on the speakers list can either e-mail or send a message to the group chat to the committee clerk, and members in the room can just signal the committee chair or the

committee clerk. Please set your cellphones and other devices to silent.

We will now go for the approval of the agenda. Are there any changes or additions to the draft agenda?

Can I get a motion? MLA Sweet has moved that the agenda for the March 29, 2022, meeting of the Standing Committee on Private Bills and Private Members' Public Bills be adopted as distributed. Any comments or questions?

Hearing none, we'll just go to the question. Everybody in favour in the room, please say aye. Anyone opposed in the room, please say no. Moving online. All those in favour online, please say aye. Anyone online opposed, please say no. That motion is carried.

We have a couple of different minutes to go through in our next agenda item. First is the minutes from March 15, 2022. Are there any errors or omissions to note in those minutes?

Hearing none, would somebody like to move for the approval? MLA Long has moved that the minutes of the March 15, 2022, meeting of the Standing Committee on Private Bills and Private Members' Public Bills be approved as distributed. Any questions or comments to that?

Hearing none, we'll go to the question. All those in favour in the room, please say aye. Anyone opposed in the room, please say no. Moving online. All those in favour, please say aye. Anyone online opposed, please say no. That motion is carried.

Now the minutes from the March 22, 2022, meeting. Do members have any changes they would like to suggest?

Hearing none, would a member like to move for the approval of the minutes? Thank you. MLA Singh has moved that the minutes of the March 22, 2022, meeting of the Standing Committee on Private Bills and Private Members' Public Bills be approved as distributed. All those in favour, please say aye. Anyone in the room opposed, please say no. Moving online. All those in favour online, please say aye. Anyone opposed online, please say no. That motion is carried.

Moving right along. Members, Bill 203, the Technology Innovation and Alberta Venture Fund Act, was referred to the committee on Thursday, March 17, 2022, in accordance with Standing Order 74.11. The report on the bill was due to be presented to the Assembly by sitting day 19, which falls on March 31. However, Government Motion 17, which was passed on March 24, extended the deadline to sitting day 22, which falls on April 21, 2022.

I would like to invite Mr. Deron Bilous, the MLA for Edmonton-Beverly-Clareview, to provide a five-minute presentation on the bill, and then I will open up the floor to questions from the committee members. Your timer will start when you do, sir. Please go ahead.

Mr. Bilous: Great. Thank you very much, Chair and colleagues and staff. Thanks for inviting me to present to this committee. I'm very pleased to be here this morning and, as you will see, very excited to talk about the opportunity that lies before us in this bill. I do believe that this bill could truly play a major role in helping to diversify our economy and grow our tech sector. I want to emphasize right off the top that both parts of this bill came from industry. These are ideas from industry, from stakeholders who have been advocating for this, so I'm happy to bring this bill forward today.

If passed, the bill would do two things. It would establish the technology innovation advisory council – that can be found in sections 2 to 8 of the bill – and it would establish the Alberta technology venture capital fund, which would be established under the Alberta Enterprise Corporation, or AEC.

The technology innovation advisory council is set up to advise the minister on all matters important to technology and innovation. It's similar to other councils in that it can provide different ways such as providing research or reports. I do want to note that this

council is very, very similar to one of our colleagues', MLA Richard Gotfried, in his private member's Aviation Council. This advisory council is structured very similarly. It can also provide advice on key performance indicators for government's progress on tech and innovation. It can also support crossministry initiatives such as innovation and technology because they impact many, many different ministries and all walks of life.

I will note that the council is not remunerated. This has been a concern with some councils in the past, so this council does not offer any compensation to those that would be on the council.

The council is also set up to provide advice to the minister with regard to the Alberta technology venture capital fund.

With that, I'm hoping to move to the capital fund. As I mentioned earlier, it would be under the Alberta Enterprise Corporation; hence, Bill 203 makes amendments to the AEC Act. I'll talk about this in more detail, I'm sure, in questions, but the reason that we chose AEC is because they already have competencies in this area, they are established, and they have a track record of investing in start-ups.

The bill sets some parameters for the fund to operate as a venture fund, meaning that it'll invest in innovative Alberta-based start-ups and scale-ups to support them in their growth. I can tell you, which you probably all note, that the bill is not overly prescriptive. That was done intentionally to give the government and the minister ample room to be able to ensure that we get this right.

The fund is also set up in a way that it's arm's length from government and would be professionally managed. A key feature is that it opens up an opportunity for Albertans to invest in Alberta companies. Many of the mechanics, again, we left to be set up at a later stage so that the professionals managing the fund can ensure it's managed to the greatest benefit of Albertans.

The fund was a proposal, which, you know, I'm sure you've heard, under Alberta's Future, but I can tell you that since we published the paper, we've heard significant feedback from industry, from Albertans, and I can tell you that this fund concept is modelled in part off of a version from the Great Canadian Oil Sands project and the Alberta Energy Company – that initiative was brought in under Ernest Manning in Alberta in the 1960s – both major initiatives to grow the oil sands into the industry that it is today, and it gave Albertans back then an opportunity to invest their own capital into that exciting industry then. Albertans, obviously, benefited immensely from those initiatives.

Alberta has an opportunity to really catapult ourselves in the tech space. I recognize that there has been increased investment over the past couple of years. We do have more catching up to do and more opportunities to showcase everything that Alberta has to offer, and this bill would help do that.

Again, as I mentioned, it would fall under the Alberta Enterprise Corporation. Oh, I think I'm rereading the same notes twice.

In 2021 venture capital in the country grew by 220 per cent; in Alberta here it grew by 23 per cent. Again, this fund would really have an opportunity for Alberta to grow at a much faster pace to support Alberta companies, both start-ups and scale-ups, to attract investment and launch Alberta further forward.

The Chair: Perfect. Thank you for that presentation.

We will now turn to 20 minutes of questions. As the precedence we will begin with the government side. MLA Amery is up first.

10:10

Mr. Amery: Thank you very much, Chair, and good morning to you, MLA Bilous, and thank you for your proposal here today. I've read through your bill fairly extensively, and I've read through the briefing notes as well. I think that this is a very interesting project, to say the least. I note that the Alberta Enterprise Corporation has a

mandate to support the venture capital industry here in Alberta, and part of this is to connect the Alberta investors with entrepreneurs and new start-ups. While I find that the AEC has an immensely profound impact on this province, I think it's also well positioned to support some of the things that you speak about in your presentation and your bill.

My question is this. Your proposed bill requires significant involvement by the AEC. Essentially, they're the ones that are going to be moving this forward if the bill passes. It is unclear to me, however, whether the AEC has had – what type of involvement they've had and whether or not they are equipped and willing to partake in this proposal that you bring forward. Can you comment on that?

Mr. Bilous: Okay. Thank you for your comment and great question. Like, at the moment there's no Alberta institution that is exactly set up for this. For the purpose of the bill we had to either establish a new Crown corporation, which, I can tell you, would have been time consuming and costly, to establish a whole new entity. As you mentioned, Alberta Enterprise Corporation does have some expertise in this area. They're a fund-to-fund model, but they also, through two of their funds, their two different accelerate funds, invest exclusively in Alberta-based companies. So they do have expertise in this area. I believe that they do have capacity although I will note that they would likely need further capacity if they were trying to evaluate, you know, hundreds of Alberta companies in a timely fashion.

We looked at AIMCo, for example, and decided not to use AIMCo as the vehicle, in part because AIMCo does not invest in venture capital and, again, their mandate is a little bit different than the Alberta Enterprise Corporation.

We've taken this idea of AEC out to many different stakeholders and investors and venture capitalists who agree that they would be the best vehicle to be able to manage this fund, again, in part because of the track record that they have – they're credible – but as well the second part of the bill establishes the technology innovation advisory council, so part of their mandate is to support the government and, in turn, could also provide support to the Alberta Enterprise Corporation.

The Chair: You have a follow-up?

Mr. Amery: No.

The Chair: Mr. Nielsen, go ahead, please.

Mr. Nielsen: Thanks, Mr. Chair, and thanks, Mr. Bilous, for the presentation on your bill. You know, as you know, as a former minister I lobbied you extensively around taking advantage of the gaming industry here in Alberta and the possibilities that were there. So when I'm looking at your bill, essentially, why do we need this bill? What other opportunities could Alberta be taking advantage of through this?

Mr. Bilous: Yeah. Thank you for that question. You know, both previously when I was minister and now as critic, conversations with many different entities and groups province-wide talk about how start-ups, and especially those companies that are trying to scale, so jumping from a \$2 million or \$5 million company to a \$50 million company or \$50 million to \$100 million – one of the major things they need is capital and access to capital. This bill is unique in the sense that it's providing an opportunity for Albertans to use their own money to invest in Alberta companies. Again, we have the example from the oil sands back in the '60s, and we saw the benefit that that provided.

This fund is unique in Canada. There are some that share some similarities – one is the Saskatchewan golden opportunities fund – but in this fund, you know, what I'm hoping will appeal to our colleagues on the other side of the aisle is the fact that there's no Alberta tax dollars being spent on this bill. It's all up to individual Albertans and their families whether they choose to invest in this.

But this fund has a real opportunity to be significant, you know, which I'm happy to answer questions on. Just to give a really quick example from the Canadian oil sands project, at the time there were about 100,000 Albertans that invested \$1,500, and \$1,500 back then was the equivalent of about \$13,000 in today's money. If we use that simple, rough math, the fund would be a \$1.3 billion fund. Unleashing that much capital would help companies grow, hire more people, create jobs, diversify the economy at a very, very quick pace. It would, again, accelerate the work that's already happening in Alberta but provide a unique opportunity, and I'm confident that that would turn the heads of companies and investors across the country and globally.

The Chair: Do you have a follow-up?

Mr. Nielsen: No. He actually already answered it.

The Chair: Perfect. Mr. Singh, please go ahead.

Mr. Singh: Thank you, Mr. Chair, and thank you, Member, for being here with us today and presenting your private member's bill, Bill 203, the Technology Innovation and Alberta Venture Fund Act. My question is: what stakeholder consultations did you do prior to tabling this bill?

Mr. Bilous: A wonderful question, Mr. Singh. Thank you for that. To be honest, this has in part been ongoing work since 2015. When I was minister, I heard ideas like this from a number of different groups, including groups, to be honest, that have advised the current minister, Mr. Schweitzer, with the Innovation Capital Working Group. I know that one of their recommendations was to create an advisory council.

I've spoken to dozens of venture capitalists, to different entities and firms, again, who have proposed this idea. I will be the first to admit that this is not my idea. This doesn't belong to any political party, quite frankly. This comes from industry, who have said: here is a real opportunity. Quite frankly, industry doesn't care whose idea it is, because they just want to see good ideas move forward. What excites me about this is the opportunity to inject a significant amount of new money into Alberta businesses. I'd be happy to go through and list a number of the actual stakeholders that I've spoken to. In fact, a number of them have offered, should this committee so choose, to come and present to the committee so that members can hear directly from industry their ideas on this bill.

Hopefully, that answers your question. Again, I mean, I could talk about this all day long although I know we have limited time.

Mr. Singh: Thank you, Member. It seems that you had very positive feedback from stakeholders.

My follow-up question is: is your bill based on another province or a jurisdiction there which we can compare and talk about the success story or otherwise as well?

Mr. Bilous: Yeah. That's a great question. There are a number of other jurisdictions that have similar types. There are some similarities as far as a fund, but what makes this unique or one of the factors that makes this unique is that it would provide Albertans, the average Albertan, an opportunity to pool their money and invest in Alberta start-ups.

As it exists right now, through the Alberta Securities Commission there are very strict rules on who an accredited investor is. Granted, the Securities Commission in the last couple of years has brought in a new category of investor called educated investors. There are more people that qualify under that category, but outside of investing through a friends-and-family round with a company, there aren't a lot of opportunities for Albertans to invest, especially in companies that are trying to scale up. This is an example of how Albertans can directly participate in investing in the incredible innovative companies that we have here in Alberta.

Mr. Singh: Thank you, Member, for answering.

Thank you, Mr. Chair.

The Chair: Thank you, MLA Singh.

We'll be turning online now. Member Irwin, please go ahead with a question and follow-up.

Member Irwin: All right. Thanks. You know, I was going to go along a similar line there, MLA Singh. MLA Bilous, you did mention that you could talk for hours. We won't make you do that, but I would love it if you talked a little bit more about the stakeholder piece. One of the things that I was really interested in – I didn't have the pleasure of serving in government with you, but I did note from afar that in your work as minister you engaged a number of stakeholders. I noted that you really put an emphasis on ensuring that for women in technology, their voices were heard. I wonder if you might just talk a little bit more about the consultation that you've done and about the stakeholders with whom you've consulted.

10:20

Mr. Bilous: Sure. Thank you for that. You're absolutely right. We have absolutely brilliant, incredible success examples here in Alberta of women entrepreneurs, especially in the tech space. One of the pieces I didn't comment on with Mr. Singh's question was around – when we had put this idea out through our Alberta's Future website, we did engage in a number of stakeholder consultations that were open to all Albertans, yes, to those that are in the industry that are experts and have that expertise but also for the average Albertan to weigh in. There were a number of very successful, incredible women entrepreneurs that are in the tech space who also were in favour of this concept, recognizing that this is a novel way for Albertans to be able to participate and invest in companies.

The consultations have been ongoing, as I had mentioned, quite frankly, for about the past seven years, and consultations would continue and continue to be ongoing. I'm in touch with a number of venture capitalists and those that are in the innovation ecosystem both here and in Calgary and around the province who have weighed in on this fund concept and are in favour of it. In fact, I have not heard a single venture capitalist who has said: no, this is a bad idea. A very well-known VC out of Edmonton here, when I was speaking with him most recently, said to me: Deron, this concept is a no-brainer, and it's something that Alberta should have done 10 years ago to really catapult us forward in this space.

The Chair: A follow-up, Member Irwin? Go ahead.

Member Irwin: That's great. Thanks, MLA Bilous.

The Chair: Thank you.

We'll be going now to MLA Rosin.

Ms Rosin: Thank you, and thank you so much for being here. I will echo what my colleague Mr. Amery said. I think there are several of us who are quite intrigued by the concept of this bill. I think it's

the most Albertan concept ever if it can be executed properly, allowing good-hearted people to invest in good-hearted, homegrown companies.

I do have, I guess, just one primary question. I understand the intent is for no taxpayer investment in the fund, for this fund to be supported by ordinary Albertans investing in ordinary Alberta companies and people, but is there any risk profile intended for the taxpayer? If the fund has a bad year, investments go down. Naturally, start-ups are very high risk. Is there any intent for there to be a risk profile on the taxpayer in the event of a bad year, or is the fund intended to just be a very high-risk, high-reward investment for Albertan investors?

Mr. Bilous: Yeah. A great question. The bill is open enough and, again, not extremely prescriptive in order to give government the ability to explore all avenues. I know, for example, that in Saskatchewan they have that golden opportunities fund. One of the ways that they derisk for their investors is that they've allocated a tax credit portion. The other thing that they enable is to allow people to use their RRSPs to invest. Obviously, when you're investing RRSPs, you do get a credit back on your returns. I mean, I would encourage the government to look at all the different tools that are available that could help derisk, but for the purpose of this bill we really just wanted to set up the venture fund itself.

There is a high degree of risk in this because we are investing in start-ups. One of the ways that that risk is mitigated is because funds are pooled. This isn't an individual Albertan investing in one single company. It's pooled money that's invested over a period of time, which, again, is not prescriptive in this bill. So there is a high degree of risk. What stakeholders did say in consultation was: we would want to do a bit of an educational piece for investors to recognize that this is a high-risk endeavour. But one of the pieces of feedback from, again, the community was to have a modest limit on how much Albertans can invest.

Now, it's not currently in the bill because, again, that would be too prescriptive, but the number that I had heard most often was somewhere between \$5,000 to \$10,000 per Albertan, which, again, would ensure that, you know, Albertans aren't going out and mortgaging their houses to invest hundreds of thousands of dollars in a fund that might have a bad year.

Again, the intention of this – and this is what VCs do – is that by investing in a number of companies, you're spreading your risk around. Those in industry know that, yes, start-ups have a significant amount of risk, but the reason that VCs invest in them is because there are companies that are going to knock it out of the park. Of course, you know, everyone loves to talk about the unicorns like Benevity and those that are here in Alberta, and this fund would help us discover and grow more of those unicorns right here in Alberta.

The Chair: Thank you.

Do have a follow-up?

Ms Rosin: I do, just a quick one. I just wanted to be super clear, then, on the intent. I think that everyone who invests in this fund as an Albertan would understand that their investment is high risk and potentially high reward, but I just wanted to be very clear that high risk is intended to be only on the individual investor and that there is no intended risk to the government or the taxpayer in the event of a bad year for the fund.

Mr. Bilous: Correct. Again, for the purpose of this bill there are no government dollars going into this and no tax dollars for this. It

doesn't preclude the government down the road from deciding if they also want to bring in other funds or invite pension funds or other venture capital funds to participate, including potentially government dollars, but for the purpose of this bill it is only private capital that is being invested, so minimal risk to the government.

The Chair: Thank you for that.

We will now go back online with MLA Sigurdson.

Ms Sigurdson: Yes. Thank you so much. Good morning, and thanks very much for your presentation, MLA Bilous. Deron, certainly, you've been doing a lot of work in this area since you yourself were minister for four years and now as a private member in developing this into a private member's bill, so I just want to thank you for all the work in this area.

I guess my question is kind of simple, and I think you've touched on it, but I just want to give you an opportunity to chat about it a bit more. Like, what kind of a difference, how much of a difference could this make for, you know, people in Alberta? What kind of a difference would this make?

Mr. Bilous: Thank you for that. I think it's a huge opportunity for Albertans to, again, be a part of our own ecosystem and for the average Albertan to participate. Up to today and including today the average person is very limited in how they can participate in investing in our own companies. This provides a unique opportunity, but this fund has significant potential. Again, you know, the bill is left quite open on whether or not Albertans would have an opportunity to invest once or every year or after a certain number, a period of time, to invest more than once. That will be decided by the government, that has access to many more resources and expertise than private members do. But, again, if we look at that model from the Canadian oil sands project under Premier Manning, that fund had 100,000 people invest, and this was at a time when Alberta's population was much lower. We have over 4.3 million Albertans that call our province home, so there is significant opportunity to grow a fund much bigger than that.

What's exciting about this is that many stakeholders and experts have said to us that there are some opportunities for dollars for start-ups to access. What's really challenging in the province right now is for those companies trying to scale up that aren't yet at series A, which – I get that I'm now going into the weeds. But they've done the friends and family and they're pre series A, and they're struggling to get access to capital. Because these are innovative companies, they often don't have assets like buildings and other things so that they can borrow from banks and traditional lenders, so they struggle to get that capital to be able to grow and scale up very quickly. Those opportunities are absolutely significant, you know, that \$5 million to \$50 million, the \$50 million to \$100 million. This bill would provide and inject incredible amounts of new capital into Alberta companies.

10:30

The Chair: Thank you for that. The 20 minutes have elapsed. That was relatively good timing in completing the question. You are more than welcome to stay. Thank you for the presentation and for taking questions.

We are now going to hear a technical briefing from the Ministry of Jobs, Economy and Innovation on Bill 203. We're just going to invite those representatives to come to the table, and I'll just give them a minute to do that.

All right. Thank you for joining us. I would just ask that you introduce yourselves for the record, please.

Mr. LeBane: Certainly. My name is Paul LeBane. I'm the assistant deputy minister for economic policy and strategy with the Ministry of Jobs, Economy and Innovation.

Ms Shandro: Good morning. I'm Chris Shandro. I'm the assistant deputy minister of agency governance and program delivery with the Ministry of Jobs, Economy and Innovation.

Ms Ballantyne: Good morning. I'm Mary Ballantyne. I'm the acting executive director for economy and trade policy branch in Jobs, Economy and Innovation.

The Chair: Thank you for joining us today. You have five minutes for the initial presentation. The timer will start when you do. Please go ahead.

Mr. LeBane: Good morning, and thank you, Chair. As discussed, Bill 203 proposes fundamentally two things: it creates a new advisory council and expands Alberta Enterprise Corporation's mandate and rule. I'll speak to each briefly and highlight a few considerations for this committee.

The new advisory council would be established through a new stand-alone act. The bill envisions a relatively broad mandate and extensive role for the council, seemingly more so than a number of other advisory councils from what we're reading in the bill. The council would advise the minister on a wide range of issues related to Alberta's technology sector, would have the mandate to consult, request information, conduct research, and other items. The council is envisioned to be an unincorporated advisory council with no natural person authority and would comprise seven to 15 members appointed by cabinet. The members would not receive remuneration or expenses and therefore would not be subject to the Alberta Public Agencies Governance Act.

Some considerations for you. There may be some duplication. The council is tasked with substantial hands-on activities, and many of these functions already exist within the mandates of JEI, AEC, and some of our other agencies in government. This may blur some accountabilities, particularly since the department would be providing significant secretariat support to the council. The council's role also appears to be fairly involved with lengthy time commitments but offers no compensation or expenses, so our ability to attract and keep councillors engaged may be challenged somewhat.

Finally, the effectiveness of standing advisory councils can vary significantly. We've had some real success in the past with legislative advisory bodies, but it has often depended on board compositions and government's receptivity to their proposals. One of the challenges with legislative bodies is the limited ability to shift the body's composition and mandate over time, and this can ultimately blunt their effectiveness. In contrast, we've had fairly significant success recently with more time-limited entities with well-defined deliverables like the ICWG, that MLA Bilous referenced.

The second element to this bill is the significant expansion of AEC's role and mandate. For a bit of context, AEC's mandate is to support the development of the venture capital industry in the province. AEC invests as a limited partner in private venture capital funds, who, in turn, invest directly in technology companies. This is a commonly used model for ecosystem development. Among other benefits, it leverages significant private-sector investment and avoids government picking winners and losers.

More critically, though, this model creates the financial incentives for private-sector fund managers to provide more than just capital businesses. This is more than just capital businesses, and this is really important. They provide mentorship, management talent

training, access to networks, and other things, and that's what's really important for some of these smaller enterprises to grow.

Bill 203 proposes a fairly significant shift. It would see AEC establish a new investment fund through which AEC would invest directly in technology companies. It would also enable AEC to raise funds directly from retail investors. The fund's objectives are multifaceted; they include the intention of earning income, typical for most funds, as well as prioritizing investments to create jobs, encourage R and D, assisting businesses to grow in scale, and promoting a self-sustaining VC industry. The bill also proposes a significant expansion of AEC's financial powers and provides regulation-making authority, including borrowing authorities, guarantees, and the ability to disapply the Business Corporations Act and the Securities Act.

Some considerations for this committee. AEC's direct investing activities would compete directly with the private-sector venture capital funds that it invests in. It's not clear how large this fund may be, but the larger the fund is, the greater the risk of potentially crowding out some private-sector investors. This could limit some of the growth in Alberta's venture capital industry, reduce overall capacity, overall availability of capital and critically noncapital supports, and could have potentially other market distortions. With direct investing, there may also be the perception of implicit or explicit government support for some specific companies, or there could be political pressure to support specific companies.

The inclusion of retail investors also adds considerable complexity and risk. There are very few examples of successful government-run retail investment funds. Venture capital is among the riskiest asset classes and typically requires very long lock-up periods. It's often not an appropriate investment class for many retail investors. Retail investors would significantly increase AEC's administrative compliance and reporting burden, and it may be difficult to reconcile some of the fund's various objectives in the context of a retail investment fund. Overall, AEC's risk profile will change with the shift to direct investing and with retail investors.

AEC is currently structured for fund investing. They have 6.8 FTEs. Consequently, these changes would require new investment, compliance, and reporting teams and a fairly significant expansion of its activities. AEC's compensation structure would also have to be changed. Changes to AEC's boards may also be necessary to ensure appropriate skill mix.

With that, I thank you for this opportunity to speak to the committee.

The Chair: Thank you for that.

We will now turn to 20 minutes of questions. The first person who flagged me down was MLA Long.

You have a question and a follow-up if you like.

Mr. Long: Thank you, Chair. Thank you, Paul. I appreciate the time you're taking today. We heard from MLA Bilous about this bill opening up, basically, more potential for the tech sector, for start-ups. Then he also shared about the 220 per cent growth in Canada and 23 per cent in Alberta. Now, I'd hoped to ask him this question, but I think that I'll just turn it to you because I'm sure that you're hearing from the same stakeholders in the tech sector. Having looked at the bill, I'm curious, you know, with what's trying to be captured in the bill. What is missing from the bill that stakeholders are saying is a current hurdle for more investment in start-ups in the tech sector?

Mr. LeBane: As MLA Bilous indicated, the bill leaves a lot of discretion to regulation-making authority and a lot of discretion to government to implement this. One of the major things we hear

from stakeholders, which was rightly pointed out, is that the really small companies struggle to grow, they struggle to get capital, and they're often overlooked by some of the larger established venture capital funds. The accelerated funds try to do that, and they do it quite successfully. For these organizations, though, there's an exceedingly high cost to provide funds. There's a lot more due diligence required, so it's much higher risk. There's a larger role for the public sector. That's probably one of the big things.

The other big thing that we hear frequently is the need for more accelerators to help businesses grow. It's more than just capital that our small businesses need. It's some of these other supports around mentorship, access to networks, access to management training, development, these sorts of things. That's what the government pursued, the accelerator initiative over the last number of years. We funded a series of accelerators to help bring those skills.

The Chair: Do you have a follow-up?

Mr. Long: I do. I'm just not sure what it is at this point.

The Chair: Well, I'll come back to you. You get my attention if you have a follow-up.

MLA Sweet, do you have a question?

Ms Sweet: I do.

The Chair: Please go ahead.

Ms Sweet: Thank you, Mr. Chair, and thank you for your presentation and your thoughts around the bill. I do have one question. You had flagged the risk of distorting the market. We've heard from the private sector that they're actually very excited about the concept of this. Have you done any analysis on the market distortion, what that would look like, how capital could help and maybe grow those ecosystems?

10:40

Mr. LeBane: Yeah. That's a very good question. As I noted, the bill left a lot out, and a lot of it we didn't have a fair bit of guidance for, which we appreciate. At that point, when we reviewed the bill, we were unclear if the expectation was to have government funding go into the fund as well. The previous experience Alberta had in this space was the Vencap fund in the '80s, and there was a significant government contribution to it.

The market distortions: that was a bit of an open-ended comment. It's in part because we don't fully understand what's envisioned with the provision to disapply provisions of the Securities Act or the Business Corporations Act. So to the extent that it creates some favourable preferences for this fund over, say, the private-sector funds, that I think would be a concern for market distortion, but it's not entirely clear what was being alluded to.

The Chair: Do you have a follow-up?

Ms Sweet: I do. Just in regard to the Securities Act component, I'm hearing, specifically, more in the agrifood industry than necessarily the tech component, the struggles that investors are having in being able to actually do those investments because of the different changes within or the need to shift some of the Securities Act or some of the competitiveness between the provinces. I guess my question would be: would you have recommendations or thoughts around how this bill could support ensuring that those who want to invest in these projects have that ability to do that?

Mr. LeBane: I suspect that's probably a better question for officials from Treasury Board and Finance. They directly oversee the

Securities Act, and we have less interaction with that. MLA Bilous rightly pointed out that some provisions have been made over recent years to expand. Previously it was really just credit investors, so high net worth individuals who could invest in venture capital, in part because it is high risk and in part because there are these long lock-up periods. It's been expanded to folks who now have more of a financial education or an MBA and whatnot, but further expansion of that would probably be a better question for officials at Treasury Board and Finance.

Ms Sweet: Thank you.

The Chair: Thank you for that.

We'll now go to MLA Rehn.

Mr. Rehn: Thank you, Mr. Chair, and thank you very much for coming this morning and giving us the information. I'd like to know: do other provinces have organizations similar to AEC?

Mr. LeBane: I think AEC is probably a bit unique. There's probably no immediate direct comparables. There's probably some commonality between organizations in other provinces. I believe some of the means used in other provinces are a bit further from government, so not necessarily a direct agency but further out. I think B.C. has created something closer to what Alberta has, within B.C.

Mr. Rehn: Okay.

The Chair: Do you have a follow-up?

Mr. Rehn: Yes, I do. It's kind of a two-phase follow-up: how does their management structure compare to Alberta's, and are other provincial governments more hands-on or hands-off with directing where investments are made?

Mr. LeBane: Sorry; I can't answer the question about the management structure of the B.C. fund or some of the other funds. I'm not in a position to answer that. I think most of the other provinces – there are some instances where there is more hands-on involvement, probably in Quebec, and then there's the golden opportunities fund, which is still arm's length from government, but they invest directly in companies in Saskatchewan.

Sorry; we can probably come back with more details if that's needed.

Mr. Rehn: Sure. If you could, I'd appreciate it. Thank you.

The Chair: I think for the first time Mr. Deron Bilous is able to ask a question if he likes.

Mr. Bilous: Well, it'll start with a comment. Part of the reason I appreciate – you know, you brought up the Securities Commission and TBF, and I know that's with them. In the bill the purpose was to, again, give government, so JEI, the opportunity to work directly with TBF and look at how the Securities Act would need to be amended. That's something that I don't have personal expertise in, and I didn't want to go down a path that put something in the bill that was a glaring problem or omission. Really, the bill has tried to empower JEI and the government to be able to go forward to set up a fund in a way that is going to work and not compete with existing funds already.

Again, as my colleague MLA Sweet pointed out, you know, venture capitalists in Alberta are actually quite excited at the opportunity for this fund and don't view it as competition with their own funds as far as investing. Again, AEC has some of that expertise, but as you pointed out, they would need, I would imagine,

further capacity to be able to make these kinds of investments. The intention is, again, to be able to get the money out the door in a reasonable period of time and not be tied up for years trying to determine which companies to invest in. Again, we often hear about moving at the speed of business, and that's the intention of AEC.

Really, I guess I don't have any questions other than that I just wanted to talk more about this.

The Chair: I was starting to suspect that.

Any other questions? MLA Rosin. Yes. For a question, please.

Ms Rosin: Yeah. Thanks. I believe I heard you say that there was concern from the department that creating this fund under the purview of AEC would significantly increase AEC's risk profile, which, I suppose, makes sense because start-up investments are very high risk. I guess my question is: as the bill is currently written, from the department's understanding, is it written so that it would increase the risk profile of the entire AEC or just of this one fund under AEC? And if it's written so that your understanding is that it would increase the risk profile of the entire AEC, do you believe – and I'm not sure if I can ask this – that there's a way that it could be written to pull that fund kind of to the side of AEC and only have that high-risk profile apply to this fund and not the entire organization? I hope that makes sense.

Mr. LeBane: When I spoke about the change in the risk profile – again, at the time we didn't have a great sense for how large this fund could be, and I don't think we do at this point either – we were saying that there are no government funds. It depends on how much money can be raised from the private sector to put into this fund and how big it will be relative to the other investments in the fund. It probably changes the risk profile in two ways. For this fund, if there is no government money, the risks around diversification, whether it's by geography or by industry, would largely be borne by the investors in the subcomponent, which isn't government, from the sounds of it.

It would probably increase the risk for the overall organization more from a management and governance perspective because the function of this organization now fundamentally changes. It goes from having six or seven people doing funds-of-funds investing to all of a sudden now having a compliance function, a reporting function. It has to be raising funds from retail investors in a compliant fashion. Then the risk profile is changing fundamentally, and all of a sudden now the board is going to have other things to keep in mind, so to speak, or other risks to manage as an organization.

From a financial perspective, this shouldn't have any direct impacts on the other investments or the fund-in-fund investments. It would be largely limited to those operational items.

I won't comment on how the bill could be written. That's probably – yeah.

The Chair: Do you have a follow-up?

Ms Rosin: No. Thank you.

The Chair: No. All right.

Mr. Nielsen, go ahead.

Mr. Nielsen: Thanks, Mr. Chair. I noticed in your comments you were talking about the proposed advisory council and possibly maybe duplicating some of the things that are currently in JEI. As Mr. Bilous had mentioned, you know, he kind of mirrored it a little bit from the Aviation Council, that was just recently brought in. I'm wondering: have you seen any duplication from the Aviation Council for JEI? I guess I'm wondering if – should we create this

council, would it not potentially have the same effect that the Aviation Council is having?

Mr. LeBane: I probably can't comment on any duplication from the aviation advisory council. It's reporting up into the Ministry of Transportation, and we have less interaction with it right now. It's been pretty minimal from our departmental perspective, from what I understand. I think there probably are a few differences between this and the aviation advisory council. From my understanding, the aviation advisory council was established by a ministerial order; it isn't a legislated committee. I could be mistaken, but that's my understanding. So it's fairly time limited and has a fairly kind of a more narrow scope of operations whereas this appears to be much more long standing in nature, with continuous reporting.

The Chair: Follow-up? No.

Back to MLA Long.

10:50

Mr. Long: Just a delay there. Sorry.

This certainly isn't my realm of expertise, and I'll probably show this with this next question. Is there anything in the private investing world in Alberta that's already established that covers what this bill is trying to basically bring into the government realm, or is this really an area that we have missed in our province, like, that the private investing sector hasn't established?

Mr. LeBane: In, I guess, the private sector there are many venture capital funds that are active in Alberta and invest in Alberta companies. The folks who invest in the venture capital funds have to be accredited investors in order to be pension plans or other large institutional fund managers. I'm not aware of any retail funds in Alberta that invest in the really small tech start-ups. I doubt there are. So there are probably only indirect ways for Albertans to invest into these companies, either through some of these larger funds, like, some of these institutional investors, who have exposure to these venture capital funds, or through some companies like the likes of Onex or Intact Ventures fund. Like, it's probably very indirect, but they can invest in. So there's nothing quite akin to what's being proposed here today for regional investors.

But, again, for this type of investing there tends to be long lock-up periods. It's high risk. It's typically not an appropriate investment for many smaller investors to be investing directly in venture capital.

The Chair: If you have a follow-up, go ahead.

Mr. Long: It might be completely – I'm going to try to tie a like question in. Have you been able to reach out to counterparts in other jurisdictions that have a similar yet different government allowance on this, I guess, to find out what hurdles they are experiencing or what successes they're seeing? Like, with the golden opportunities fund, for instance, what benefit is that bringing for the start-ups in the tech sector specifically?

Mr. LeBane: We have reached out, not specific to this bill, not in the last week on this bill, but we do have regular interactions with other provinces about their experiences with these different funds. Like I said, many of the jurisdictions follow a similar model as Alberta with the fund-of-fund investing to provide more capital into the ecosystem and bring in more private-sector funds.

You referenced the golden opportunities fund. There were a number of funds in Canada in the '80s, '90s, early 2000s around labour-sponsored venture capital funds. Often these were paired with pretty significant tax credits. Most jurisdictions have moved

away from these, for the most part, because of the effectiveness of it, and this is part of the reason Alberta was, I guess, challenged, probably in the '80s, with our own fund.

I think there are probably opportunities to build out our industry more fulsomely. It's probably not just about capital at this point. It's about capital, it's about mentorship, it's about networks and whatnot, and that's why we've pursued a number of other mechanisms as well as the government.

Mr. Long: Thank you.

The Chair: Thank you for that.

We will now go to MLA Sweet.

Ms Sweet: Thank you, Mr. Chair. I just want to follow up on the ability for average Albertans to be able to invest in these projects. I'm hearing, like, historically – I'll use Saskatchewan just because it's a similar jurisdiction to us in the sense of agriculture. There was in the '90s an ability for pooling of investment to create grain elevators, and that's how the expansion of grain elevators in Saskatchewan was very successful. Now we're seeing a similar movement in Alberta when it comes to looking at innovation around agriculture and being able to encourage investors to be able to invest in those projects in those smaller local communities.

An example that was provided to me by a stakeholder was that the local car salesman that has been in the community for years wants to be able to give back to their local smaller community and invest in a project that will help create jobs, and obviously there might be some economic return for the car salesman as well, but the intention was of using their wealth, that they've been able to generate in their local community, and creating something, more employment in their local community by investing in a project similar to this, and they're facing barriers. So I guess my question would be that if this was not a tool that was able to be used, what tool would an Albertan be able to do to be able to invest in those local projects as just an average, local entrepreneur that wants to help generate some employment and, like, a local economy?

Mr. LeBane: Is the question: how would they invest in local Alberta projects without investing directly themselves but through some sort of fund mechanism? Is that the question?

Ms Sweet: No. The intention is that they would like to use their own capital to invest in a local project that would be similar to something like this in the innovation area, but what they're being able to pool, a community of members to invest in a local project: they're facing barriers. So this strategy would be something that would be able to give them that opportunity to invest in a new start-up in their local community using community funds by residents that live in those communities. They were very excited about the idea of this. If this wasn't a tool that could be used, is there a tool currently or a strategy currently being developed that would help encourage that investment?

Mr. LeBane: They probably invest directly in some projects currently if they're willing to put their capital directly into those enterprises, but I think your question is more around using a fund mechanism to pool money, if I'm understanding correctly. I'm not aware of anything specific to that, not in a direct fashion like this.

Ms Sweet: Okay.

The Chair: No follow-up?

Ms Sweet: No. I'm good. Thank you.

The Chair: No? Okay.

MLA Nixon. We are down to a minute eight.

Mr. Jeremy Nixon: Yeah. Real quick, I just wanted to see if you could clarify something I thought I heard you say about dissuading other private-sector funding. So if we have this fund in place, there would be less likelihood that the private sector would come in and fund these things. Is that something that you said? Just wanted to clarify.

Mr. LeBane: It depends on the size and scale of this fund and how big they are relative to the rest of the ecosystem. If this is a relatively small fund, you know, a handful of millions versus tens or hundreds of millions of dollars, it has a different impact, but the larger this fund is, it could crowd out some private investment. There are so many people, so many investors, chasing a few deals. It could force up prices, it could force up – essentially, the government could be paying more for these, and it becomes less and less competitive for outsiders to come into our market. There could be some risk of them being crowded out.

Mr. Jeremy Nixon: Then the private sector could handle it instead of the government, but then earlier I heard you also say that there wasn't really another vehicle for this type of funding. Can you kind of put the two together for me? The two thoughts? Sorry. I raced through my question there.

Mr. LeBane: Sorry. Can you clarify the question?

Mr. Jeremy Nixon: Yeah. Earlier you talked about . . . [A timer sounded]

The Chair: Saved by the bell.

Thank you for taking the time to present and answer questions today. I appreciate it.

We will now move on to the decision and the review of Bill 203, committee. We must now decide how to conduct its review, Bill 203, in accordance with our approved process. The committee may choose to invite additional feedback from up to six stakeholders, three from each caucus. Alternatively, the committee may also choose to expedite this review and proceed to deliberations. Does anyone have any thoughts on this? Mr. Nielsen was waving me down. Please go ahead.

Mr. Nielsen: Yeah. Thanks, Mr. Chair. First off, thanks to everyone for coming in, sharing your thoughts with us on Bill 203. What I'm hearing is that we have a missing piece for, I guess, average Albertans to be able to get involved in investing in the tech sector, and we need to create kind of that vehicle. I know that Mr. Bilous said in his opening comments that industry is very much in favour of this. Quite frankly, I'd be interested to know some of the stakeholders involved in that.

Mr. Chair, I would propose a motion – and likely you probably have the exact wording – that the committee invite stakeholders to present to the committee so that we can hear right from them, you know, what we could be doing to, I guess, allow average Albertans to invest right here at home.

The Chair: Okay. Just give us – oh. He is quicker than I thought. Is that the motion that you're looking for, Mr. Nielsen? Just up on the screen.

Mr. Nielsen: Mr. Chair, you pulled the words literally right out of my head. It's amazing.

The Chair: It's a talent that Mr. Ellis and I both share.

Do you want to just read it into the record, and then add any comments if you'd like to, and then we'll go to the discussion around it.

Mr. Nielsen: I move that

the Standing Committee on Private Bills and Private Members' Public Bills invite up to six stakeholders, three proposed by the government caucus and three proposed by the Official Opposition caucus, to make presentations regarding Bill 203, Technology Innovation and Alberta Venture Fund Act, at an upcoming meeting and provide a stakeholder list to the chair by noon Thursday, March 31, 2022.

The Chair: Any other comments?

Mr. Nielsen: Very much in favour. I would love to hear from some of these stakeholders, like I said. I remember when Mr. Bilous was minister, lobbying him very heavily around taking advantage of, you know, the growing gaming industry, which is now a \$300 billion a year industry. I think this is an opportunity – I can think of one company right off the top of my head that could participate in such a fund to be able to scale up and I think would be possibly revolutionary here in Alberta. I would certainly encourage all members to vote in favour of hearing from stakeholders.

11:00

The Chair: Okay. Thank you for that.

Mr. Amery, go ahead.

Mr. Amery: Yeah. Thank you, Chair, and thank you to my colleague MLA Nielsen. I think he made some compelling points here. I think that we do need to hear from a few more stakeholders. The department has given us a very good analysis from their point of view. I think that it's an opportunity for us to look at other stakeholders who might be involved in this and consider what they have to say as well, so I would support this motion.

The Chair: Okay. Having heard that, MLA Sweet, you're next on the list if you'd like to add some comments. I see you're shaking your head.

Any other comments or questions to this motion?

Hearing none, I'll call the question on it. All those in favour in the room, please say aye. Anybody in the room opposed, please say no. Now moving online, all those in favour online, please say aye.

That motion is carried.

Thank you for that.

That will move us right into other business. Is there any other business to discuss?

Hearing none, the next meeting will be at the call of the chair.

Can I get a motion to adjourn? Mr. Nixon has moved that the meeting be adjourned. All those in favour in the room and online – let's try to do this at the same time – please say aye. Anyone opposed, please say no. This meeting is adjourned.

Thank you.

[The committee adjourned at 11:02 a.m.]

