

LEGISLATIVE ASSEMBLY OF ALBERTA

Title: **Tuesday, April 12, 1988 8:00 p.m.**

Date: **88/04/12**

[The Committee of Supply met at 8 p.m.]

head: **COMMITTEE OF SUPPLY**

[Mr. Gogo in the Chair]

MR. CHAIRMAN: Would the Committee of Supply will please come to order.

**Department of
Economic Development and Trade**

MR. CHAIRMAN: The government estimates before the House tonight are the Department of Economic Development and Trade, the Hon. Larry Shaben, minister. Before we begin, would those members who have an interest in proposing comments, questions, or amendments to the votes before us please indicate to the Chair.

The government estimates before the committee are found on page 111 of the government estimates book; the authority of the minister is on the same page. The authority of the program, both statutory and description, is on page 114 of the government estimates book. The Chair would draw the committee's attention to the elements of those estimates on page 43 of the elements book.

Hon. minister Mr. Shaben, would you care to make opening comments before the committee?

MR. SHABEN: Thank you, Mr. Chairman. I look forward to the discussion this evening on the estimates of the Department of Economic Development and Trade. I'd like to provide to the members some of my thoughts and those of the Department of Economic Development and Trade with respect to the priorities of the department, the focus of activity, and the consequences of the reorganization that has taken place within the department that reflects the new reality of Alberta and the focus upon which we have embarked this past year and will over the next couple of years.

The three areas that of course are important to us are business development -- and by business development, that is expanded to include creation of new business, expansion of existing business, and a broadening of the base of our economic activity. Of course, that embodies the expression that all of us have come to use: diversification.

The second primary area of focus, Mr. Chairman, is in the area of trade. All of us are so well aware of the importance of trade to our economy, that we depend so heavily upon export of goods and services from this province, that our focus on trade and our initiatives in trade continue but have been modified and changed to reflect the new realities. Those realities constantly change in terms of where our trade markets are the strongest, where the potential is greatest. Certain changes occur with the result in changes in value of currencies. Strengthening economies, such as new-found strength in the Indian, Chinese, and Brazilian economies, presented opportunities. The potential for a free trade deal with the United States, of course, must cause us to focus attention upon increased opportunities in trade

in the U.S. So the secondary focus is the area of trade.

The third, of course, is investment. In order for the things that I've talked about to occur -- the business development, expansion, diversification, and our capacity to trade and to accommodate opportunities in trade -- we must encourage and create an environment in which investment can take place: investment by Albertans, investment by Canadians, investment by people from around the world who are prepared to invest and strengthen and build the Alberta economy.

Those are the three areas of focus, Mr. Chairman: business development, trade, and investment. In order to strengthen those three areas, we've embarked on a number of strategies. I'd like to deal first with some general comments on diversification and our intent. We know how the economy has changed and how the necessity for broadening our base has changed, to move from a resource-based economy to one that is diversified, where we have strength in a number of sectors, including areas you've heard so much about, like high technology, plastics, petrochemicals, fashion industry, movie industry, forestry, so many of the new, emerging industries. This is all a part of the diversification strategy of this province, and it's working.

From 1971 through to the present time the growth in the Alberta economy in real terms, the gross domestic product, has averaged over 5 percent per year in real growth, which is pretty phenomenal, considered by any measurement of any economy anywhere. After a very difficult time in 1986 the Conference Board now predicts that it expects Alberta to lead all parts of Canada in growth during 1988. That growth includes growth in consumer spending, so retail sales should grow from a 3 percent increase in 1987 to a 6 percent increase in 1988, which is a pretty good measurement of what's happening in an economy. Recent employment statistics bear out this trend that began about mid-1987.

I would contend, Mr. Chairman, that Albertans have responded in a pretty dramatic way to the opportunities that have presented themselves and the challenges that have existed in Alberta. The growth and the diversification in this province is as a result of that kind of challenge being taken up by the people of Alberta. Our role as a government is to try and put in place an environment and support mechanisms that will allow people to function and grow and create jobs and create wealth, start up new businesses, expand and increase the present businesses, and make a contribution to this province in terms of its growth and the change that responds to the circumstances we live in.

We've experienced some difficult times. One of the real soft spots for us that we're all aware of, and it's so important, is in the grain prices in our agricultural sector. That has a terrific impact upon a lot of the rural communities that depend heavily upon their economic base for the grain farmer's activities: his purchases in the community, his activities, the marketing of his product, and so on. We're very fortunate in Alberta that we have an agricultural industry that isn't as heavily dependent upon grain, as are Saskatchewan and Manitoba, and we have the benefit of red meat production, which accounts for about 50 percent of our agricultural production. It's really fortunate that we have that particular balance. But in spite of that balance, that causes us some considerable difficulty in some of the smaller communities that don't have the manufacturing base or the other advantages that some other centres have. That's why recent announcements which have been made with respect to tourism initiatives and other initiatives are so very, very important to broaden the bases of the small communities.

I talked a little bit, Mr. Chairman, about the business en-

vironment, the climate in which the business community functions. In my view, that is the critical element for growth in our economy because the decisions by individuals to invest, whether it's in Calgary or in Edmonton or in Red Deer or in Taber or in Fairview, are a result of an individual's confidence in that community, in constancy in the rules by which business is conducted: the tax base, the infrastructure, and all of those other factors that go into making the availability of skilled labour and the terms and conditions under which people work and the effectiveness of the people who are in the labour force. All of these are factors, and that's why I think it's a credit to the people of this province and the investors that during 1987 there were 17,000 new business formations in Alberta.

That tells you a little bit about the environment in which we live. After getting a battering and a buffeting for a number of years, Albertans are prepared to invest and build this province and cause real growth in our economy. That tells you that the environment is a pretty dam good one. The role of government is to continue to try and see that that environment is a healthy one where entrepreneurs will take those risks, where someone will decide to manufacture a product or upgrade a product or develop a service, not only to access a market in Alberta or in western Canada but to compete for markets offshore in the United States or in the Pacific Rim or in Europe or the Middle East. More and more Albertans are recognizing that this is a terrific place from which to compete anywhere in the world.

One of our targets in the trade area is to expand the number of companies that are successfully trading around the world from the present about 850 Alberta companies to 2,000 companies by the year 1990-91. We hope that with our programs of support -- our export support services program, our export loan guarantee program, the modification of our management assistance program to assist companies to become export-ready -- we can increase that number in the current fiscal year from 850 by another 350 to bring it up to 1,200 companies that are successfully marketing around the world. So that's one of our targets in the trade area, and it's going to mean a lot of intensive work by the people whom we have involved in our department in focusing on expanding that capability. So that's a key part of the trade initiative.

On the investment side, all of this activity that we would like to see, whether it's in manufacturing or in service or in high technology or in a whole range of areas, requires investment capital. It requires a commitment by Canadians to free up their savings and take risks with it and invest in opportunities as they see them in Alberta.

We have also, traditionally and historically, welcomed foreign investment, and we continue to welcome foreign investment. The fantastic XV Winter Olympics was a great showcase for Alberta, particularly for Calgary but for all of Alberta, and there were businesspeople from all over the world who traveled to Calgary, enjoyed the Olympics, but also had an opportunity to look at investment opportunities. Our role, along with other departments of government, was to encourage looking at opportunities. We worked with private-sector groups. The Economic Development Authority in Calgary and Edmonton and a number of departments were involved in the Alberta Business House. We calculate that more than 1,500 businesspeople from around the world visited Alberta Business House, obtained information on opportunities, and a large number have made a commitment to return and look at specific business opportunities.

Also, a private-sector group in Calgary undertook a very ambitious program, Enterprise '88, and actually invited CEOs from

all over the world and did a selling job on opportunities in Alberta in primary activities, manufacturing, service, tourism, and a whole range of opportunities, in order to signal to the world that there were opportunities to invest in Alberta, to create activity and create jobs for Albertans. One of the key areas of that investment is the opportunity to match Alberta companies with investors who are looking for a place to match skills or technology or marketing capability with Albertans and the location. So we have embarked upon a program to assist in matching. A part of that involves canvassing Alberta companies to determine whether or not they're interested in talking with potential joint venture partners and then putting them together and seeing if there are joint ventures that develop out of that. That's an excellent way of encouraging investment by way of joint ventures with Alberta companies. So that is a part of the process.

I had mentioned some of our programs, including our management assistance program that's going to be modified, improved, and adjusted to assist exporters. The Alberta guarantee program for exporters: many of our new, fledgling exporters have difficulty in financing their export orders, so when they have a confirmed export order, we'll provide a partial loan guarantee for their bank in order that they can finance the manufacturing of that export order. That program has resulted in our being able to assist Alberta companies in exporting some \$370 million worth of goods and services that they wouldn't have been able to finance otherwise: a very good program.

Another effort to increase our ability to trade is to take advantage of the talents of many Albertans. Alberta is made up of people who have come here from almost every country in the world, and the people, after a short while of being here, have caught the enthusiasm of Alberta. They've caught the entrepreneurship; they've become staunch Canadians and supporters of the entrepreneurial spirit. This was really evident to us a couple of weeks ago when we hosted Alta Trade '88, where leaders of the ethnic and cultural business community from all across this province came to Edmonton, spent the weekend at their own expense, giving the government advice on how we can improve our trading relationships with other parts of the world: a terrific experience. The ideas we gleaned from that conference are being worked on now, the networking -- in other words, utilizing the tremendous talents of Albertans to improve Alberta's economy. Involved in that conference were my colleagues the Minister of Agriculture, the Associate Minister of Agriculture, and the Minister of Technology, Research and Telecommunications. A number of other MLAs, of course, were there as well to work and to help this synergy that develops when Albertans get together with a common cause to try and strengthen the Alberta economy.

So there is a variety of ways of expanding and strengthening the Alberta economy. Those individuals, Mr. Chairman, who simply measure the level of activity by the numbers on the balance sheet I think are making an error, because we can do a lot by Albertans' working together and utilizing the strengths that we have to build our economy. That's what we're doing.

There are a lot of activities that go on through the year that the department is heavily involved in. These include export trade missions, their incoming trade missions, their seminars, the management assistance program that runs all across this province, the networking that goes on. One of the key areas we're working on this year is to expand our communications systems so that our business development office in one corner of the province can instantly communicate with any of the business development offices so that information can be traded rapidly,

as to the availability of products or service or people or businesses or commodities. One of the key efforts we're going to be completing over the next three years is a much improved communications system across the province, recognizing that there tends to be, particularly in difficult times, greater pressure on the small communities. They need more help and more information in order for the opportunities to be identified and for that growth to occur.

I'd indicated that the broadening of our economic base includes a whole range of areas, including the traditional ones of oil and gas, petroleum; of course, our emphasis on food processing; high technology, including electronics, biotechnology; fashion, clothing manufacturing. One of the interesting things that occurred from 1982 through '85, when Alberta was experiencing the very difficult times, is that a number of people who had been involved in traditional industries like oil and gas switched into manufacturing of clothing or getting involved in food processing. A lot of these people are very talented, and even though it was a terrible shock that we went through, a lot of diversification took place out of the demand that occurred with the downsizing of the oil and gas industry during '82, '83, and '84. Of course, tourism and forest products are key areas.

A couple of areas that are really important -- and I've talked about the small business data base, which will be accessible by all parts of the province. Our business counseling is really important because it's become even more competitive in the business environment than it has been in past years and changes occur much more rapidly. It's important that businesses have access to information as quickly as possible, so our counseling program is being accessed more and more by Alberta businesses. It's not just on a start-up basis, but this counseling is for expansion or change of direction or marketing assistance or export readiness. Last year, for example, our business counselors counseled more than 25,000 Alberta businesses.

We've put in place a number of support mechanisms, like the small business equity corporation, the small business term assistance program, and others. For example, the SBEC program has now resulted in 457 investments totaling \$112 million, and these are all investments that have been directed by the SBECs that were created as a result of the government program. The small business term assistance program has been very successful, and I still get comments on it because it's working every day with the thousands and thousands of businesses that have accessed the program. The Alberta Opportunity Company has responded very, very well to our request to modify its activities from a provider of debt or a lender of last resort to a provider of creative financing. They have now made, I believe, some 15 investments in a very short time that total about \$12 million by way of commitments to equity investments. That's in just over a year, which is, I think, a pretty successful move into the smaller venture capital area. I think the board and the administration have responded very well.

I talked about providing more information and the management consulting that is so important to our small businesses. We're going to be participating in trade shows around the world. We provide support to our exporters, particularly new ones who have not been successful in penetrating the export market, assisting them in becoming export ready. That's going to be a focus, Mr. Chairman, that we will pursue in order to increase our capability.

Another area that has just been started -- and we're beginning to see the results -- is the business incubator program. We announced that last year, and we now have two incubators under

way, one in Calgary, one in Edmonton, and a number of applications have come in. As they develop their business plans and expand them, this is a very effective way for small businesses to grow because of the strength they gain from being involved in that incubator environment.

We provide support to the native business community through the Business Assistance for Native Albertans Corporation and the Native Venture Capital Co., and I am going to be reviewing the Business Assistance for Native Albertans Corporation over the next year to year and a half to see whether it needs some adjustments or changes or improvements.

So there is a whole range of programs, but essentially we're involved in assisting companies to respond to the opportunities. We identify opportunities in a broad, general range, provide a great deal of consultative service, identify in general terms what the strengths are and also, of course, what the export opportunities consist of, in order to assist Alberta companies to maximize their energy and their investment in an area that we think is so exciting, and that is the growth of small business and the creation of wealth and the creation of activity in exports.

I talked about broadening the base, and one area is filmmaking. Alberta led the nation in establishing the film development corporation in 1982 and now is second in Canada in its indigenous filmmaking capability. This year we have a Bill on the Order Paper, an amendment to that Act, Bill 11, that should make it even more successful in terms of helping Alberta filmmakers who have made a name for themselves internationally as a result of the film development corporation assistance that's available to them. These are some examples of the kinds of things we can do.

Recently, I've talked about the impediments to Alberta's growth. What are they? What are the real limitations on what we can achieve? If we continue to have a stable political environment, a reasonable tax regime that is attractive to investment, and a strong infrastructure base, and build upon our strengths, there aren't too many limits to the growth that can occur in Alberta and the strength we can achieve and the quality jobs for our children.

The two impediments are, one, transportation, because we do not have the benefit of being at tidewater. The other is the one we keep working at in a variety of ways, whether it's the stock savings plan or a number of other plans: the provision of financing.

On the transportation side, the Minister of Agriculture, the Minister of Transportation and Utilities, and I work very effectively and co-operatively in trying to develop policies that improve the transportation capability of Alberta in terms of the cost effectiveness of moving our products to market. We'll continue to work in those areas, whether it's by effecting changes to national transportation policy, whether it's assisting groups of shippers in forming associations, whether it's working with Albertans so that they can identify ways they can move their goods more quickly. If it means establishing a Crown corporation like AIS, Alberta Intermodal Services, to reduce the cost of transporting goods to market, we'll continue to do those things because we feel that's an appropriate role.

So, Mr. Chairman, I know that a number of members would like to ask questions, and I would welcome those questions, but I thought it was appropriate to provide the members with a little bit of the philosophy and the focus of the department and how we view our role in this tremendous province in encouraging business development trade, and investment.

MR. CHAIRMAN: Thank you, minister. Before proceeding, under Standing Order 55(5), the hon. Member for Lacombe has been appointed Acting Deputy Chairman of Committees and has graciously agreed to serve in that capacity tonight, and is therefore empowered with those powers.

Would the committee agree to revert to the routine to allow the introduction of special guests?

HON. MEMBERS: Agreed.

head: **INTRODUCTION OF SPECIAL GUESTS**

MR. CHAIRMAN: Hon. Member for Cypress-Redcliff.

MR. HYLAND: Thank you, Mr. Chairman. I'd like to introduce tonight a group of gentlemen from all over the province of Alberta, members of the Pulse Growers Association, the president and various directors, some of whom come from my constituency: the president Mr. Lud Prudic of Bow Island, Mr. Walter Cleland, a board member, John Hopkins from Burdett, Hugh Craig from Edmonton, Ken Kusk and Joe St. Denis, Craig Shaw, and Frank Spanbauer. I wonder if these gentlemen could stand and receive the warm welcome of the Assembly.

head: **COMMITTEE OF SUPPLY**

**Department of
Economic Development and Trade
(continued)**

MR. CHAIRMAN: One further item. Would hon. members please look at page 111 of the general estimates before us. With reference to vote 2, which is summarized there, and vote 3, there are two items which are non-budgetary in the sense of budgetary items within the department. They are, however, expenditures which are investments by their nature and must be voted in terms of the particular vote, but they are not included in the total vote of the department. That may save questions to the minister later on. The Chair will entertain questions on any of the six votes.

The hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to begin by thanking the minister for his comments tonight. I'm not one of those who believes that just because this minister says something, it must of necessity all of it be wrong. I must say there is much of what he has said and done that I disagree with, but not everything, and there are many things that his department is doing that we support.

I listened carefully to his comments and tried to determine from those what is the overriding provincial objective of all this activity. In listening to that, what I heard him say is that his prime objective as a department as a minister of this government, is to create an environment for business in Alberta. Now, Mr. Chairman, that's fine and dandy, but business is not the only group in this province that has a stake in the economy, and I think we have to look, before we begin this debate this evening, to really go back to first principles.

It seems to me that the overriding objective of any economic development in this province ought to be to aim to achieve full employment low inflation, and rising living standards which are distributed equitably among all Albertans. If we use that as a starting point, I think it's a different one than the minister articu-

lated this evening, and I think it will have some different results. Because I think it says, Mr. Chairman, that we have to concern ourselves first of all with the tragedy and the lost opportunities of people who are faced with unemployment in this province. I don't believe that any government should be allowed to tolerate the continued denial of jobs to one out of every 10 Albertans in the labour force. I think if we also use that as an objective, we have to ensure that all Albertans have the opportunity to build stable and fulfilling lives, to gain new skills, to earn a living, and to be able to do so without uprooting themselves from the community in which they're living. I think we have to distribute economic benefits as widely as we can, and we must build an economy that's a sustainable economy that not only provides for our immediate needs but for those who follow.

With those opening comments, Mr. Chairman, I think it's also important to look at the context in which all of this is taking place. I think in western North America we've had, after the Second World War, many years of growth and continued prosperity. But in the last 10 or 15 years this progress of the world economy has been faltering. If there's one word that describes the situation in which we all operate, it has to be "uncertainty." Higher energy prices, restricted international trade, high interest rates, a large debt burden of many countries, are all contributing to the environment in which Alberta finds itself, in which it has to compete.

We're also seeing a worldwide trend for rapid structural and technological change so that those countries which once upon a time were underdeveloped are now emerging and taking over industries which once gave that prosperity to us in North America. Those smokestack industries, the manufacturing industries, have matured, and many of them are declining. Countries such as South Korea, Japan -- whose economy was devastated in the Second World War, -- Brazil, and others are now taking over those kinds of manufacturing jobs. So what we're seeing in this country, in most of North America, is a shift in our economies from the provision of goods to provision of services so that now the majority of employment and gross national product is in the service industry. And that may well decelerate as the application of microelectronic technology becomes more widespread.

As well, Mr. Chairman, we're moving towards an information economy where the processing and distribution of information-related goods and services is predominating, whether it be computer manufacture, management consulting, telecommunications, advertising, accounting, and so on. As well, with this shift created by microelectronics, we have to be concerned about what it's going to do to employment. In terms of typists, clerks, librarians, lawyers, engineers, and so on, there may be increases in their productivity, but we have to be concerned. It seems to me in this province that we don't create a work force with a small number of high-paying jobs and a large group of low-paid service providers such as those waiting on tables or providing sort of menial kinds of work.

What concerns me, Mr. Chairman, is an article in today's paper as an example of what's going on in this province which I think underscores this trend.

Between 1981 and 1987 the largest increase [here in Alberta of] 76,000 jobs came in the sector with the second lowest weekly wage -- community, business and personal services. Whereas between those six years industries with the biggest job losses were construction with 50,000 jobs and manufacturing with 20,000 jobs.

So the trend that I'm talking about is real and is happening to

the people of this province right now. So it seems to me that we've got to develop very quickly a strategy that ensures that this trend can be reversed. If we look at what countries such as western Europe have done and particularly Japan . . .

MR. CHAIRMAN: Order please. The hon. Member for Red Deer-North has a point of order. What's your point of order?

MR. DAY: Under Standing Orders 62(2), Mr. Chairman, it says:

Speeches in committees of the whole Assembly must be strictly relevant to the item or section under consideration.

Mr. Chairman, I have no problem at all with the opposition questioning what the government is doing in various areas, but I know that a lot of our members have questions that are directly relating, as is told here, "strictly relevant" to the estimates. I wonder if the member could begin to bring his comments to bear on that subject.

MR. CHAIRMAN: Order please. The Chair would draw the attention of the committee to the responsibilities of the minister who's proposing these estimates on page 111. It would be the view of the Chair that the minister is responsible for the implementation of the economic strategy of the government of Alberta, which, with respect, hon. members, includes virtually everything dealing with Economic Development and Trade.

The hon. Member for Calgary-Mountain View.

MR. STRONG: Mr. Chairman, do I get an opportunity to speak to the member's point of order?

MR. CHAIRMAN: No, the Chair has ruled on the point of order.

Hon. Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I appreciate your comment, your ruling.

The point is that if we don't understand the context in which Alberta finds itself in 1988, we could be making, in fact I think in some ways are making, the wrong decisions, because if you're going to develop any kind of strategy, you have to understand that context. It seems to me that as a province we should be making the kinds of investments now that will help us find the kind of competitive advantage and our comparative advantages in that international market.

So, Mr. Chairman, as well as the comments I made earlier, I want to say to the member opposite, if he wishes to listen, that our international trade is being more and more dominated by international corporations, and the pace of technological change is accelerating. So it seems to me that industries which in recent years have provided a great deal of employment and been growth industries may well be very quickly in the years to come replaced by new technology. Unless this province is aware of that and responding to it, it doesn't seem to me that we're in any way going to be able to continue in the future with the kind of prosperity and opportunity that we've had in the past, nor the kind that we want to provide to our people in the years ahead.

Mr. Chairman, as well it's important to note that in the whole area of manufacturing the trend now is not towards large companies but towards smaller, more custom-designed manufacturing. All of these trends have to have a bearing on what kinds of decisions this department and this government make. I'd like to know from the minister which, if any, of these overall trends he

agrees with, whether his department concurs with them, and what impact he sees them having on our economy. More importantly is how do we respond, because it seems, as I've said, that all of them have implications for our economic strategy. As the minister has said and we've said for many years, diversification is a key to our future, because if we're living in a milieu of greater world uncertainty, and certainly North American uncertainty, the likelihood is that much greater that any given firm or any given industry will decline. The greater our diversity of our economy, the greater our ability to prosper, in spite of various reverses that one industry or another might experience.

But amongst all of these things, Mr. Chairman, we have to have a priority to assist Albertans to get the skills and training, the knowledge and the education they'll need to compete in the future. It means also that we need to provide a system of consultation and discussion before technology changes are introduced into the workplace. We also have to ensure that the costs and benefits of our economy are shared equitably so that, no, we can't allow any long-term unemployment due to structural changes to continue in our province.

So it seems to me this suggests a number of components that are key if we're going to establish a strategy for the province. Much has been said, as the minister tonight, that trade is our future and that this trade deal between Canada and the United States is going to solve our problems. Given what I've said very, very briefly in my opening introductory comments this evening, Mr. Chairman, I think it's clear that this trade deal offers us a great deal of difficulty because of what role it ascribes to Canada and western Canada in particular.

If we look at what's happened in Wyoming, Montana, or Oklahoma, those states in the United States that are similar to Alberta, they don't have the diversity and the diversification in their states that we have come to expect or have in the past developed in western Canada. Free trade tends to enhance existing specialities, Mr. Chairman, so that if anybody believes that we're going to get greater diversification, that's not what we're going to get from this deal. It's going to drive us into the few areas in which we have a competitive advantage, that being the resource sector, and the opportunity for diversification, I predict, is going to be lost because of the provisions of that trade deal. So that's the first thing I want to say about the economic strategy being pursued by the Conservatives here in Edmonton, in Alberta, and in Ottawa.

If we also accept that change and uncertainty is going to rule our economic future, it seems to me that the stabilization of the economy has to be our first priority. Recession hurts everyone. As we've known in the last few years, businesses have failed, workers have lost their jobs, the insecurity for everyone in the province has gone up, and any opportunity to progress in our economic and social goals has been retarded.

So rather than allowing this recession to continue, that is the time, it seems to me, when government spending ought to be increased. Not during the boom times, as we've had it in this province, but during the recession we should be spending money on job creation. That's why we've been asking now for about six years: "Where is the Lloydminster upgrader?" We've been promoting that since 1982. Finally, last December or November the Premier claimed that a deal on that was very near. That was back in December, and we still have no word on that, Mr. Chairman. It's something we should have pursued six years ago or even the last three or four years. The job creation that it would have meant, economic prosperity and security and stabilization of this economy would have been reinforced, rather than the

strategy that this government has followed which simply deepened the recession and created much more hardship for ordinary Albertans.

Cutbacks in education are entirely the wrong way to go because it's going to hurt Albertans' future ability to compete. So this government has been making, in my view, all of the wrong decisions. As well, the fact that something done in education has an impact on economic development underscores for me that we need a comprehensive approach. I would suggest, Mr. Chairman, that what this government ought to do is create something called an Alberta development fund or an Alberta job fund, or you can call it whatever you want. But there needs to be a co-ordinated vehicle for delivering and integrating all the programs offered not only by this department. Technology, Research and Telecommunications, Transportation and Utilities, Agriculture, Labour, Career Development and Employment: all of them have an important role to play in meeting this overriding provincial objective which I stated earlier.

So how do you know if you're meeting that objective? How do you know whether departments are working in concert or at cross-purposes? Until they have established, in my mind, a fund which integrates all of these efforts, we're not ever going to know, and I believe we're falling short of the mark.

It seems to me we ought to maximize the opportunities that ought to be available to us as a partner in Confederation. I found it interesting that Alberta's experience with the industrial regional development program is instructive, Mr. Chairman. Some time ago a paper was released that had been given to the Members of Parliament in Ottawa as a briefing paper to outline the frustration and the futility this government has experienced from November of 1984 until April of 1987 in trying to get changes made to this tiered program which was supposedly set up for regional development but worked against Alberta's interests. We couldn't even get any changes made to make that more effective in Alberta.

But that's only part of it, Mr. Chairman. We've noticed for example -- and this is much more recently -- that Alberta is still being shortchanged on the DRIE funds. For example, we have 9.3 percent of Canada's population, but we received only 1.5 percent of the over \$900 million spent by the federal government last year for regional development. Mr. Chairman, in the last few years Alberta has gone through the most difficult years since the 1930s: high unemployment, hardship for ordinary Albertans. Where were these programs that were intended to address those kinds of economic difficulties?

Moreover, if you just look at the distribution across the country, Ottawa is spending most of their money in Ontario and Quebec, where it's presently booming, where there's lots of job creation. In fact, we're doing worse now than we were under the Liberals. If you were to take the spending that the federal government does in the west, we've got 30 percent of the population and we've received less than 12 percent of federal government contracts, while Ontario and Quebec have gotten 76 percent. Mr. Chairman, all I want to say is that this government has been clearly ineffective in getting programs to us that could have helped fund and finance business development, job creation, economic development, and gotten a lot of things under way that we haven't been able to.

As well, Mr. Chairman, various groups in this province have failed to play any kind of an important role in economic development. Young people should be pursuing their education or pursuing their career. I can't believe we tolerate a situation where they have to collect welfare or sit idle and not have jobs

and opportunities open for them. Has this government seriously addressed what we could be doing to create permanent jobs for our young people other than the cutbacks that we've seen in their education? All we've seen so far are temporary, band-aid, short-term, low-paying job-creation programs. That's all that I've seen this government pursue.

[Mr. R. Moore in the Chair]

As well, Mr. Chairman, native people: where is the economic development strategy that's going to involve them? I haven't heard this minister or any other talk about any program they've instituted to ensure that native people share in the economic growth and development of this province. For example, this department has never made it a requirement of companies receiving assistance that those companies make efforts to involve native people in training programs or make room for them in the jobs that are created. Why not? Perhaps the minister would point to a \$2 million investment in the Native Venture Capital Co. Ltd., but other than creating a job for a former Conservative native affairs minister, what has it done? Why don't we get their annual reports tabled in the Legislature? Where have they invested their funds? Could the minister give us some information on that?

Now, I understand, and I stand to be corrected, that three of the 13 board members are native people -- not a majority -- and that those others represent various private energy, forestry, and power companies. I've had word from some applicants who have indicated they've applied to start up companies to compete in these areas, but the board has turned down their applications, and in doing so they've created a perception that board members do not want to see competition when it is in the industry in which they're already active. Can the minister respond to these concerns, please?

Mr. Chairman, another area that I think has to be emphasized is that of small business. Firms with 20 or fewer employees probably account for 90 percent or more of all business firms in Alberta, and I suspect they create nearly all the jobs or the net job growth in this province. They're more responsive to the communities in which they're located and quicker to respond to changes. They have unique problems, and again I haven't seen that the efforts are really getting down to a lot of the businesspeople I've been able to talk to in the last six to 12 months. These are companies whose equity requirements might vary from, say, \$10,000 to perhaps \$200,000. Vencap has not been geared to help them; AOC is not geared to help them, although they ought to be directed to do that. We have -- what? -- two incubator programs in some larger centres, but it's not applicable in many of our smaller communities around Alberta.

So what could this government do? Well, here's an idea: why don't they fund regional seed capital pools, perhaps in conjunction with capital pools that are accessible under the community futures programs? What about the regional economic development councils? There, it seemed to me, was a great idea for delivery of these programs. Why don't we start gearing these loan guarantee programs to small business instead of the multimillion dollar programs to big business that we see so much about? How can we gear up for the delivery of something similar to small business? Why are we duplicating our bureaucracies? We've got Treasury Branches in small communities all over Alberta; why aren't we delivering these programs through them?

As well, Mr. Chairman, small businesspeople are working --

you know the definition of small business is somebody who will work 18 hours a day to avoid working eight hours a day for somebody else. These are people who are so busy keeping their businesses open that they don't have time to drive into Edmonton and Calgary and the larger centres to negotiate with some bureaucrat. Well, why don't we provide a program where services are delivered -- information, applications, and so on -- to the people in the communities throughout the province? I would point the minister to an initiative of the Chamber of Commerce in the city of Spruce Grove. There's an example of where they have seen a need and they've hired somebody to do that. Perhaps the department could undertake, on a fee-for-service basis using chambers of commerce throughout the province, to deliver those kinds of programs.

Here's another alternative: one-stop shopping. People have programs under Technology, Research and Telecommunications. They've got career development; they've got business development; there's ADC; there's AOC. There are all these programs provided by government departments all over the place. Why don't we set up one window where small business could come; they could make all their applications, do all their negotiations, and so on for all these plethora of government programs that are out there. It would make it a lot easier and simplify it.

As well, Mr. Chairman, to counter the bias I believe this government has towards big business, I believe they ought to establish and fund a small business advocate that would report either directly to this minister or preferably, if we want to see co-ordination of effort, to Executive Council, and thereby be providing input and review and advice and ensure that the needs of small business are made aware and brought to the attention of ministers throughout government.

As well, Mr. Chairman, on a specific note, small power producers throughout Alberta are concerned after having won permission from the ERCB to interconnect into the provincial electrical grid. In view of the price that was suggested by the ERCB of 3.2 percent per kilowatt 2 cents per kilowatt less than what the Southview Fibre Tech., as an example, was seeking, would there be any help to them under the economic development department in order to make their project viable?

Finally, Mr. Chairman, another key area, in my view, that's important in economic strategy has to be the accountability of government. One area that I don't think this government pursues, and it ought to, is development agreements with various companies. The taxpayers often do not get a fair return for their investment for a number of reasons, because the levels of employment, the levels of investment and other economic benefits were less than what was promised. It seems to me that in return for specific commitments given by this government in the form of guarantees or low-interest loans or whatever, whoever receives that support ought to make commitments in return for levels of investment, employment, hiring of minority groups, environmental standards, and so on. This is a way of ensuring accountability of the funds provided from the public purse. It's no different than business deals private firms strike between each other, and it's important that government gets those firm commitments.

I'd like to ask the minister -- as an example, here we have LP I Development Corp. Ltd. that got some money under the export services program. Why don't we have the form of public accountability so the minister makes public the list of companies who receive funding under this export services program? He's refused to do it. I don't know why. Maybe because this compa-

ny's bidding on a resort in the Bahamas. I don't know whether that's intended to be an example of diversifying the Alberta economy or not, but that might be par for the course. I understand the previous firm under this program applied for the building of a different resort in the British West Indies. So I'd just like to have the minister tell us tonight that he's going to table that list as another way of ensuring accountability for the use of public funds.

Finally, Mr. Chairman, there are lots of people around the province who are offended by the perception that there's only limited access to the minister's office, that his door opens only to a few people, particularly Mr. Pocklington, who's been able to get all these kinds of programs, loan guarantees, subsidized loans, and otherwise. Many people come to me. They can't even get through the door and get a meeting with the minister.

Here's a gentleman that came to me. He's all ready to go with investment in high technology and telecommunications. The minister is aware of it; he took it to the minister. He couldn't get an answer. He couldn't even get an appointment. After he had left Alberta and gone with his firm and his investment to British Columbia, he told me he got an appointment with the minister responsible within 48 hours of contacting the minister's office. So now there's a warehouse in southeast Edmonton that still sits vacant without anybody in it because some man in this province who wanted to invest here couldn't even get an appointment.

AN HON. MEMBER: What's his name?

MR. HAWKESWORTH: Park Industrial Limited. The member responsible for Edmonton-Avonmore could very well make some further comments on that.

Mr. Chairman, the other area I'd like to touch on briefly tonight is the Alberta agency for international development.

MR. ACTING DEPUTY CHAIRMAN: Hon member, your time's up. You'll have to wait to another point in time for your appointment.

Calgary-North West please.

DR. CASSIN: Yes, Mr. Chairman. I for one certainly do not concur that this department has made all the wrong decisions. I certainly applaud and support what this department has done over the last few years. I find it difficult to justify even some of the comments we've just listened to, that we are not doing anything to create jobs or spending sufficient moneys. I think that something just short of \$62 million in 1986-87, \$53 million in 1987-88, and \$51.27 million in '88-89 are substantial sums of money in the way of investments and incentives to encourage business and trade in this province. I'm also appalled that the members of the opposition aren't satisfied there. They want to dig into the pockets of the federal government as well, who have enough problems as it is. Not that we shouldn't get our fair share, but considering that this province went into debt by some \$6 billion to maintain and support the services and to carry on with the business -- not to stop, but to keep things going -- during 1986 and '87 was certainly painful but the right decision, and I have to compliment the government for doing so.

I would particularly like to compliment the minister and his department for their efforts. Certainly the members of my constituency, who have good ideas and have plans, have had no difficulty whatsoever in contacting the department and obtaining the kinds of information they need in the way of support and

vested in large business. It is also important to note that we are entering a possible free trade era, and government should be paying a great deal of attention to anticipating the effects of free trade and to assisting small businesses in making the transition from the current context to a free trade context.

I would like to outline a number of problems which have been brought to my attention by small businesspeople in the province over the last number of months and raise questions relating to each of these problems. Time and time again I am told by small businesspeople with an idea that they can't get capital: they may not have a track record; they may not have assets which are of traditional interest to financial institutions; they have very, very good ideas with potential for growth, potential for job creation. Alberta Opportunity Company has not been aggressive in filling that gap, although in concept I think it offers much. Could the minister please indicate how much Alberta Opportunity Company anticipates loaning in new loans this year to small business, how much of an increase that will represent in total outstanding loans and loan guarantees, how much new money in that portfolio will be focused on manufacturing concerns, how much will be focused on new business concerns? Could the minister please indicate Alberta Opportunity Company's budget as well, specifically for its new venture capital enterprise? Could he please provide us with a breakdown as to the kinds of businesses, the sectors of businesses, that venture capital will be focused upon?

Secondly, with respect to capital, is the weakness of our traditional financial industry. Clearly it is gone; \$14 billion worth of traditional financial firms have failed in this province. Fourteen billion dollars worth of capital market decisions are therefore being made in Ontario and Quebec. While national institutions have something to offer to Alberta investors, it is a fact that they do not see opportunities as clearly as Alberta-based, indigenous financial institutions may see those opportunities. Could the minister please indicate what his government is doing specifically to create a secure financial industry for investors, also to create an environment in which financial firms based in Alberta can develop successfully for the future?

Seed capital is an issue that needs to be addressed, seed capital that goes beyond venture capital and equity capital but addresses the question of an entrepreneur with an idea, little in the way of a track record, and little in the way of assets. Could the minister please indicate what his government is doing about creating the kind of seed capital firm that we have proposed in a private member's Bill presented to the House last week? Would the minister be considering that such a firm would be associated with Vencap, would be a subsidiary of Vencap, would have an arm's-length relationship with government, would be directed by a board of directors drawn from the private sector, preferably from the small business area of the private sector?

A fourth point under capital requirements. Could the minister please indicate whether his government has considered accelerated capital writedowns for small business investors' investment capital?

A fifth point with respect to small business equity corporations. Yes, they appear to be successful. The government is to be congratulated for the concept. Could the minister please provide us with an assessment of where the SBEC money has been invested? What is the breakdown of firms that have received that money, what is their size, how many jobs have they created, and could the minister please indicate why it is that he is not committing more money to this program? Is it possible that that is in lieu of an assessment which would be forthcoming quickly?

A second problem encountered by a variety of small businesses is the need for consulting services. There are, conventional wisdom experience tells us, two reasons principally why small businesses fail: undercapitalization and lack of experience. The government does have and has taken some initiative -- for which I think it is to be congratulated -- with respect to providing consulting services, speeding up the experience process, if you will.

Within the department I understand there are business consultants. Could the minister please indicate how many? Could he please provide the House with a description of the mandate of these business consultants in their day-to-day activities? Could he please indicate the location of these consulting staff members? Could he also explain why it is that the funding for this area has remained fundamentally unchanged this year over last year? The reports I receive time and time again are that while the service is valuable, it is frequently not available or not as available as it should be because these staff members are overworked.

The incubator program in concept is extremely good. Could the minister please provide a description -- and he has provided us some description in his original comments -- and please be more precise in indicating how much money has been utilized to fund the Edmonton incubator? How much money has been utilized in funding the Calgary incubator? Could he please provide us also with a projection as to how many and where incubators will be established this year around the province? Could he also indicate why he's only allocated \$1 million to that when the requirement, in my estimation from my information, is much more widespread than that?

One thing to keep in mind with respect to incubators is that there are many models of incubators. Could the minister please offer his comments on the need for a study of the various models that are in effect in Alberta today, the private sector versus private/public sector jointly funded versus simply public-sector funded in established incubators? Could he please provide us with some description of those models and with an assessment of whether a further study of those models is required to see which ones are working, which ones are working best and therefore where the investment in this kind of program can be best applied?

Education is a precursor to strengthening the capability with which entrepreneurs approach business. Could the minister please indicate whether he has had discussions with the Minister of Education, the Minister of Advanced Education with respect to programs, curriculum relating to entrepreneurship and the skills required by entrepreneurs once they leave schools and postsecondary institutions and enter the business world?

A third problem area is simply having access. That is, businesspeople I'm speaking with do not know where to go, who to approach, to get information on government programs or support within the private sector for business enterprises such as capital support or incubator support. Would the minister consider establishing a small business hot line that would be available for potential businesspeople to phone and get immediate ideas? Would the minister consider putting Alberta Opportunity Company offices or staff in Treasury Branches so that businesspeople coming to Treasury Branches would at least also be exposed to the lender of last resort and now the venture capital services offered by Alberta Opportunity Company?

A third area: simply the identification of opportunities. People inclined to get into business perhaps aren't aware of what opportunities would be best pursued. Moreover, people who are

in business already may be uncertain of where to expand. Clearly, larger corporations have the resources which allow them to study and analyze market gaps, study and analyze the possibility of product substitution, the process of substituting products by manufacturing them in Alberta rather than importing them. Government has resources to undertake this kind of inventory, this kind of analysis. This would be a clear opportunity for government to intervene in a very positive way, in a nonaggressive way, that would unsettle the market process. Could the minister indicate whether his department is considering creating an inventory of market *gaps* in Alberta's markets where small businesspeople could provide services and products, and secondly, would he consider creating an inventory of product substitution ideas? What products are we importing for sale in this province in sufficient quantities to justify their production within this province on a regional, local basis?

Finally, there is a great deal of concern about the required adjustment to a free trade environment. While businesspeople have a general sense that it may be positive, there is the concern that they don't have enough information. They're not aware of what sectors will be benefited, what sectors won't be benefited; they're not aware of the timetables, specifically for tariff reduction. Is the minister considering the provision, for example, of certain services that will assist businesses to make the transition from the current context to a free trade context? For example, is his department undertaking U.S. market information studies to indicate where small businesses active in Alberta today might be able to expand their markets into the United States? What opportunities exist? Has the minister undertaken to identify those sectors of our economy within which small businesses may be disadvantaged, and has he undertaken to initiate steps to offset that disadvantage for an interim period of time?

Loan guarantees are becoming increasingly utilized by this government. While there is something to be said for the loan guarantee approach, again it is less disruptive of market forces, the exercise of free markets, private-sector markets. But at the same time concerns must be expressed about the process by which companies are determined to be acceptable for loan guarantees, the amount in total of loan guarantees that are being accorded to private sector concerns, and what that represents by way of ultimate liability to the government.

Could the minister please provide answers to these questions? How much in total outstanding loan guarantees exist today? Secondly, what is the experience with failure; that is to say, what is the ratio of outstanding loan guarantees to the failure of the companies that have received those loan guarantees? What is the ratio of the loan guarantee to the ultimate liability that experience to date would indicate? Could the minister please provide a list of criteria for the allocation or commitment of loan guarantees, a checklist as it were? Are personal guarantees received? The Treasurer said the other day "wherever possible." Could the minister please clarify where it would be possible and where it might not be possible to receive a loan guarantee? Could the minister please indicate whether or not assignments of all assets are received -- when they're not, why they're not? Could he simply provide a list of the criteria and the terms under which loan guarantees are provided to companies?

Can the minister comment on when a loan guarantee is appropriate, in this government's estimation, as opposed to the possibility of the government taking an equity position in a company? One of the disadvantages of a loan guarantee, of course, is that while the people of the province receive the benefit of job

creation if the venture is successful -- and that is no small achievement, of course -- on the financial side the company gets all the upside, the government gets all the downside. If it is that we are to invest and take risks, it seems that at some point the assessment has to be made that equity should be a consideration in that kind of assistance to business.

Competition with the private sector. It is a concern, I'm sure, to many people in this province that the government is not as clear as it might be on when Crown commercial enterprise should be undertaken. It was clear the other day in the House that the philosophy of this government in that respect has not been clarified, and there is a contradiction in messages being sent by this government. On the one hand, the PC convention on the weekend says, "Sell them all." On the other hand, we read the Alberta Government Telephones' current most recent annual report and the emphasis is frequently upon becoming more competitive. I read one sentence in particular, which I think should be a concern to the minister. I would appreciate his reaction.

ACT is becoming less reliant on the monopoly services and more aggressive in its competitive activities.

This seems to run exactly counter to any reasonable assessment of why a Crown corporation should exist. Clearly, it should exist in those areas where monopoly potential can be detrimental to consumers in a province or where the private sector is reluctant to venture into some area of potential economic enterprise of value to a province. But the moment that competition exists in an area where a Crown corporation has been active is the moment when that Crown corporation should not be positioning itself to become more competitive. Quite the contrary; it should be positioning itself to become less competitive. The consequences are that Crown enterprise, subsidized Crown enterprise, undermines the potential for small business to take hold and to evolve.

Could the minister please comment on the emphasis, specifically in the AGT annual report, and could he please provide us with a succinct description, in this government's estimation, of what is the role of Crown corporations, Crown enterprise?

The film development corporation. Could the minister please provide a list of where the money has gone and, if possible, what has been the success of the films funded, their commercial success. It's not to say that they have to be necessarily commercially successful at this point, but could we have an indication of those that have been successful, those that haven't? What have been the returns on those investments?

Alberta stock savings plan. Could the minister provide us with a list of which ones have been done? How much money has each raised? How many of those that have gone to the market have been unsuccessful in closing? How many jobs have been created in each case? And could the minister indicate whether his department has undertaken a review indicating the consistency with which Alberta stock savings plan companies have met the criteria of the plan?

Co-ordination of economic development with other departments that are active in the area of economic development. Could the minister please indicate what structure or what process is undertaken by his colleagues in the cabinet, specifically the Minister of Tourism, the Minister of Technology, Research and Telecommunications, and of course the Minister of Economic Development and Trade -- what structure is in place for co-ordinating the focus of their activities with respect to small business and economic development more generally?

Finally, could the minister indicate whether he has under-

taken a study to determine what is the ratio of jobs created by money invested by governments in small business versus money invested by governments in large business, and if so, could he please provide us with those figures?

Thank you very much, Mr. Chairman.

MR. ACTING DEPUTY CHAIRMAN: For those that are interested in the score, several minutes ago it was 5-2 for the Oilers in the second period, but I haven't been updated for about 10 minutes. [interjection] I haven't any score on Calgary. They're probably behind.

The hon. Member for Athabasca-Lac La Biche, please.

MR. PIQUETTE: Thank you very much, Mr. Chairman. I would like to thank the minister for his comments relating to the economic development program business and trade development. I'd like to start off by asking some specific questions relating to Financial Assistance for Alberta Business, which has quite a dramatic decrease in funding, and which is supposed to be

Grants provided to firms to assist with the costs of new product development, and to encourage the private sector to export their goods and services.

We find in the '88-89 budget estimates that this budgetary item has been decreased by 29.1 percent. I would like to ask the minister how he can justify a downgrading of the export and product development in a time when we're talking about economic diversification. I would hope we're not simply putting all our eggs in free trade or in the American market and that we're still aiming for development of Asian markets. That should probably be a priority of the government, which should be increasing and not decreasing.

I would like to also ask the minister, in terms relating to free trade, whether he could comment on the negative effect of the increasing value of the Canadian dollar in respect to the American dollar; whether that increase, which seems to be now close to 10 cents in the past six months to a year, is not having a negative effect which will counterbalance any positive gain through free trade. I'd like him to make comments on what he sees is the direction of Canadian dollars and its effect on our exports here from Alberta.

Another area which I'm very disappointed about this year is that last year in the 1987 budget your department cut out the support to the regional economic development council. Your department was harshly criticized by many rural areas where the regional economic development council had been a very integral part of building an economy from the ground up and not fix(m the top down. I speak here especially for my constituency, where there are two REDCs, and the lack of the minister putting that back into the budget this year is, I think, insupportable, because the program that he announced last year which was supposed to replace the program -- the small business incubator program -- has at this time only two programs under way and both of them are in urban centres, in Calgary and Edmonton. They are not at all answering the needs of rural Alberta, just simply by the lack of any of the rural municipalities, et cetera, taking up the small business incubator program.

I've talked to a number of towns and villages relating to the small business incubator program, and most of them feel the program is really worthless to them at this present time. There's a real lack of interest in that program, whereas the regional economic development council and the communities futures program funded by the federal government, for example, have been

very, very important for communities to identify their natural resources, their people resource skills, doing brainstorming in terms of their own local development. Statistics I've seen in terms of rural economies -- approximately 90 percent of jobs are self-generated in rural communities, and for many communities to expect some kind of miraculous large business development answering all the need for economic diversification and job creation is really like depending on the lottery to provide instant wealth.

Really what we have to put into the hands of rural communities and urban communities is the kind of mechanism which is a hands-on method of economic development by having a government supported, community supported, and business and community supported regional economic development council which is there to help the small businessman, the creative individual that has an idea but needs to have expert help.

I don't believe the service provided for small business and industry development, which is basically a consultant available from the provincial government, is working as well as the REDC. I know that in my constituency small businesspeople really like the whole aspect of the REDCs. They can sit down with them at the local level. They understand the community, the resources in the area, the grant structure, and they can help them put together a marketing plan, a financial plan. Those are the kinds of things I'm hearing in rural Alberta that they want to have, and rather than cutting out REDCs we should be expanding that program, making sure we look at some of the models like the Lac La Biche REDC, which is really a model of how a good REDC should be set up in terms of the communities in Alberta. I believe the REDC in Lac La Biche provided the model to the minister, and I'm hoping he has looked at that model very carefully in terms of developing his next strategy of enhancing that whole program.

Another area I want the minister to make comments on is that I believe a really important area where the government should be getting involved, perhaps as a joint project with the federal government, is in the business of regional business assistance centres, where some seed capital can be placed -- again working in regional business assistance centres which can be available at perhaps prime plus 1 percent interest rate to a small business to set up a very often not very large amount of money which is needed to get a lot of small businesses off the ground. I'm looking at the example of Lac La Biche. Their regional business assistance centre loaned out last year approximately half a million dollars and created 60 full-time jobs in the community of Lac La Biche and area. Now, when you look at that effect of half a million dollars of loans to create 60 full-time jobs as compared to the megaprojects and the costs of other government assistance to large corporations, there is no comparison between the two in terms of the effectiveness of that kind of program to create jobs.

So I'd like to get the minister's reaction to getting some joint project, federal/provincial, in terms of helping to double the amount of money available to regional business assistance centres, so that more money is available in the region through REDCs or communities for the futures type of community diversification types of attempts, so that the small business sector can have at hand a real hands-on, grass-roots type of business development and diversification.

Again, I want to balance my viewpoint, that I'm not criticizing that the megaprojects are not necessary. I think that's another aspect that we need in order to be competitive on the world scale. We need to develop, for example, in the forestry

industry, the pulp and paper mills and the oriented strandboard mills, et cetera, which are a great job multiplier, but we should not be resting our efforts based on those big projects. A lot of other diversified small business development can really be done at the community level and be very successful. I take the example of the community of Wildwood. A few years ago they were bypassed by the twinning of Highway 16. The community was quite excited, telling us a few months ago about what they've done to basically target and develop and brainstorm and create a small furniture manufacturing firm which is employing many of the local people now. That was done through a regional economic development kind of effort.

Another thing I'd like the minister to make comments on is what I feel is a very discriminatory federal policy relating to the federal special incentive tax credit, which is a 40 percent tax credit set up by the federal government which only helps out the northwestern part of the province. The public is not aware of that very often. Why do larger industries in the major announcements all seem to be locating in northwestern parts of the province? A good reason for that is that the federal government in 1981 set up an incentive for processing and manufacturing -- 50 percent at that time, in 1981 -- a federal incentive tax credit which is to help address regional disparity and attract companies, a manufacturing and processing industry, in that part of the province.

However, there's a real inconsistency in how that boundary was set up by the federal government. It did not address the needs of northeastern Alberta, which, according to statistics, has a higher unemployment level than northwestern parts of the province at this time and has a smaller per capita income if you subtract Fort McMurray from the northeastern part of the province. If we do not equalize the kind of federal incentive on the tax program, a lot of projects that could get under way in the northeastern part of the province could be simply abandoned because of that unfair federal taxation benefit which is discriminating against one section of the province perhaps to the benefit of the other, but I would rather see . . . SITC in other provinces has been much more closely based on addressing regional disparity throughout the province as opposed to only putting a boundary across like we have here in Alberta. I know that in Quebec, for example, almost the whole province is entitled to that 40 percent SITC. The maritime provinces, the province of Manitoba -- here in Alberta we seem to be sliced. Only a part of the province gets that special incentive tax credit from the federal government, but the other part of the province, which is in much need of economic diversification, is not addressed.

So I'd like the minister to make comments on that federal discrimination. What is his department doing to address that issue, which is very important, because I think it affects many constituencies in northeastern Alberta: Vermilion, Viking, Bonnyville, Wainwright. I think all of that part of the region should be included if we start looking at the statistics on unemployment and per capita income.

A very important thing which I think is lacking in the budget estimates is the whole issue relating to transportation, relating to the rail abandonment issue. I guess it's not in the estimate because I guess it's more . . . I would like to know the minister's opinions relating to that. There is, by CN, an attempt to abandon rail branch lines in northern parts of the province. Is there any assistance that the government is looking at in terms of compensating communities that might be losing very important rail links? Or is the government looking at the federal government to make sure, before any rail abandonment takes place,

that the economic needs of those communities are not simply abandoned?

I think many communities are looking for guidance from the provincial government about what the direction of the provincial government is in relation to all of this issue. Because it is a very important issue, especially in the Athabasca area, where 73 miles of rail line are really being totally disregarded by CN right now. They indicated that it's a very high-cost line because the rail line is in such bad shape and that they have to double-crew their trains because the speed limit on the line between Legal and Athabasca is only 10 miles an hour. So it takes a double shift, two crews, in order to go up the line 73 miles and come back with a load of grain. Secondly, because of the fact that the hopper cars are only filled to about 60 percent capacity, we then have to transport those hopper cars half empty to Vancouver, again increasing the costs for the grain growers, et cetera.

One issue which I think the grain companies have not answered -- one of the aspects of the grain transportation or the use of hopper cars -- is that only 13 percent of the grain hopper cars in Alberta at any one time are in use. Eighty-seven percent of the time the hopper cars are sitting somewhere on a branch line or not being utilized or moving at any given time. I wonder whether the provincial government and your department has looked at whether CN and CP should be mandated to start improving on that kind of movement of hopper cars, because that's taxpayers' money. We have over 1,000 hopper cars that we have invested in here in Alberta, and when you find that only 13 percent of those cars are actually moving grain at any given time, that is not really performance by the railway companies. I see the CN and CP answer is that, well, we abandon branch lines; that's the way we're going to increase efficiency. Is that the only way that we can increase efficiency?

So I think overall that we have to address the whole transportation question very seriously in terms of becoming much more competitive and to make sure that economic development is not hampered by poor transportation, but that we don't pass on the cost to the provincial government, which is a federal responsibility in terms of railroads; so that we again look at balancing the two jurisdictions. I'd like to have his comments on that very important issue.

I guess at this time those are the questions I have for the minister, and I pass it on to some other members. Thank you.

MR. ACTING DEPUTY CHAIRMAN: Cypress-Redcliff, please.

SOME HON. MEMBERS: Question.

MR. SHABEN: Mr. Chairman, while some members are gathering their thoughts, I might respond to some of the items that have been raised earlier this evening. There are obviously some that require answers and responses in considerable detail, but I'll attempt to deal with those items that can be dealt with quickly.

The Member for Calgary-Mountain View raised the issue of trends and whether or not the department was conscious of trends or had a mechanism for monitoring trends. Yes, we established a number of years ago an agency in the department known as our Futures Compendium that deals intimately with what is occurring around the world and nationally in order to provide advice to us on trends. One of the fascinating things that has occurred in the economic cycles is that changes are occurring much more rapidly. It used to be -- and the futurists will tell you -- that the cycles had historically been 50-year cycles,

but as a result of rapid changes in technology, whether it's the result of the information society or the capacity of manufacturers to modify products very quickly and to respond to slight changes in demand, product lives have reduced to where product life is often viewed now, instead of 50 years, as a two-and-a-half-year product life. So yes, we do monitor very closely the changes that are taking place and attempt to make that information available to the Alberta business community.

There was a question with respect to the effectiveness or otherwise of Native Venture Capital corporation. The precise numbers I don't have with me, but they have responded to a number of requests. In recent years there have been competing native venture capital companies established by the federal government and by native groups themselves. So there is a dissipation in the demands upon the program, and that, I think, was one of the reasons I had indicated we need to review the program.

There was a question about small power producers that was asked. Yes, the Minister of Transportation and Utilities and I will be consulting on that matter.

[Mr. Gogo in the Chair]

There was a question about Export Services Support program and the effectiveness of that program. Let me use this as an illustration. A large number of those export services bids are still very active, but to date, with \$6 million provided to companies to bid on projects, those companies have been successful. It has resulted in \$69 million worth of direct business activity in Alberta, and that does not include those that are still very active.

Calgary-North West asked a question. There were a couple of questions the member asked, and one had to do with the incubator support program which, I think, was a similar program to the Edmonton member's question. The incubator support program. To date, there has been financial support provided to four: St Albert, the Edmonton Business Innovation Centre, the Calgary Advanced Technology Centre, and N.G. Campbell Holdings Ltd. of Edmonton. There is a maximum available per incubator over a three-year period of \$300,000, and we expect probably another five or six applications in the 1988-89 fiscal year.

There was a question regarding the assistance available to Alberta businesses that are competing for export markets and developing new products. There is \$2,375 million that has been appropriated in the current year's budget for Export Services Support to assist companies in competing in offshore markets. This is a very important. It's a considerable increase over the previous year's budget, and it will allow companies to compete in engineering and manufacturing and processing and construction of projects all around the world.

We also have a program that provides assistance to companies by way of market development assistance, so that we assist them -- particularly companies with first-time offshore travel visits. Then we also have a program known as the product development assistance program to assist companies in developing their products for either domestic or export markets.

The Member for Edmonton-Meadowlark had a number of comments and questions. It'll be impossible to deal with them all because of the considerable detail, but let me deal with some. He asked me to give the members of the House some idea of the expectations of the activity level of Alberta Opportunity Company in the '88-89 fiscal year. The company board of directors anticipates disbursing about \$55 million in 1988-89 compared to approximately \$40 million in '87-88. They anticipate this to

include a total of 430 loans, guarantees, and venture investments versus about 390 in 1987-88. Included in that 430 number is the anticipation of improving approximately 30 investments under the venture capital component, totaling up to \$20 million. So that would leave about 400 businesses that would be assisted by loans and/or loan guarantees, plus about 20 investments, which is a pretty ambitious expectation for Alberta Opportunity Company. I think it's achievable, based on the performance in the current year.

The member also asked about the Alberta stock savings plan and the Act establishing the plan was given Royal Assent in 1986. There were, as of the end of December in 1987, 38 companies listed on the Alberta Stock Exchange that have taken advantage of the plan; four others that have received conditional approval.

We work, of course, in co-operation with officials in Alberta Treasury in reviewing the stock savings plan relative to the objectives, and we're doing that. We expect, probably by mid or late summer, to complete that review in co-operation with Treasury so that we can do an analysis of how effective it has been and whether it has achieved the objectives we had expected.

Of the 38 companies, 14 are oil and gas companies. Of those 14, three are diversified into other types of activities as well. The other 24 are in sectors that range from tourism, recreation, manufacturing, and food and beverage processing.

One of the things we think the Alberta stock savings plan has done: it has created a focus on the Alberta Stock Exchange and has contributed toward record levels of activity with the Alberta Stock Exchange in this area.

The member also asked about the small business equity corporations, and I appreciated his comments. The total budgeted funds thus far are about \$59 million. Of course, as members know, that was to encourage the formation of pools of equity capital for investment in Alberta small businesses. Now, that leverage has resulted in \$190 million available to invest. I mentioned that about 450 investments have been made for about \$110 million. The job creation, which the member had inquired about, is about 3,500 to 3,700 jobs created.

There were a number of other questions with respect to equity and our activities with respect to seed capital. I'd mentioned in the Assembly on March 21 -- I think that was very early in the session -- that this was an area we're pursuing aggressively, because with Vencap's mandate of a million dollars and over and Alberta Opportunity Company concentrating in that \$500,000 to around \$1 million stage, there is a demand for the seed capital area below \$1 million. It is the toughest area to respond to. As the hon. member knows, the due diligence required for a \$500,000 investment is not much different than that required for a \$50,000 investment and the cost of the due diligence could be \$50,000 on its own. There has to be some creativity in developing something that would respond to that seed capital area, and that's one of the things we're working at.

The member had asked about business incubators, and I'd responded earlier. He mentioned the hot line. I'd neglected in my opening remarks to advise the members of the Assembly that we are in the process of establishing a business information hot line so that businesspeople or citizens can access information relatively quickly on the telephone via the hot line. That's under way.

The product development. I've responded to the member earlier on our assistance for product development. That's available.

I'd prefer not to comment on AGT and their activity. I think it's more appropriate when the Minister of Technology, Research and Telecommunications has an opportunity in front of the House. I have my views on it, but I will hold them and wait until the minister responsible responds.

There was a question about co-ordination of activity. Yes, we do have a formal method of co-ordinating our activity between a number of ministers and the deputies. This was initiated about two years ago at my request so that the departments work co-operatively with a governmentwide focus as opposed to a focus that is narrow and simply based on the interests of a department.

Some other questions that were asked require some detail, and I would provide that to the member wherever it's available by way of writing him a note.

The Member for Athabasca-Lac La Biche asked a question about the dramatic reduction in vote 2.4. Mr. Chairman, really it's misleading to say that it was a huge reduction. Our small business equity corporations program, which is financing the corporations over a number of years -- the reduced requirement on the program during the current year is \$4.4 million, which really reflects the increase, although the impact of the funds flowing to the SBECs remains a factor in economic growth. So that's what I'd referred to in my opening comments about the risk of looking at this on a simple, line-by-line basis as opposed to examining what the programs were and the ultimate results and the life of the programs. That one item, \$4.4 million reduction in contribution to SBECs, accounts for the majority of the shift in dollars required in that vote 2.4.

The member asked about the rural economic development projects and the impact on those communities where they have been phased out. All of the communities were well aware that when that program was established, Mr. Chairman, it was for a short time and for a transition in order for the communities to establish their own economic development activity and co-ordination and that it would be phased out. As a matter of fact, we extended the program for more than three years, including the member's community of Lac La Biche, which was an effective rural economic development project. So there was adequate time for the communities to adjust, and many of the communities, including Lac La Biche, were able to access the federal community futures program, which really effectively substituted for the rural economic development project, which was intended to be temporary at any rate.

He made reference to census division 15 and the differences in tax treatment of businesses in census division 15 and others. That one, I think, was dealt with by way of a letter to the member some time ago. It is a federal program, and the provincial government is not involved in drawing lines for incentive programs. In this regard I agree that it is very, very difficult to draw lines around communities and provide more incentives in one area than in others. That's why the provincial policy is to treat all parts of the province in the same way.

The member raised a concern about rail transportation and the impact of branch line abandonment upon some communities. That's a concern to us, Mr. Chairman, as this policy evolves under the National Transportation Act. The consequences of that policy are really important to western Canada. We in Alberta depend heavily upon our rail system to move our goods to market. As a matter of fact, Alberta accounts for 28 percent of Canada's rail freight yet contributes more than 70 percent of the revenue to the overhead of the railways, which tells you something is wrong with the system.

In our submissions to the federal government when they had invited submissions on transportation policy, we indicated that the rationalization of the system required a package, and the package could not just be isolated in one particular action. If rail line rationalization were to take place, including abandonment of branch lines, we advocated that transitional funding needed to be in place. Incentive rates need to be in place. There has to be a recognition of the high-cost, nonproductive parts of the rail system in central and eastern Canada. That must be taken into account. The resolution of the Crow is also a part of the whole package, so in order for Alberta to be satisfied with a rationalization of the transportation system, there is a package. Those views have been made on a number of occasions to federal investigative hearings looking at rail line rationalization. We are also working with the three other western provinces to make our views known as a western part of the country because we are so dependent upon rail transportation.

I think those were the key questions that were raised, Mr. Chairman, and I'd be pleased to respond to others.

MR. CHAIRMAN: Are you ready for the question? [interjections] Order please. Are you ready for the question?

SOME HON. MEMBERS: No.

MR. CHAIRMAN: The hon. Member for Cypress-Redcliff.

MR. HYLAND: Thank you, Mr. Chairman. I have some comments relating to the Department of Economic Development and Trade. Firstly, I should say that one of the other members made some comments about the need for one-stop window shopping to provide the services of the department and other departments of government. I should note that I always thought that if the business development officer that works out of the department in the regional areas was -- and most of them are really doing their job; they become that one-window shopping. I should relate to one employee that was in Medicine Hat, Mr. Vaughn Hullock, who recently retired, and he indeed did do that. He offered services to wherever he could direct them and however he could direct them, to various places within the department.

MR. CHAIRMAN: Excuse me, hon. member. Order in the committee, please. Cypress-Redcliff.

MR. HYLAND: Mr. Chairman, to the minister: some comments relating to free trade. The movement of cattle back and forth across the border, especially in the southern part of the province, which, I think, has a very big future: along with that comes the ability to slaughter the animals and process the carcasses. I wonder if the minister can make some comments relating to that.

I noted that we were part of a group that went to the U.S. and met with people in Montana from both Houses of their state Legislature along with people from the industry. I think we should do that more often, in that when we put people of various industries -- agriculture, transportation, et cetera -- together, they had great discussions on their own problems and differences, and I think they were able to solve them, at least those that were willing to listen and those that were willing to talk. There are some on both sides of the border that use the scare tactic related to what will happen to various industries. That's something we can't get over, but I think it's something we should look at in getting people from the industries on both

sides of the border together to develop that.

Mr. Chairman, I suppose if there is one thing wrong with free or enhanced trade, it's that in areas where we have free movement of trade back and forth across the borders and a lot of American investment, those areas seem to do well, but for some reason they seem to elect socialist members to the various Parliaments or Legislatures. That's one bad portion of free trade.

My last comment to the minister is that all the work that's been done in this province in diversification for our industry and in the bringing of people from other parts of Canada and the world into our province . . . I noted over the weekend that in the largest convention facility in this province, the number of people in attendance, what are they serving at the meals? Lactantia butter made in Quebec. I wonder what is happening when the largest facility in this province . . . It would have a profound effect on businesspeople, in conventions of businesspeople. What are we doing using products that are made outside this province when in almost any other restaurant in this capital city we can get butter made in Alberta? We have the Better Buy Alberta logo going on and all the work that those people are doing. I wonder just why this would happen.

Thank you.

MR. KOWALSKI: Mr. Chairman, I move that the committee rise, report progress, and beg leave to sit again.

[Motion carried]

[Mr. Speaker in the Chair]

MR. R. MOORE: Mr. Speaker, the Committee of Supply has had certain matters under consideration, reports progress thereon, and requests leave to sit again.

MR. SPEAKER: Having heard the report and the request for leave to sit again, does the House agree?

HON. MEMBERS: Agreed.

MR. KOWALSKI: Mr. Speaker, in view of the hour I suggest we adjourn and reconvene tomorrow at 2:30 o'clock.

[At 10:17 p.m. the House adjourned to Wednesday at 2:30 p.m.]

